

À-PROPOS

FRENCH BANKING SECTOR

MARCH 2017

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 10 and 4 also rank among the world's 20 largest banks by balance sheet assets.

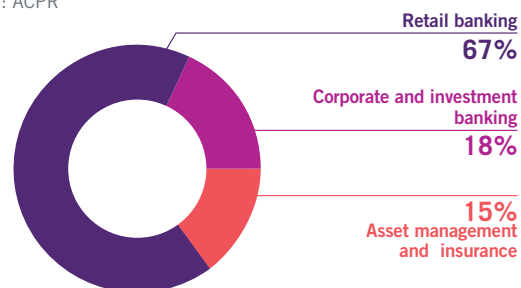
AN ORIGINAL AND RESILIENT ECONOMIC MODEL

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 2015

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 **12%** in 2015 (ACPR).

Non-performing loans were just **4%** in France in 2015, compared to **5.7%** in the euro zone and **18%** in Italy. (IMF, Global Financial Stability Report)

PROFITABILITY UNDER PRESSURE

Regulatory constraints, stuttering growth and the low interest rate environment are putting pressure on the banking sector's margins (**6,7%** in 2015, Prudential Supervision and Resolution Authority).

The tax burden carried by the industry has climbed to 51% of net profit before tax. Between 2010 and

2017, French banks had to find **12.1 billion euros** in extra charges (social security, tax, contributions to resolution funds), on top of specific targeted taxes, including a salary tax, which has no parallel anywhere else in the world and costs **2.1 billion euros** a year.

THE ENGINE OF FINANCE FOR THE ECONOMY AND GROWTH

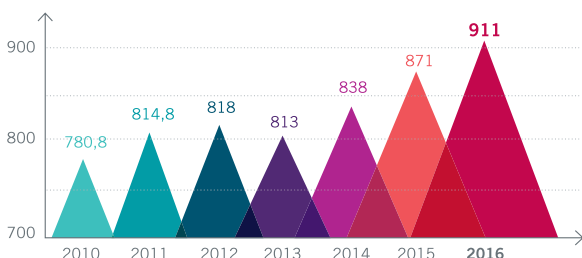
French banks finance the individuals, helping them afford the everyday necessities of life (housing, cars, studies, etc.), and French companies, helping them carry on their business (investment, cash management, innovation, international currency, etc.).

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

Corporate loans: **911 billion euros**, growing at an annual rate of **+4.9%**, the best performance in the euro zone (+ 2%).

Outstanding loans to businesses

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



Small and medium-sized businesses are big users of bank finance. More than **9 SMEs out of 10** have applied for and been granted investment loans. For mid-scale companies, **7 out of 10 short-term loans** are approved.

Household loans: **1,096 billion euros (+4.5% in a year)**, including **899 billion euros** in mortgage finance for housing. **46.4%** of households have some sort of loan.

SMEs are enjoying good interest rates on investment loans (1.86% versus an average 2.31% across the wider euro zone⁽¹⁾) and households can get good mortgage rates to buy homes (1.50% based on rates being charged in September compared to 2.18% at the start of 2016⁽²⁾).

(Banque de France, ECB at end-December 2016; Household Lending Watch 2017)

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

(2) Average interest rates for a 17.5 year home purchase loan.

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.

79% OF PEOPLE SURVEYED CHECK THEIR BALANCE ONLINE, + 5 POINTS VS 2015

(BVA Bank Image Report 2016).