

INTERNATIONAL SAVINGS BANKS

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The Savings Banks Organisation in France

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

Since 1950, savings banks have also been allowed to grant loans to municipalities. Since 1 January 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. This creates a regional bond. The state's income from the sale of the savings bank shares, amounting to approx. 2.4 billion euros, was used to support the pension fund.

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

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The French banking market

In macroeconomic terms, the importance of the banking sector in France is above-average compared with other European countries. In 2020, the balance sheet total of all banks was approximately 3.7 times the country's total economic output. By comparison, the European average was 2.5 times the GDP. The bank branch network in France is well above average, with 2,086 inhabitants per branch. In comparison, the European average is 3,125 inhabitants per branch (see charts 1 and 2).

In 2020, the portfolio of loans at risk of default stood at 2.2%, slightly below the average of 2.6% in other European countries. The cost-income ratio of French banks in 2020 was 71%, which was above the level of other European countries. Profitability, measured by return on equity, was also above the level of other banks in Europe in 2020 (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 large 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).

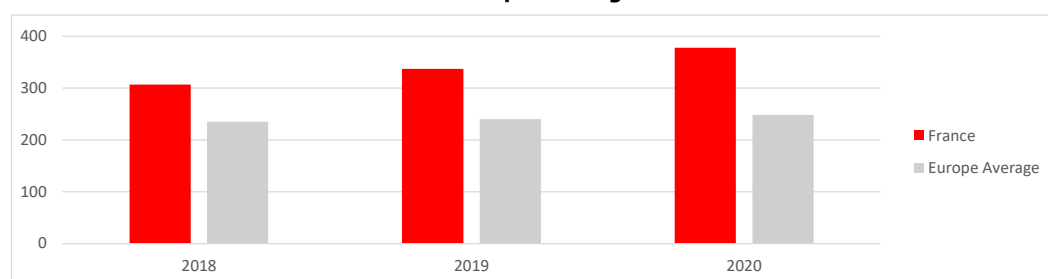
In its final report of the annual Article IV mission, the IMF stressed that France was among the countries most affected by the global pandemic, both in health and economic terms. A comprehensive fiscal package was developed to address the crisis, which focuses on preserving jobs and providing liquidity to households and businesses. The banking sector entered the crisis with comfortable buffers and, together with the support of the ECB's monetary policy, has facilitated lending to the economy. However, the increased leverage poses solvency risks for the corporate sector. Risks for the future are high and dominated by viral dynamics.

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

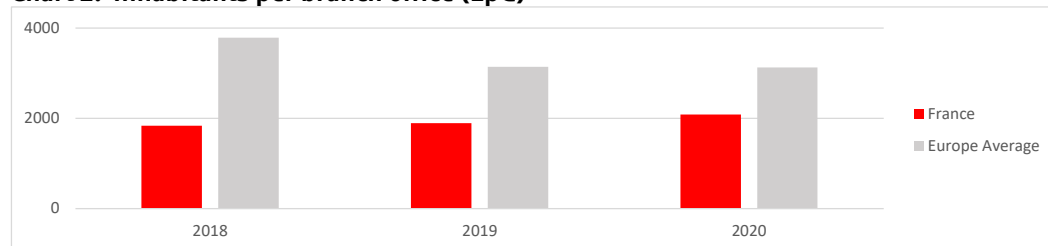
Table 1: The largest French banks by balance sheet total

Group	2020	2019	2018	2017
BNP Paribas	2,488	2,165	2,041	1,960
Credit Agricole Group	2,011	1,768	1,624	1,550
Societe Generale	1,462	1,356	1,309	1,275
Groupe BPCE	1,446	1,338	1,274	1,260

