

INTERNATIONAL SAVINGS BANKS

21 July 2020

The Savings Banks Organisation in France

The first French savings bank was founded in Paris on May 22 1818. As early as the 19th century, the promotion of the regional common good, including in the areas of social welfare and health promotion, was an important part of the tasks of the savings banks (comparable to the public mission of the German savings banks).

Since 1950, savings banks have also been allowed to grant loans to municipalities. Since 01.01.2000 the savings banks have been cooperative credit institutions under private law. The cooperative shares were sold to local savings companies, which are now the owners of the savings banks, therefore there is a regional connection. The income for the state from the sale of the savings bank shares in the amount of approximately 2.4 billion Euro was used to support the pension fund.

A special feature in France is the merger of the 15 savings banks (Caisse d'Epargne) with the 14 Volksbanken (Banques populaires) to form a group - the Banques Populaires Caisse d'Epargne (BPCE). This is one of the four largest French banks.

Author:

Jana Gieseler - DSGVO

The French banking market

In macroeconomic terms, the importance of the banking sector in France is above-average compared with other European countries. In 2019, the balance sheet total of all banks was approximately 3.4 times the country's overall economic output. By comparison, the European average was 2.4 times the GDP. With 1,892 inhabitants per branch, the bank branch network in France is well above average. In comparison, the European average is 3,145 inhabitants per branch (see charts 1 and 2).

In 2019 the portfolio of loans at risk of default at French banks stood at 2.5% slightly below the average of 2.7% in other European countries. The cost-income-ratio of French banks in 2019 was 72%, which was above the level of other European countries. Profitability, measured by return on equity, was also above the level of other European banks in 2019 (see charts 3 and 4).

In 1984, the French banking and financial sector was deregulated by the banking act. Since then, a number of mergers have led to the emergence of major banks. In terms of total assets, three French banks are now among the twenty largest banks in the world (BNP Paribas, Crédit Agricole and Société Générale – see Table 1).

During the financial crisis, the French state supported the banks with around EUR 20 billion. The ECB stress test in 2014 showed that no French bank would have to raise additional capital. In its final report on the 2019 Article IV Mission, the IMF praised the authorities' progress in strengthening the resilience of the financial system. The IMF stressed the need to continue to do so and to closely monitor systemic risk. Given the global importance and complexity of the French financial system, further integration of supervision and oversight at conglomerate level was called for to strengthen liquidity risk management in conglomerates and ensure an adequate liquidity buffer.

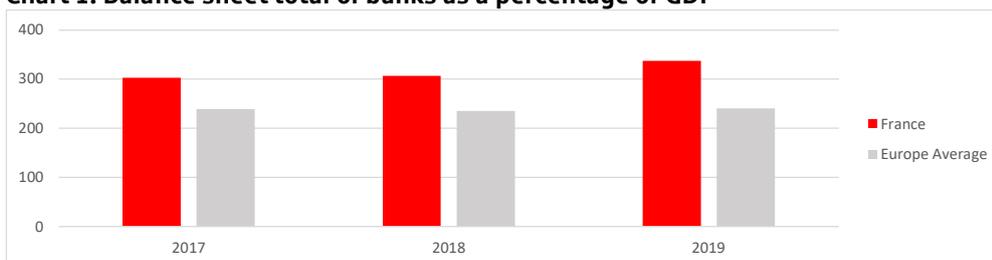
A special feature of the French banking market are the state-subsidised savings books (e.g. Livret A). The fixed interest rates for these savings deposits (currently 0.5%) are above the market level and the income is tax and social security free. However, the investment volume per passbook is limited (currently EUR 22,950) and is used to finance social housing construction.

Table 1: The largest French banks by balance sheet total

Group	2019	2018	2017
BNP Paribas	2,165	2,041	1,960
Credit Agricole Group	1,768	1,624	1,550
Societe Generale	1,356	1,309	1,275
Groupe BPCE	1,338	1,274	1,260

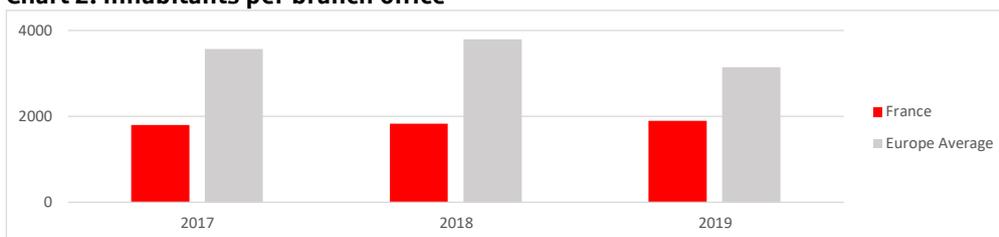
Source: Financial Report 2019 of the respective group, in billion euros

