



BNP PARIBAS
FORTIS

BNP Paribas Fortis Pillar 3 disclosures for the year 2014

Context

The purpose of Pillar 3 – market discipline, is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) with a set of disclosures completing the usual financial disclosures.

The Basel reform measures (known as Basel 3), approved in November 2010, will strengthen the ability of banks to withstand economic and financial shocks of all kinds by introducing a series of regulatory provisions. The content of this reform was transposed into European law in Directive 2013/36/EU (CRD 4) and Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which together constitute the corpus of texts known as “CRD IV”.

In application of article 13 of the Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), BNP Paribas Fortis is considered as a “significant subsidiary”. Being part of the Group BNP Paribas, BNP Paribas Fortis is not subject to a full reporting concerning the Pillar 3 disclosures but can limit its disclosures to the ones required by specific articles of the Regulation (EU) No. 575/2013 of 26 June 2013 (CRR). These disclosures include as well quantitative and qualitative information on the capital structure and on the capital requirements as information on the remuneration policies. The information on the capital structure and on the capital requirements is published partly in the Annual report 2014 of BNP Paribas Fortis in the note 4 ‘Risk Management and Capital adequacy’ (page 89-132) and partly in the Registration document of BNP Paribas in the appendix 3: Capital requirements of significant subsidiaries (page 371-372).

The Annual report 2014 of BNP Paribas Fortis is available under the following link:

https://www.bnpparibasfortis.com/docs/default-source/default-document-library/ar-2014-en_sec.pdf?sfvrsn=2

The Registration document of BNP Paribas for the year 2014 is available under the following link: https://invest.bnpparibas.com/sites/default/files/documents/ddr_2014_gb.pdf

In addition, some dedicated information relating to Pillar 3 of BNP Paribas Fortis at 31 December 2014 is disclosed below.



Loans with forbearance measures

The following table presents the carrying amounts of loans and receivables and of off-balance sheet commitments for which forbearance measures did not lead to the extinction of the initial debt. When the borrower meets financial difficulties, his exposures are reported as impaired. These exposures may become subject of restructuring measures and after an observation period certain exposures can be reclassified as non-impaired.

Following the clarification of the definition on loans with forbearance measures during 2014, the 2013 figures in the following table are not comparable with those of 2014.

In millions of euros	31 December 2014	31 December 2013
Loans and receivables (excluding repurchase agreements)	1 397	2 133
<i>Doubtful forborne loans - gross value</i>	756	1 812
<i>Doubtful forborne loans - specific provisions</i>	(286)	(637)
Doubtful forborne loans - net	470	1 175
Healthy forborne loans - net	927	958
Off - balance sheet commitments	27	186
Total	1 424	2 319

A restructuring due to financial difficulties of the borrower of an asset classified in the category 'Loans and receivables' is defined as a change in the terms and conditions of the initial transaction (e.g. a loan write-off, rescheduling of principal or interest, and/or modification of the contractual rate), which BNP Paribas Fortis is only prepared to consider for economic and legal reasons linked to the financial difficulties of the borrower. This is because it results in a reduced obligation of the customer towards the Bank compared to the terms and conditions of the transaction before the restructuring.

At the time of restructuring, a discount equal to the difference between the gross carrying amount of the loan and the discounted value at the initial effective interest rate (prior to the restructuring) is recognised as a reduction of the asset. The decrease in the asset value is recognised in profit and loss under 'Cost of risk'. At the end of future accounting periods, the discount will be reversed and recognised in the income statement within the interest margin over the expected lifetime of the asset and will increase the level of calculated interest as outlined in the repayment schedule defined at the time of the restructuring. In the end, the interest amount recognised as interest income corresponds to the interest calculated at the initial loan rate.

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit or loss under 'Cost of risk'.



Remuneration for financial year 2014 of employees whose professional activities have a material impact on the risk profile of BNP Paribas Fortis SA/NV

In accordance with European banking regulations, BNP Paribas Fortis SA/NV (hereafter 'the Bank') applies supervisory provisions on remuneration as laid down in European Directive CRD4¹ of 26 July 2013.