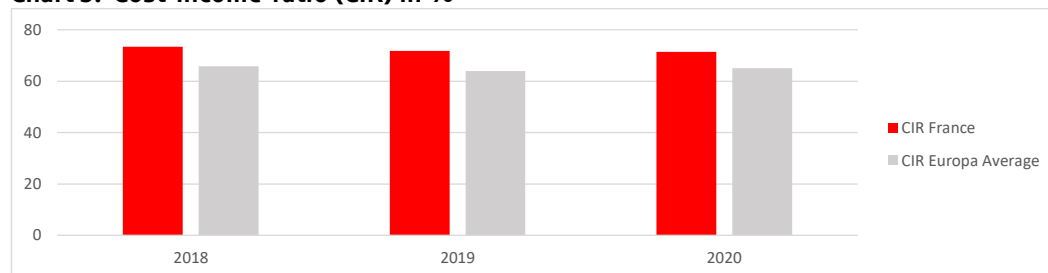
Source: Financial Report 2020 of the respective group, in billion euros

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

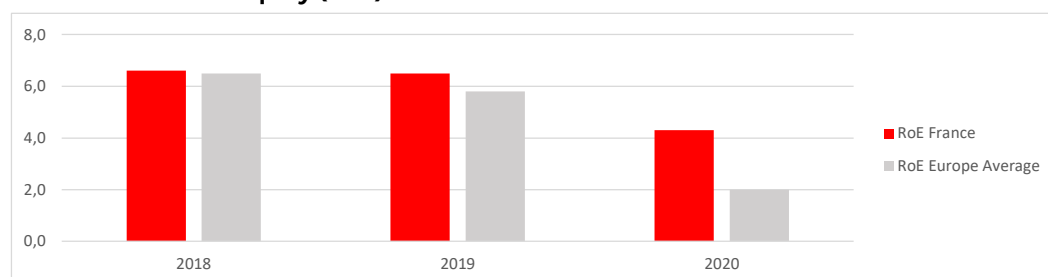
Source: European Central Bank 2021, own calculations

Chart 2: Inhabitants per branch office (EpG)

Source: European Central Bank, Eurostat 2021, own calculations

Chart 3: Cost-income-ratio (CIR) in %

Source: European Central Bank, 2021

Chart 4: Return on equity (RoE) in %

Source: EBA Dashboard, 2020

The French savings banks – Caisse d'Epargne

The first French savings bank was founded in Paris on 22 May 1818. The savings banks, which were established from private initiative, were intended to make savings accessible to broad sections of the population. The savings deposits were transferred to the State Deposit Bank (Caisse des Dépôts), which used them for public financing and paid the savings banks a fee in return. As early as the 19th century, the promotion of the regional common good, including the areas of social welfare and health promotion, was an important part of the savings banks' remit (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'Epargne) 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 banks and Volksbanken merged to form Groupe BPCE. The primary level of the 15 Caisses d'Epargne and 14 Banques Populaires will continue under the existing brands.

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

As of 1 May 2017, the savings banks Caisse d'Epargne Nord France Europe and Caisse d'Epargne Picardie merged to form the savings bank Caisse d'Epargne Hauts de France. On 5 December 2017, Banque Populaire Atlantique and Banque Populaire de l'Ouest merged to form Banque Populaire Grand Ouest. In 2018, Caisse d'Epargne Grand Est Europe was created and the merger between Caisse d'Epargne d'Alsace and Caisse d'Epargne Lorraine Champagne-Ardenne was implemented.

Table 2: Structural characteristics of the French savings banks

<i>Legal form</i>	Since 1 January 2000, cooperative credit institutions under private law according to the law of 25 June 1999 (previously: foundation-like legal form under private law). The cooperative shares were sold (for information on the the purchasers see shareholders) and the income (approx. 2.4 billion euros) was used by the state to support the pension fund.
<i>Shareholders</i>	100% local savings companies (Sociétés Locales d'Epargne), whose shareholders are in turn customers, employees and regional authorities. Cooperative principle: one member - one vote. The savings banks group currently has approx. 4.42 million cooperative shareholders in 208 savings companies. 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 societies are not allowed to conduct their own banking business.
<i>Business activity</i>	With the implementation of the General Banking Act of 1984, savings banks became true universal banks and thus placed on an equal footing to other French banks in terms of their business activities. Today, French savings banks play an important role in the financing of private customers, small and medium-sized commercial customers and social housing construction.
<i>Regional principle</i>	Yes (savings banks); anchored in the articles of association