Chart 1: Balance sheet total of banks as a percentage of GDP



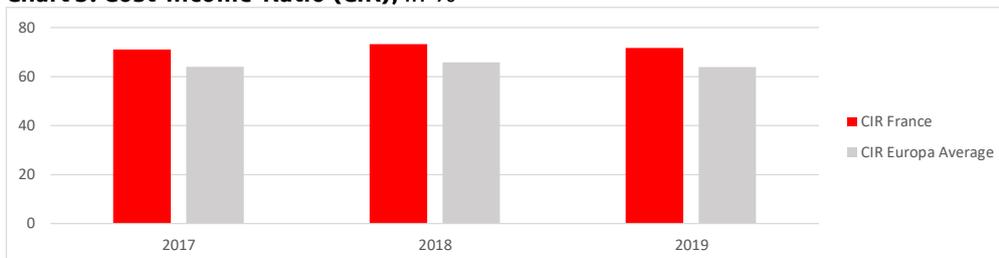
Source: European Central Bank 2020, own calculations

Chart 2: Inhabitants per branch office



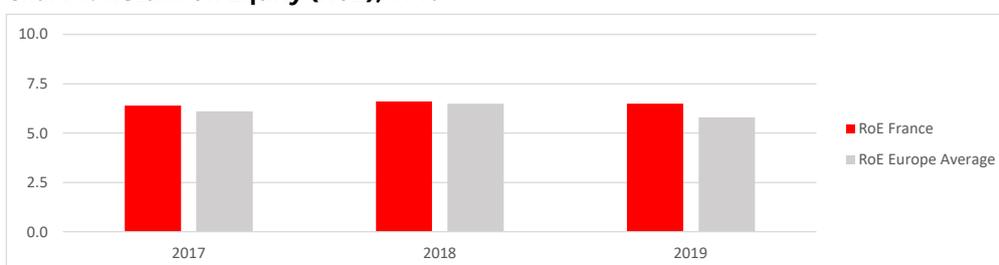
Source: European Central Bank, Eurostat 2020, own calculations

Chart 3: Cost-Income-Ratio (CIR), in %



Source: European Central Bank, 2020

Chart 4: Return on Equity (RoE), in %



Source: EBA Dashboard, 2019

The French savings banks - Caisse d'Épargne

The first French savings bank was founded in Paris on 22 May 1818. The savings banks, which were created from private initiative, were intended to make savings accessible to broad sections of the population. Savings deposits were transferred to the Caisse des Dépôts, which used them for public financing and paid a remuneration to the savings banks in return. Already in the 19th century, the promotion of the regional common good, including in the areas of social welfare and health promotion, was an important part of the tasks of the savings banks (comparable to the public mission of the German savings banks). Since 1950, savings banks have also been allowed to grant loans to municipalities.

In 2006, the cooperation between the French savings banks (Caisse d'Épargne) and the Volksbanken (Banques Populaires) started with the foundation of a joint subsidiary - Natixis. Numerous mergers in 2007 and 2008 reduced the number of French savings banks to 15 institutions. In 2009, the French savings and co-operative banks merged to form Groupe BPCE. The primary level of the 15 Caisses d'Épargne and 14 Banques Populaires will continue under the existing brands.

In August 2013, Groupe BPCE undertook an internal reorganisation and a rectification of its financial links. Until then, Natixis held 20% each of the shares in the savings banks and Volksbanken through non-voting "Certificats d'investissement coopératifs" (CIC). Through a successful buy-back of the CICs, the local savings companies once again became 100% owners of the savings banks.

On May 1 2017, the Caisse d'Épargne Nord Fance Europe and Caisse d'Épargne Picardie savings banks merged and became Sparkasse d'Épargne Hauts de France. On December 5 2017, Banque Populaire Atlantique and Banque Populaire de l'Ouest merged to form Banque Populaire Grand Ouest. Merger talks between Caisse d'Épargne d'Alsace and Caisse d'Épargne Lorraine Champagne-Ardenne began in May 2017. The merger was completed in June 2018.

