

FRENCH BANKS SUPPORT THE ECONOMY AND GROWTH

FRENCH BANKS FINANCE THEIR CUSTOMERS' PROJECTS

Banks finance the French economy

- Since the start of the crisis, French banks have done more to support businesses than banks in other European countries. Outstanding loans to businesses have risen sharply in France while they have fallen across the eurozone as a whole, even in Germany.
- French banks have played a counter-cyclical role since 2009 and growth in lending has systematically exceeded GDP growth.

Overall lending growth in France is very satisfactory

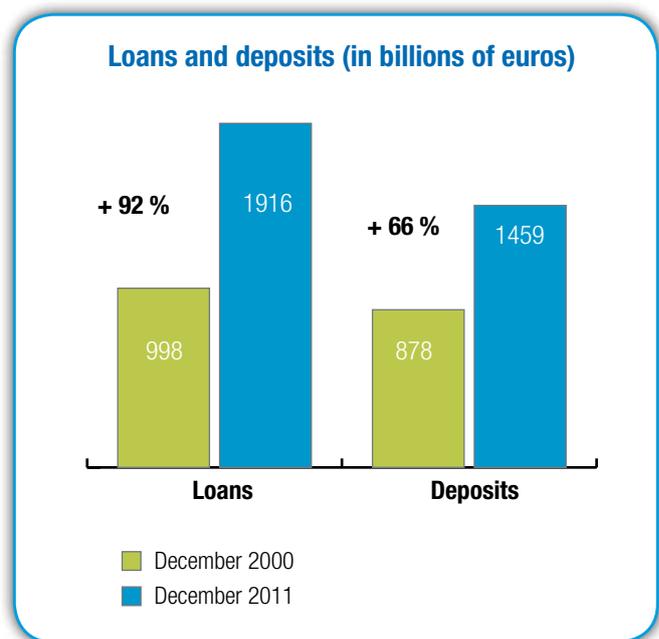
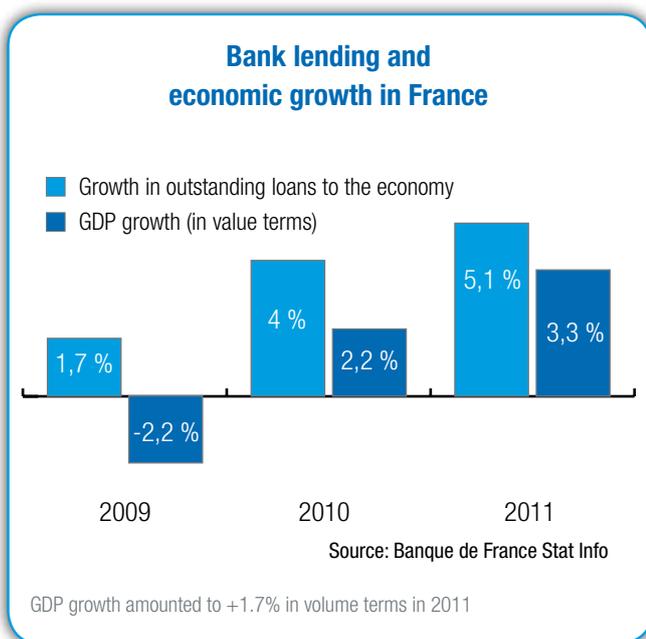
- The total amount of loans granted to French households is considerable, especially for home loans.

- Growth in lending to non-financial firms remains strong, with loans covering both their immediate cash requirements and their investments. Total loans to businesses amount to some EUR 815 billion, and this amount is rising at an annual rate of +4.4% (+1.2% in 2010).

- Micro-enterprises and SMEs are also benefiting from this trend, with total outstanding loans up +4.9% at end-December 2011, and short-term loans up 5%.

- All customer deposits are used to fund loans to businesses and individuals in France: at end-December 2011, deposits amounted to EUR 1,459 billion, while loans totalled EUR 1,922 billion.

- Banks borrow additional amounts on the markets to help finance the economy. In ten years, the growth in bank lending has significantly outpaced the increase in deposits: outstanding loans rose by 93% while deposits increased by 66% (Source: Banque de France).



QUALITY BANKING SERVICES FOR ALL

Local services

Nearly **99% of French people have a bank account**. This high figure is largely due to the particularly dense network of banks across the country: there are nearly 39,000 bank branches in France, including Banque Postale outlets, according to the 2010 report published by the ACP (the Prudential Supervisory Authority). This gives France one of the largest banking networks among the 27 EU countries, with around 600 branches per 1 million people (*source: ECB Payment Statistics, October 2011*).

A wide range of products and services

French banks offer their customers a full range of payment solutions as well as savings accounts and loans. French people benefit from a wide variety of quality banking services, a truly local presence and multi-channel access. These services can be adapted to each person's situation, including those on a tight budget.

Competitive tariffs

Bank fees are showing moderate growth in France, according to a survey carried out by the consumer association CLVC. Over the long term, bank tariffs have risen by less than inflation and the overall price of services in France (*Source: «Observatoire des Tarifs bancaires» (review of bank fees), November 2011*).

According to the national statistics office, INSEE, in 2011 financial services accounted for 0.66% of the average household budget.

Constant service innovation

French banks are constantly innovating in terms of payment solutions, transaction security, contactless payments, etc. in order to guarantee the successful completion of the growing number of transactions carried out by their customers every day.