Thus, in 2014, the Bank's remuneration policy was revised to reflect the new provisions of the CRD4 directive, transposed into the Belgian Banking law of 25 April 2014, and the European Commission Delegated Regulation of 4 March 2014, supplementing the Directive with regulatory technical standards on identification criteria for employees whose professional activities have a material impact on the institution's risk profile ('Material Risk Takers' or 'MRTs'), and also to be aligned with remuneration policy of the BNP Paribas Group.

The changes to the Bank's remuneration policy mainly concern criteria for identifying MRTs, and the introduction of an individual variable remuneration cap in relation to fixed remuneration.

The number of employees identified is detailed p.12.

I. Governance

The BNP Paribas' remuneration guidelines and remuneration policy for MRTs are drawn up and proposed by Human Resources in association with the relevant businesses. They are presented to the Compliance, Risk and Finance Committee (CRIF) and the Risk Committee for advice, and then decided by General Management after presentation to the Remuneration Committee and approval by the Board of Directors. Since 2014, the General Shareholders Meeting is consulted on certain components.

A. Compliance, Risk and Finance Committee (CRIF)

The CRIF Committee is chaired by Mr. Filip Dierckx, Chief Operating Officer.

Remuneration 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 institution's risk management policy;
- consistency between variable remuneration practices and the need to manage the bank's capital base.

This Committee met three times with respect to the remuneration process for the year 2014.

¹ Capital Requirements Directive



B. Risk Committee

The Risk Committee is chaired by Mr. Dirk Boogmans.

In Order to promote sound remuneration practices and policies, the risk committee, without prejudice to the tasks of the remuneration committee examine whether the incentives provided by the remuneration system appropriately consider risk management, capital requirements and the liquidity position of BNP Paribas Fortis as well as the probability and the distribution over time of the profits.

The Risk Committee met two times to deliberate on the remuneration process for the year 2014.

C. Remuneration Committee

The Remuneration Committee is chaired by Mr. Herman Daems.

The committee provides a sound and independent judgement on the remuneration policies and reward practices and related incentives taking into account risk control, net equity needs and liquidity position and, more specifically, as follows:

- Advises the Board on the remuneration policy, particularly for employees whose activities have a material impact on the institution's risk profile
- Prepares decisions of the board of directors on remuneration, taking into account the long term interest of shareholders, investors and other parties having an interest, as well as to the general interest
- Audits the remuneration of the persons responsible for the independent control functions

The Remuneration Committee met three times to deliberate on the remuneration process for the year 2014. More detailed information can be found in the Annual Report (section: Governing bodies).

D. Audit and controls

The operating procedures implementing the Bank's remuneration policy are documented to provide an effective audit trail.

The internal audit (Inspection Générale) performs an annual, independent ex post facto review of the remuneration process to ensure that it complies in actual fact with the guidelines and procedures stipulated in the Bank's remuneration policy.

The review performed in 2014 by the internal audit team concerning the 2013 process, concluded, that the guidelines and regulations had been correctly applied. A summary of this review was brought to the attention of the Remuneration Committee.



II. BNP Paribas Fortis remuneration guidelines and policy for MRTs

A. Remuneration guidelines applicable to all employees of the Bank

Remuneration for the Bank's employees comprises a fixed component and a variable component.

1. Fixed remuneration

Fixed remuneration is intended to reward the fulfilment of the function's requirements, skills shown, respect of values and where appropriate, the application of the BNP Paribas Group's management principles.

It is set on the basis of the (local and/or métier) market and the principle of internal consistency specific to BNP Paribas Fortis, which is reflected in the wage practices or policy.

It is composed of a fixed base salary, which compensates the skills and responsibilities corresponding to the position held, and where appropriate fixed pay supplements linked to specific jobs (e.g. senior plan) and/or resulting from specific experience (e.g. experience plan).

Individual increases are awarded based on the principles of:

- equitable treatment
- strict delegation rules
- a systematic double-check by line management and the HR department.

2. Variable remuneration

Variable remuneration rewards employees for their performance during the year based on the achievement of quantitative and qualitative targets that are measured through observed performance and individual assessments with regard to the fixed objectives. It takes into account the local and/or professional market practices, the profits generated by the activity and the achievement of quantitative and qualitative targets. It is set every year in accordance with the remuneration policy for the year in question and the governance principles.