Table 2: Structural characteristics of French savings banks

Legal form	Since 01.01.2000 private-law cooperative credit institutions in accordance with the law of 25 June 1999 (previously: foundation-like legal form under private law). The cooperative shares were sold (for information on the purchasers see shareholders) and the income (approx. Euro 2.4 billion) was used by the state to support the pension fund.
Shareholders	100% local savings companies (Sociétés Locales d'Epargne), whose shareholders include customers, employees and regional corporations. Cooperative principle: one member - one vote. The savings bank group currently has around 4.54 million cooperative shareholders in 208 savings banks. The maximum share of a local authority in a savings company is 20%. The supervisory board of a Caisse d'Epargne is elected from among the cooperative shareholders at the annual general meeting. Local savings companies may not conduct their own banking business.
Business-activities	With the implementation of the 1984 General Banking Law, savings banks became true universal banks and were thus placed on an equal footing with other French banks in terms of their business activities. Today, the French savings banks play an important role in the financing of private customers, small and medium-sized commercial customers and in social housing construction.
Regional principle	Yes (savings banks); anchored in articles of association.

Public welfare orientation Since the beginning of 2009 (Livret A approved for distribution by all banks) no longer a legally anchored public welfare orientation. Since then, the Savings Banks have committed themselves to allocating 1% of net interest and commission income before risk costs to tasks in the public interest.

In 2019, the French savings banks donated a total of EUR 31.6m (previous year: EUR 31.3m) for a total of 1,135 (previous year: 1,132) social, cultural or charitable projects at local level.

In addition, under Article L.512-85 of the French Monetary and Financial Code, savings banks are required to promote social housing and regional economic development and to provide access to financial services for all.

Management The savings banks are managed by an executive board (directoire) of 2 to 5 members proposed by the Supervisory Board (COS - conseil de surveillance), whose appointment is subject to the approval of BPCE, the central institution of the savings banks. Of the 19 members of the Supervisory Board, at least 11 and a maximum of 15 are elected by the General Meeting of Shareholders, 1 to 3 by the local authorities and the same number by the employees.

Table 3: Structural indicators of French savings banks

	2019
Customers (in millions)	18.6
Cooperative shareholders (in millions)	4.5
Employees	34,300
Net banking income*	7
Deposits and savings*	441
Customer loans*	291

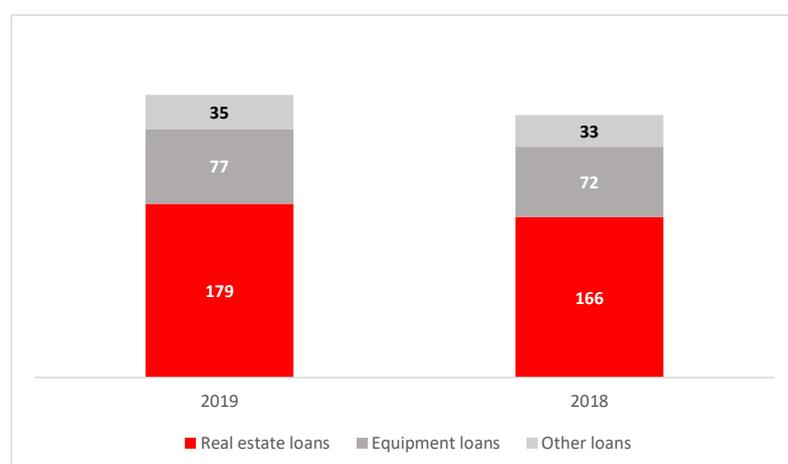
Source: Groupe BPCE Financial Report, 2019,* in billion euros

Table 4: Business figures of French savings banks

	2019
Net banking income	7.048
Operating expenses	4.677
Gross operating income	2.37
Cost-Income-Ratio (in%)	66.4
Cost of risk	0.42
Income before tax	1.949

Source: Groupe BPCE financial report, 2019, in billion euros
(Cost-Income-Ratio in %)

Chart 5: Outstanding loans from French savings banks



Source: Groupe BPCE financial report, 2019, in billion euros

Table 5: 15 largest French savings banks

No.	Savings Banks / Caisse d'Epargne
1	CEP Ile-de-France
2	CEP Hauts de France
3	CEP Grand Est Europe
4	CEP Rhône Alpes
5	CEPAC Caisse d'Epargne
6	CEP Aquitaine Poitou-Charentes
7	CEP Bretagne Pays de Loire
8	CEP Bourgogne Franche-Comté
9	CEP Normandie
10	CEP Midi-Pyrénées
11	CEP Loire-Centre
12	CEP Languedoc-Roussillon
13	CEP Côte d'Azur
14	CEP d'Auvergne et du Limousin
15	CEP Loire Drôme Ardèche

Source: Financial Report BPCE, 2019; derived from the Savings Bank's shares in BPCE

The French savings banks are fully consolidated in the BPCE Group and do not publish their own balance sheet information.

The central institution: Banques Populaires Caisse d'Epargne (BPCE) BPCE

BPCE, the joint central institution of the French savings and co-operative banks, was created at the beginning of August 2009 from the merger of Groupe Caisses d'Epargne and Groupe Banques Populaires. In addition to BPCE, the BPCE Group (Groupe BPCE) comprises 26 other financial institutions.