Public welfare orientation	<p>Since the beginning of 2009 (Livret A approved for distribution by all banks), no longer legally anchored public interest orientation. Since then, the savings banks have committed themselves to allocating 1% of their interest and commission income before risk costs to public welfare tasks.</p> <p>In 2020, French savings banks donated a total of €22.5m (previous year: €31.6m) to a total of 1,237 (previous year: 1,135) social, cultural or charitable projects at local level.</p> <p>Additionally, according to 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.</p>
Leadership	<p>The savings banks are managed by a board of directors (directoire) with 2 to 5 members proposed by the supervisory board (COS - conseil de surveillance) whose appointment is subject to the approval of BPCE, the savings banks' central institution. Of the 19 members of the supervisory board, a minimum of 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.</p>

Table 3: Structural indicators of French savings banks

	2020
Customers	18.2 M
Cooperative shareholders	4.4 M
Employees	33,900
Net banking income	6.9
Deposits and savings	477
Customer loans	316

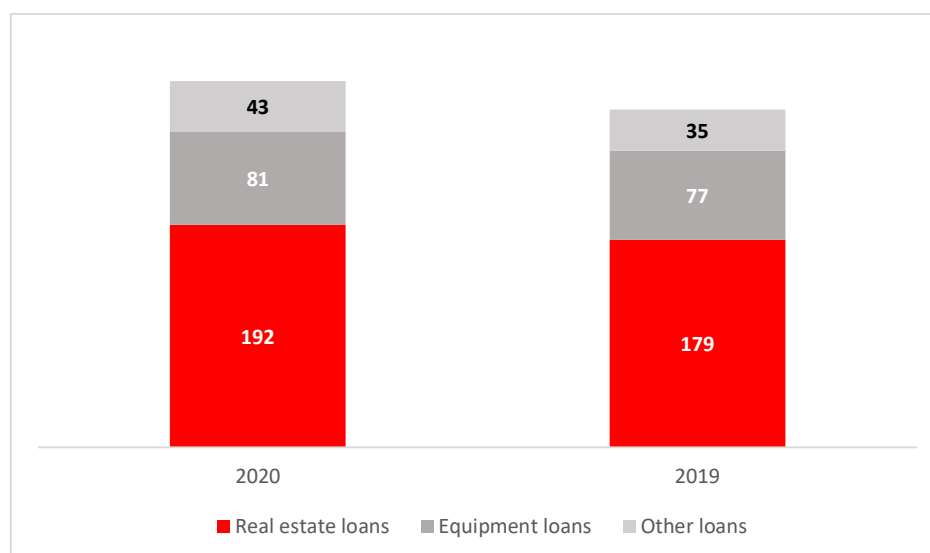
Source: Groupe BPCE Financial Report, 2020,*in billion euros

Table 4: Business figures of French savings banks

	2020
Net banking income	6.92
Operating Expenses	4.55
Gross operating income	2.37
Cost-Income-Ratio (in%)	65.8
Cost of risk	0.91
Income before tax	1.46

Source: Groupe BPCE Financial Report, 2020, in € billion

Chart 5: Outstanding loans of the French savings banks



Source: Financial Report Groupe BPCE 2020, 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: BPCE Financial Report, 2020; derived from Sparkasse's shares in BPCE.

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

The central institution: Banques Populaires Caisse d'Epargne

(BPCE)  GROUPE BPCE

BPCE, the joint central institution of the French savings banks and Volksbanks, 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 a further 26 financial institutions.