Variable remuneration is determined so as to avoid the introduction of incentives that could lead to conflicts of interest between employees and customers, or non-compliance with the rules of good conduct. In addition, variable remuneration may also consist of a medium- or long-term retention plan, or any other suitable instrument aimed at motivating and building the loyalty of the Group's key executives and high potential employees, by giving them an interest in the growth of the value created.

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



3. The annual remuneration review process

Remuneration adjustments are managed through an annual process across the Bank and via a centralized system that enables Management to obtain at any time updated proposals within the Bank, particularly for all MRTs, and to oversee the process until individual decisions are taken and announced, based on the economic climate, the institution's results and market conditions.

4. Other elements relating to the remuneration policy

An advance guarantee of payment of variable remuneration is prohibited. However, in the context of hiring, especially to attract a candidate with a key skill, the allocation of variable remuneration may be guaranteed on an exceptional basis the first year; this award shall in any event be subject to the same conditions as variable remuneration (i.e. with a deferred portion, indexing, and performance conditions where appropriate).

Hedging or insurance coverage by beneficiaries of risk related to share price fluctuation or the profitability of business lines, aimed at eliminating the uncertainties related to their deferred remuneration or during the vesting period, is prohibited.

Buyout awards to newly hired experienced executives will be paid according to a schedule and under conditions as equivalent as possible to the initial vesting dates and conditions of the repurchased instruments and in accordance with the payment and behavioral conditions stipulated in the framework of the BNP Paribas Fortis' deferred compensation plan in effect at the time of the buyout awards to these employees.

Any severance payment served to members of the Management Body and the regulated staff is in line with the provision of the Belgian Banking law of 25 April 2014.

B. Remuneration policy for MRTs

1. Scope

MRTs are identified according to criteria defined by the European Banking Authority (EBA²) in its Regulatory Technical Standards and the Belgian Banking law of 25 April 2014, as well as on the basis of the additional criteria stipulated by the Group, according to the following methodology:

At Bank level

- the Bank's governing body: executive and non-executive managers,
- the other members of the Bank's Executive Committee,
- the heads at Bank level of Finance, Human Resources, Remuneration Policy, Legal Affairs, Fiscal Affairs, IT, and Economic Analysis,
- within the Compliance and internal audit functions: the head at Bank level and the managers directly under this person,

² European Banking Authority



- within the Risk function, the head at Bank level, the managers who directly report to this person, as well as the other Executive Committee members for this function,
- the managing heads of activities, retail banking operational entities and businesses whose activities have a material impact on the Group's risk profile.

At the level of the Bank's main business lines defined as the Cash Generating Units (CGT) consuming the most capital:

- the head and the managers directly under this person,
- the head of risk and the managers directly under this person.

By virtue of risk criteria

- employees with delegations on credit that exceed certain thresholds and those with authority to approve or veto credit decisions,
- employees with the authority to initiate transactions of which the Value at Risk (VaR) exceeds certain thresholds (and those who have authority to approve or veto this type of transaction),
- members of committees with authority to accept or veto transactions, operations or new products,
- managers whose cumulated delegations for their direct employees exceed the threshold for credit risk.

By virtue of the remuneration level

Furthermore, the list also includes employees whose total annual remuneration for the preceding year exceeds certain absolute thresholds (EUR 500 000) or relative thresholds (within the 0.3% of best paid staff), and whose professional activity has a material impact on the Group's risk profile.

2. Determination of bonus pools and breakdown by business line

a/ The BNP Paribas Fortis New Reward Model (NRM)

The NRM is applicable to all business areas and contains one individual part tied to performance results and risk/risk management objectives.

For the CLA population estimates are made taking into account the prior year's scoring experiences, the decision for the managers is based on business performance as well as risk performance.

b/ CIB Specific bonus pools

In the context of strict oversight of remuneration for all Global Markets staff (Fixed Income, Global Equity & Commodities Derivatives activities, except Cash Equity), the variable remuneration pool for these business lines is determined on Group level by taking account of all components of earnings and risk, including:

- direct revenues;
- direct and indirect costs allocated to the business line;



- refinancing cost billed internally (including actual cost of liquidity);
- the cost of risk generated by the business line;
- preferred return on capital allocated to the activity.