In April 2019, all Crédit Foncier's businesses were integrated into BPCE. In October 2019, BPCE acquired a 50.1% stake in Oney Bank, a leading provider of consumer credit and payment services with 7.6 million customers in 11 European countries.

Table 6: Structural information on Groupe BPCE

Members	15 savings banks (Caisse d'Epargne), 14 credit unions (Banque Populaire), Natixis, Banque Parlatine, Oney and 23 others Financial institutions
Legal form	AG with Supervisory Board and Executive Board
Owner	50% Caisses d'Epargne 50% Banques Populaires
Purpose	Central body and central institution
Tasks	<ul style="list-style-type: none"> • Representation of the interests of the savings banks and Volksbanken to national authorities, the National Bank and the Banking Supervision • Conclusion of national and international agreements • Appointment of the Management Boards of the savings banks • Definition of the product and service range, the distribution and coordination of business policy for the savings banks • Definition of uniform management standards and procedures • Deposit Protection Fund and the Joint Liability Scheme • Holding company for the Group's retail banks

Tabelle 7: Structural information on Groupe BPCE

	2019
Customers	36 Mio.
Employees	105,000
Market share in corporate loans	>20%
Cooperative shareholders	9 Mio.

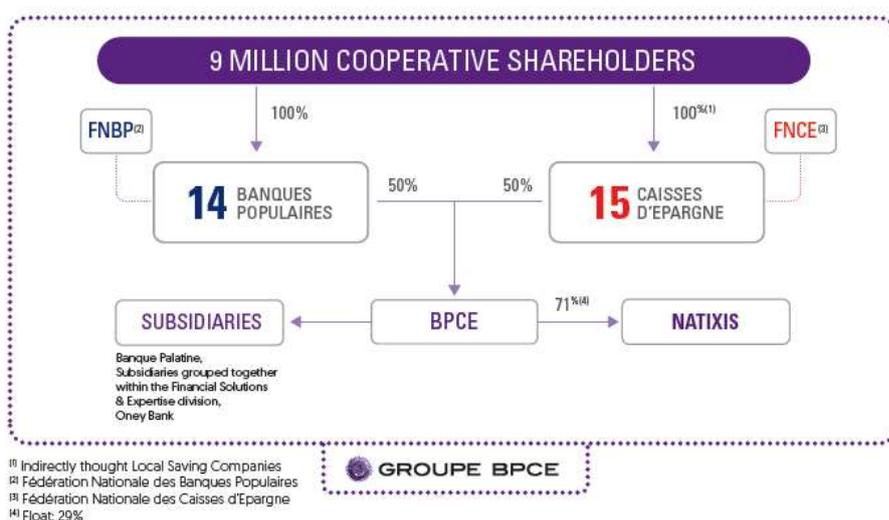
Quelle: Financial Report, Groupe BPCE, 2019

Table 8: Balance sheet and income statement information on Groupe BPCE (consolidated)

	2019
Balance sheet total	1,338
Amounts due to customers	560
Loans and receivables from customers	693
Net banking Income	24
Net Income	3
Equity	70

Source: Groupe BPCE financial report, 2019, in billion euros

Chart 6: The ownership structure of Groupe BPCE



Source: Groupe BPCE Financial Report, 2019

The umbrella organisation: Fédération Nationale des Caisses d'Épargne (FNCE)

The FNCE is the umbrella organisation representing French savings banks and their cooperative shareholders.

Table 9: Structural features of the FNCE

Legal form	Registered association
Members	All savings banks (currently 15), which are represented by the Chairman of the Supervisory Board, one Supervisory Board member and the Chairman of the Board of Management.
Tasks	<ul style="list-style-type: none">• Joint representation of the interests of savings banks, in particular vis-à-vis public sector• Maintaining relations with the shareholders of the savings banks• Development of strategic guidelines for the group• Promotion of activities within the scope of the social responsibility of the savings banks• Further training of managers and shareholders• Promotion of cooperation between French savings banks and comparable foreign institutions

Imprint

Editor

Deutscher Sparkassen- und Giroverband
Abteilung Volkswirtschaft, Finanzmärkte
und Wirtschaftspolitik
Charlottenstraße 47
10117 Berlin

Phone: +49 30 20225-5281
DSGV-Volkswirtschaft@DSGV.DE
www.DSGV.de

Layout

Franz Metz, Berlin

Image credits

Page 1: Pecold

Responsible

Dr. Thomas Keidel – DSGV
Thomas.Keidel@DSGV.DE

Author

Jana Gieseler
Jana.Gieseler@DSGV.DE

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