In April 2019, all Crédit Foncier businesses were integrated into BPCE. In October 2019, BPCE purchased 50.1% of the shares in Oney Bank, a leading provider of consumer loans. In February 2021, BPCE announced that it would take over the Natixis investment bank completely in order to simplify the structure of the group. Natixis' investment banking and asset management activities will form a separate division within BPCE in the future.

Table 6: Structural information on Groupe BPCE

Members	15 savings banks (Caisse d'Epargne), 14 Volksbanken (Banque Populaires), Natixis, Banque Palatine, Oney and 23 other financial institutions
Legal form	AG with supervisory board and executive board
Owner	50% Caisses d'Epargne 50% Banques Populaires
Purpose	Central body and controlling institution
Tasks	<ul style="list-style-type: none"> • Representation of the interests of the savings banks and Volksbanken vis-à-vis national authorities, the national bank and the banking supervisory authorities • 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 • Central giro function and administration of the deposit protection fund and the joint liability scheme • Holding company for the group's retail banks

Table 7: Structural information on Groupe BPCE

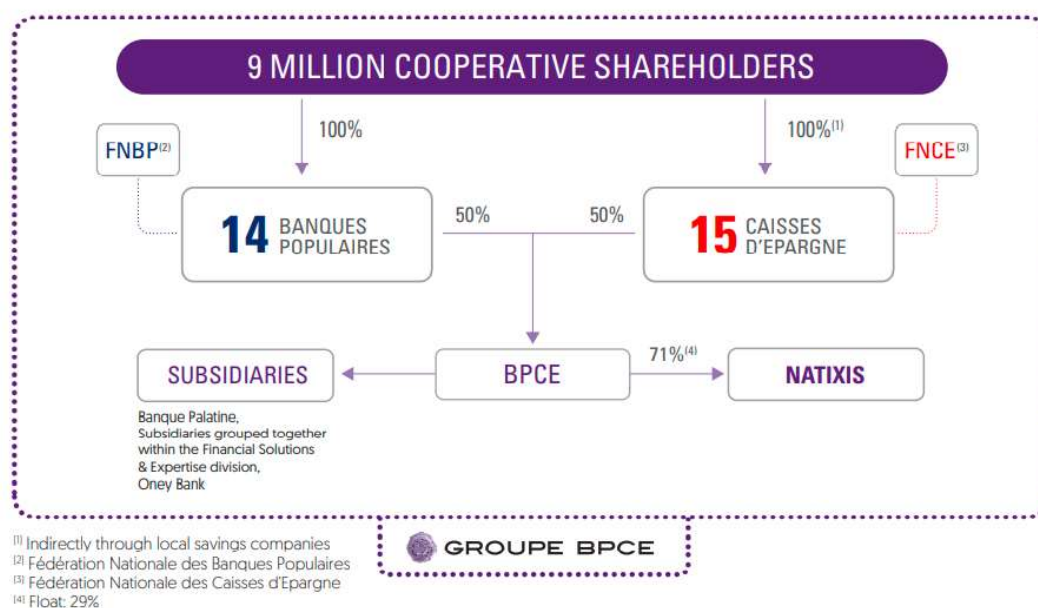
	2020
Customers	36 M
Employees	100,000
Market share in corporate loans	>20%
Cooperative shareholders	9 M

Source: Financial Report Groupe BPCE, 2020

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

	2020
Balance sheet total	1,446
Amounts due to customers	631
Loans and receivables from customers	747
Net banking income	23
Net Income	2
Equity	73

Source: Groupe BPCE Financial Report, 2020, in € billion

Figure 6: The ownership structure of Groupe BPCE

Source: Financial Report Groupe BPCE, 2020

The umbrella organisation: Fédération Nationale des Caisses d'Epargne (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 member of the supervisory board and the Chairman of the board of directors.
Tasks	<ul style="list-style-type: none">• Joint representation of the savings banks' interests, in particular vis-à-vis the 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 of the savings banks' social responsibility• Further training of managers and shareholders• Promotion of cooperation between French savings banks and comparable foreign institutions

Imprint

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