The bonus pools thus calculated are distributed among the Global Markets business lines on the basis of clearly defined and documented criteria specific to each business line or team, which reflect:

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

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

- ongoing control, compliance and respect for procedures;
- team spirit within the business line 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 remuneration review process.

c/ The Bank's other business lines

Variable remuneration pools for the Bank's other business lines are set notably on the basis of the performance profile of the business line as a whole after taking into account risk), as well as on the basis of market practices.

d/ Pools for support and control functions

Variable remuneration pools for these functions are determined independently of the performance of the business lines whose operations they validate or verify, but taking into account, to a limited extent and where appropriate, specific job market situations.

3. Individual awards

Individual allocations (no individual contractual formula) are based on:

- the performance of the team to which the individual belongs and his or her individual performance (performance is measured depending on the profit level and risk level linked to this profit),
- assessments (a mandatory annual individual assessment performed by the line manager), which simultaneously evaluates:
 - qualitative achievements in relation to objectives set;
 - professional conduct with respect to the Group's values, compliance requirements and procedures;
 - contribution to risk management, including operational risk;
 - the person's managerial conduct where applicable.



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

Individual awards for employees of support functions and control functions are made in accordance with these guidelines and independently of the performance of the business lines controlled by the employees. Furthermore, particular emphasis is given to the employee's contribution to risk management during the annual assessment process.

Thus, risk and risk measurement are taken into account in the process of determining pools and of sub-allocating variable remuneration pools to the business lines; they also serve as assessment criteria in the process of assessing and allocating individual variable remuneration awards; furthermore, they help strengthen the risk culture of all staff members.

4. Payment of variable remuneration

For MRTs, variable remuneration includes a non-deferred portion and a deferred portion. The deferred portion increases in proportion to increases in the amount of variable remuneration, according to a scale set each year by Executive Management of BNP Paribas Group, ranging from at least 40% to 60% for the highest variable remuneration amounts.

In accordance with regulatory requirements, variable remuneration (including both the deferred and non-deferred portions) is paid as follows:

- half in cash;
- half in cash indexed on the BNP Paribas share price, at the end of a vesting period.

Indexing on the share price has a dual purpose: to align the recipients' interests with those of shareholders, and to ensure solidarity with the institution's overall performance results.

The payment of bonuses subject to deferral is spread over seven payment dates, with the last payment in September 2018, i.e. three years and nine months after the reference year for determining the variable remuneration awards.

The deferred portion vests progressively over the three years following the year of award, subject to achieving the business line, activity and Group financial performance targets and meeting the behavioral criteria set at the time of award.

Vesting of each annual portion is thus conditional upon evidence of achieving the conditions set at the time of the initial award on each annual vesting date, based on the profitability level of the business line and/or activity, and/or the Group as a whole. These conditions are 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 conduct with the institution's strategy and interests. If these conditions are not met during the course of a financial year, the annual deferred portion is lost ('Malus').



According to the application of the proportionality principle and for administrative purposes, if total variable compensation is inferior to EUR 75,000, the deferred part on the bonus is paid at the award date.

Some MRTs are also beneficiaries of a fully deferred three-and-a-half-year retention scheme in the form of a contingent capital instrument whose payment is subject to the absence of regulatory resolution measures and keeping the BNP Paribas Group's CET1³ ratio under 7%.

In case of dismissal for misconduct, particularly when the employee's action involves the breach of risk control or compliance rules, dissimulation or an action that resulted in a distortion of the conditions under which previously allocated awards were set, all or part of the rights to the deferred portions of the previously allocated variable remuneration awards and/or to components of variable remuneration already paid shall be lost (subject to compliance with local labor law).

Finally, the variable remuneration of employees working in capital market activities, not included in the category of MRTs, continues to be strictly controlled and subject to payment rules including deferral, indexation and payment conditions arrangements.

5. Fixed remuneration

Fixed remuneration for MRTs, as for other employees, is defined in relation to the employee's skills and experience and the local job market, among other criteria.

6. Ratio between variable and fixed remuneration

According to Belgian Banking law, the variable remuneration paid to an employee including in the MRT category is limited to the highest of 50% of his or her fixed remuneration or 50.000 EUR gross.

