

À-PROPOS

FRENCH BANKING SECTOR

MARCH 2018

BANKING IS ONE OF FRANCE'S STRENGTHS, A COMPETITIVE ADVANTAGE FOR THE COUNTRY AND THE FINANCING OF ITS ECONOMY

« Banking is one of the six major assets of the French economy »

OECD (OECD Economic reports, France 2015).

A SECTOR OF GLOBAL EXCELLENCE

France's banking groups are among the market leaders both in Europe and internationally.

4 French banks are ranked among the euro zone's top 9 and 4 also rank among the world's 20 largest banks by balance sheet assets.

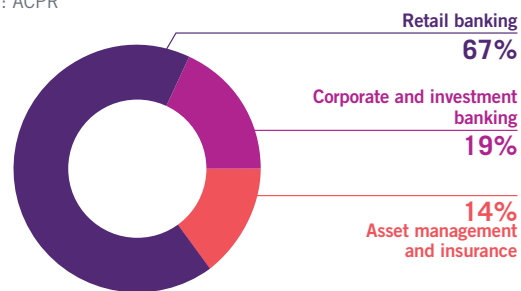
AN ORIGINAL AND RESILIENT ECONOMIC MODEL

The French banking industry is notable for its original universal banking model. A single bank offers a full range of financial business lines: retail banking, specialist finance, corporate and investment banking, asset management and insurance...

... to meet the needs of all its customers: individuals, professionals, SMEs, large corporates, financial institutions, local authorities and national governments...

Breakdown of net banking income by core business line in 2016

Source : ACPR



RECOGNISED FINANCIAL STRENGTH

The big French banks have more than doubled their "core" capital to comply with new capital adequacy rules, from **5.8%** in 2008 to **13.2%** in 2016 (ACPR).

Non-performing loans were just **3.2%** in France in the 3rd quarter of 2017, compared to **4.2%** in the European Union and **11.8%** in Italy (EBA, Risk Dashboard).

PROFITABILITY UNDER PRESSURE

Regulatory constraints, stuttering growth and the low interest rate environment are putting pressure on the banking sector's margins (**6,5%** in 2016, ACPR).

Banks contribute to about **14.8 billion euros** of taxations, taxes and contributions in 2016 (excluding social security contributions).

Furthermore, banking employment is directly affected by the payroll taxes which are very heavy: **2 billion euros per year, on average.**

Between 2010 and 2017, French banks had to support extra charges (social security, tax, contributions to resolution funds) estimated to **more than 12 billion euros.**

THE ENGINE OF FINANCE FOR THE ECONOMY AND GROWTH

French banks finance the individuals, helping them afford the everyday necessities of life (housing, cars, studies, etc.), and French companies, helping them carry on their business (investment, cash management, innovation, international currency, etc.).

In France, **60%** of the economy's finance comes from the banks, compared to 30% in the USA.

At the end of 2017, corporate loans represent **965 billion euros**, growing at an annual rate of **+6.2%**, the best performance in the euro zone (+ 1.9%).

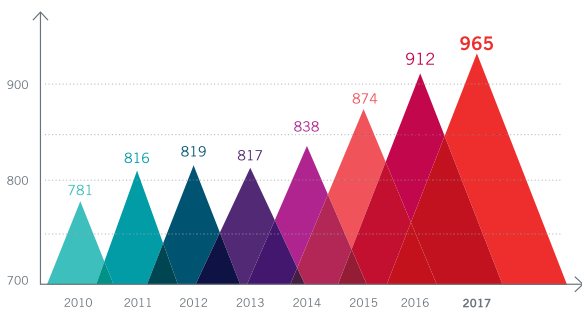
Small and medium-sized businesses are big users of bank finance. **96%** have applied for and been granted investment loans. For mid-scale companies, **7 out of 10 short-term loans** are approved.

At the end of 2017, household loans represent **1,160 billion euros (+6.5% in a year)**, including **954 billion euros** in mortgage finance for housing. **47.8%** of households hold at least one credit in 2017.

SMEs are enjoying good interest rates on investment loans (1.75% versus an average 2.11% across the wider euro zone⁽¹⁾) and households can get good mortgage rates to buy homes (1.61% based on rates being charged in December compared to 2.19% at the start of 2016⁽²⁾).

Outstanding loans to businesses

in bn€ - Source : BdF - Stat Info Crédits aux SNF



(Banque de France, ECB at end-December 2017; Household Lending Watch 2018)

(1) Rate on new loans of under 1 million euros fixed for less than 1 year - ECB December 2016.

(2) Rate on new loans, all maturities, all amounts - Banque de France December 2017

CONFIDENCE GROUNDED IN INNOVATION AND SECURITY

Banks are digital businesses and innovation is in their DNA. The use of mobile apps and online banking are expanding rapidly and driving ever greater use of digital technologies for all everyday banking services.

Security and confidence are essential assets for banks and the bedrock of their customer relations.



78%
OF PEOPLE SURVEYED
CHECK THEIR BALANCE ONLINE.

(BVA Bank Image Report 2017).