Banking is one of the sectors that invests the most in information and communication technology: 16% of IT spending worldwide is by banks, with investments totaling USD 396 billion in 2010 (+4.60% in one year) (*Source: Gartner survey*).

While cheque payments are falling (-5% in one year), card and direct debit payments are rising steadily.

- French people had over 59.8 million CB bank cards at the end of 2010 (+2.3% in one year) (*Source: CB bank card consortium*)
- 17 billion retail payments were made in France in 2010 (*Source: Banque de France*), an increase of 3.9% in one year.

French banks have also considerably improved their price transparency and made it easier to compare tariffs, so that customers know how much their transactions cost. They send out an annual fee statement. A special service makes it easier for customers to change banks free of charge.

Banks efforts are seen positively by their customers:

- **60%** of French people think it is easy to find out how much a banking transaction costs
- **61%** of French people know how much their bank costs them
- **55%** of French people think it is easy to change banks
- **75%** have a positive image of their bank, and 71% are satisfied with their customer adviser

(Source: IFOP survey on the image of banks, 2011)

BANKS SUPPORT THE ECONOMY IN OTHER WAYS

The crucial role played by corporate and investment banks

Corporate and investment banks have three main missions:

- To be the financial partner of large firms and exporters
- To help businesses and governments raise capital
- To buy, sell and trade on the financial markets

These activities serve the real economy: they are mainly carried out to meet customers' requirements. Direct access to the financial markets is a crucial component of national sovereignty in terms of the competitiveness of French firms.

One of the largest private sectors

The value added generated by banks amounts to 2.8% of GDP, in addition to the share of GDP created indirectly by this sector, which is a big user of IT services and consultancies (lawyers, audit, advertising, etc.) and the significant contribution to growth arising from banks' role in financing the economy.

Specific contributions

Banks contribute directly to the government's budget via the corporate taxes paid by all companies. They also make additional contributions via specific banking taxes, some of which have been introduced very recently: payroll taxes, the systemic risk tax and the tax to fund the ACP and the AMF (supervisory and market regulators).

For 2011, these specific taxes are estimated at EUR 2.5 billion, and this figure is set to increase in the next few years with the introduction of the financial transaction tax and social VAT measures.

One of the biggest private-sector employers

372,000 people worked in banks in 2011, with new hires amounting to around 8.5% of this total, or over 30,000 employees.

The vast majority of new hires were for permanent positions. 70% of new employees were under 30 years old.

Employee training amounts to EUR 650 million per year, or 4% of banks' total wage bill (vs. an average of 3% in France). Three out of four bank employees attend at least one training course each year.

A special place for young workers

- **Banks are committed to work-based learning programmes**

In 2010, banks offered work-based learning programmes, apprenticeships and professional training contracts to over 8,300 people.

- **Access to banking jobs for unqualified young workers is improving**

Experimental initiatives have been set up under agreements between the AFPA and the CFPB vocational training bodies. These initiatives have enabled several hundred unqualified young workers to find a job in banking.

An economic sector undergoing considerable change

The crisis of 2008-2009 highlighted the need to strengthen the banking and financial system at an international level. Significant progress has been made, notably within the G20 framework. Tangible effects are being seen and international reform is now largely under way.

In Europe and France, these regulatory developments have given rise to a number of directives and regulations.

French banks are robust and are using their own resources to meet the tighter regulatory requirements, without calling on government support. They are notably retaining a large portion of their earnings in order to comply with the new capital requirements imposed by the Basel III framework. However, these new requirements are having an impact on lending: to lend the same amount of money banks will have to allocate twice the amount of capital.

1. Source: AFB (the French Banking Association)

THE ROLE PLAYED BY BANKS IN FRENCH SOCIETY

Banks create social ties

Banks provide crucial support to associations. The banking system plays a key role in sponsoring the social economy, investing over EUR 150 million nationwide in charitable initiatives such as inner-city projects, the *Restos du Coeur* charity for homeless people, local schemes, insertion into employment and economic development, etc. They also back international charities.

Promoting microfinance

Thanks to the varied and often complementary actions taken by banks, associations across France are now able to find a banking partner regardless of where they are located.

Close involvement with the world of education

Banking is a service activity that relies heavily on knowledge and expertise. The banking sector plays an essential role in helping people climb the social ladder, in particular via vocational training. Banks actively support education by funding several dozen research chairs and sponsoring over a thousand teaching establishments, including business and engineering schools, universities and secondary schools and colleges in deprived urban areas.

A leading role in financial education

Since 2004 the FBF has been leading a financial education and awareness programme for the general public and associations with a dedicated website and a series of mini-guides. The «Centre d'Information Bancaire» (Banking Information Centre) aims to help French people find out more about financial products and services and understand them so they can better manage their relationship with their bank.

Long-term sponsors of sports events

Banks are also active locally through their sponsorship of sports events: BNP Paribas supports tennis, Société Générale sponsors rugby, LCL backs cycling, the Banques Populaires supports sailing, Crédit Agricole backs football and the Caisses d'Épargne and Crédit Mutuel-CIC sponsor athletics.

This support extends from family sports events to major competitions. The social aspect is a key component of banks' investment in French sports.

Total sports sponsorship amounts to an average of over EUR 100 million per year.

Support for cultural events

French banks are also involved in cultural events and protecting the environment. Certain banks invest several million euros in cultural initiatives each year, for example supporting contemporary art and protecting local heritage. The banking sector invests over EUR 10 million a year in this area.