7. Scope of application and local rules

The provisions described above are generally applicable to the Bank's MRTs. Special provisions, sometimes more restrictive in particular concerning payment conditions of variable remuneration or the ratio, may apply to MRTs in certain countries, due in part to the local transposition of CRD4 rules.

8. Directors and corporate officers

Finally, the variable remuneration of the Bank's directors and corporate officers is determined in compliance with the principles set out above applicable to all Bank MRTs and in accordance with the terms and conditions proposed by the Remuneration Committee and adopted by BNP Paribas Fortis' Board of Directors. Specific remuneration principles and policy applicable to the Bank's directors and corporate officers are detailed in the Annual Financial Report 2014.

³ The Group's Common Equity Tier 1 stood at 10.3% on 31/12/2014



III. Quantitative information on remuneration awarded to MRTs for the 2014 financial year

A. Aggregate data

1. Bank employees whose 2014 remuneration is subject to oversight rules

A total of 227 employees of the bank, including the foreign branches, have been identified as MRT's.

2. Remuneration of MRT employees in 2014

The quantitative information set out below concerns the remuneration awarded for the year 2014 to employees identified as MRTs at Bank level within the meaning of CRD4 and the Belgian banking law, but does not reflect remuneration awarded to other employees whose remuneration is also subject to oversight.

Remuneration data for directors and corporate officers of BNP Paribas Fortis are included, in aggregate, in the quantitative information shown below. The table shown below includes the fair market value of the long-term compensation plan awarded to corporate officers in 2015.

Compensation awarded to MRTs for the financial year 2014 breaks down as follows:

In thousands of euros, excluding employer contributions	Number of people concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
Executive body – Directors and corporate officers	6	4 696	3 694	1 002
Other MRTs	221	56 517	43 614	12 903
Total	227	61 213	47 308	13 905

The amount of variable remuneration paid in cash in April 2015 for financial year 2014 to 2014 MRT employees equals € 5,8 million. The balance of variable remuneration (i.e. a theoretical amount of EUR 8 million), is spread out over seven conditional payments between September 2015 and September 2018.



B. Other data within the 2014 regulated scope (in thousands of euros excluding employer contributions)

1. Structure of the variable component of remuneration

	Vested amount paid or delivered	Conditional deferred amount*
Executive Body	355	647
Other regulated employees	5 513	7 390
Total	5 868	8 037

*spread out for deferred bonus over seven payments between September 2015 and September 2018, including EUR 3,9 million in September 2015.

	Payment in cash	Payment in shares or equivalent instruments
Executive Body	370	632
Other regulated employees	6 566	6 338
Total	6 936	6 970

2. Unvested variable remuneration

	Amount of unvested deferred compensation for the year	Amount of unvested deferred compensation for previous years
Executive Body	647	1 350
Other regulated employees	7 390	12 836
Total	8 037	14 186

This table includes the fair market value of the long-term compensation plans awarded to directors and corporate officers between 2011 and 2014.



3. Deferred remuneration paid or reduced as a result of the year's performance

	Amount of deferred compensation paid	Amount of reductions of deferred compensation
Executive Body	1 239	-
Other regulated employees	13 696	-
Total	14 935	-

4. 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 Body	114	1	-	-
Other regulated employees	-	-	-	-

5. Severance benefit guarantees

	Severance benefit guarantees granted during the year	
	Total amount	Number of beneficiaries
Executive Body	-	-
Other regulated employees	-	-

	Highest guarantee
Executive Body	-
Other regulated employees	-



6. Number of MRT employees whose total remuneration for 2014 exceeded EUR 1 million

Total compensation	Number of MRTs for the year 2014
Between EUR 1 million and EUR 1.5 million	3
Between EUR 1.5 million and EUR 2 million	1
Between EUR 2 million and EUR 2.5 million	-
Between EUR 2.5 million and EUR 3 million	-
Between EUR 3 million and EUR 3.5 million	-
Between EUR 3.5 million and EUR 4 million	-
Between EUR 4 million and EUR 4.5 million	-
Between EUR 4.5 million and EUR 5 million	-