

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 of above-average compared with other European countries. In 2022, the balance sheet total of all banks was approximately 3.7 times the country's total economic output. By comparison, the European average was 2.4 times the GDP. The bank branch network in France is well above average, with 1,902 inhabitants per branch. In comparison, the European average is 3,228 inhabitants per branch (see figures 1 and 2).

In 2022, the portfolio of loans at risk of default stood at 1.9%, slightly below the average of 1.8% in other European countries. The cost-income ratio of French banks in 2022 was 68.6%, which was above the level of other European countries. Profitability, measured by return on equity, was also slightly above the level of other banks in Europe in 2021 (see figures 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 the final report of the annual Article IV mission for 2022, the IMF found that France was less affected by the energy crisis compared to most EU countries. However, economic activity slowed sharply and inflation will remain stubborn due to the loosening of energy price controls. Sustained, expenditure-driven fiscal consolidation will be crucial in the medium term to rebuild buffers and put debt on a firm downward path, while leaving room to accelerate investments in green and digital technologies.

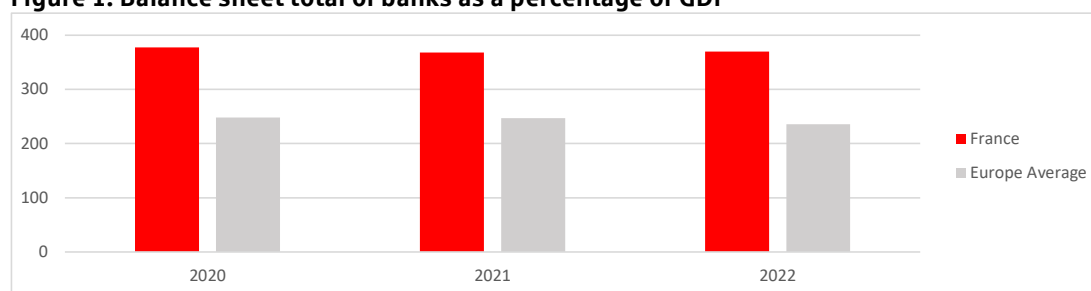
The state-subsidised savings accounts (e.g. Livret A) are a special feature of the French banking market. The fixed interest rates for these savings deposits (currently 3%) are above the market level and the returns are tax- and social security-free. However, the investment volume per savings book is limited (currently 22,950 euros) and is used to finance social housing.

Table 1: The largest French banks by balance sheet total

Group	2022	2021	2020	2019	2018
BNP Paribas	2,666	2,634	2,488	2,165	2,041
Credit Agricole Group	2,379	2,002	2,011	1,768	1,624
Groupe BPCE	1,531	1,516	1,446	1,338	1,274
Société Générale	1,487	1,464	1,462	1,356	1,309

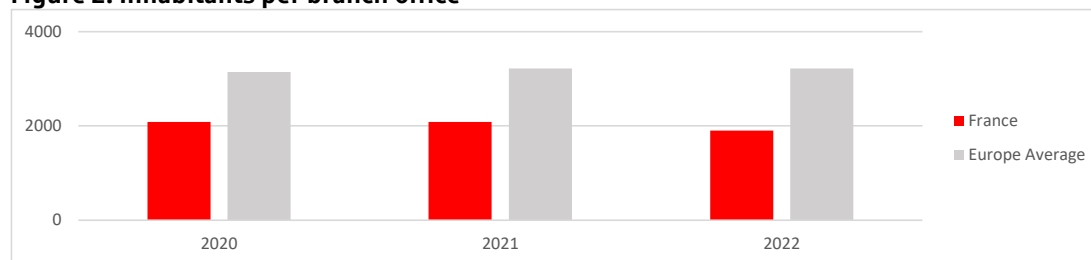
Source: Financial Report 2022 of the respective group, in EUR billion

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



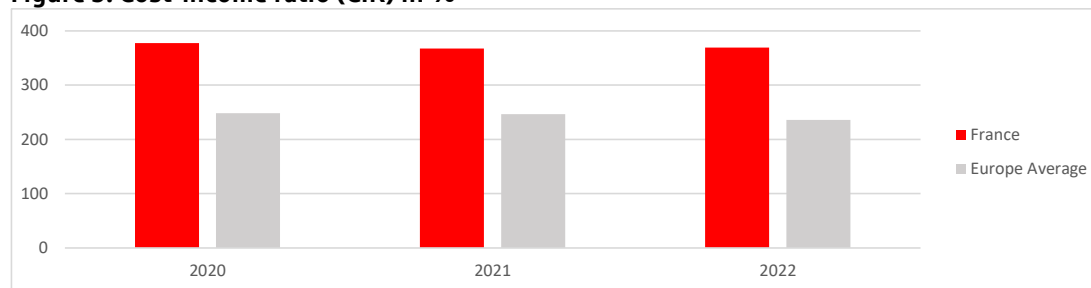
Source: European Central Bank 2023, own calculations

Figure 2: Inhabitants per branch office



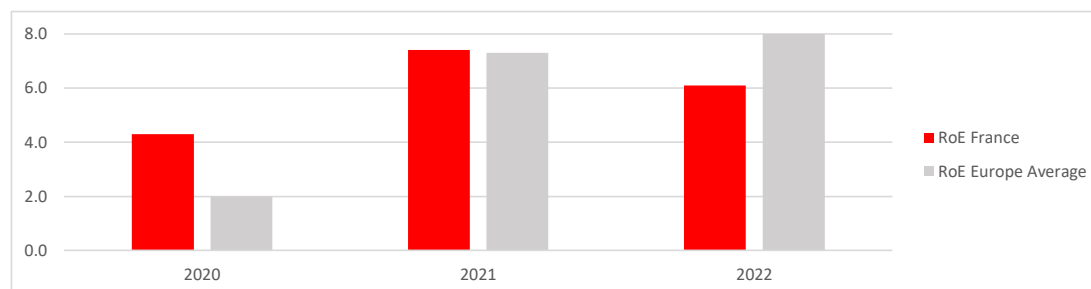
Source: European Central Bank, Eurostat 2023, own calculations

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



Source: EBA Dashboard, 2022

Figure 4: Return on equity (RoE) in %



Source: EBA Dashboard, 2022

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 regional common good, including in 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 Volksbanken through non-voting "Certificats d'investissement coopératifs" (CICs). Through a successful buy-back of the CICs, the local savings companies became 100% owners of the savings banks again.

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

Legal form	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 purchases see shareholders) the and the income (approx. 2.4 billion euros) was used by the state to support the pension fund.
Shareholder	100% local savings companies (Sociétés Locales d'Épargne), whose shareholders are in turn customers, employees and regional authorities. Cooperative principle: one member - one vote. The savings banks group currently has approx. 4.4 million cooperative shareholders in 185 savings companies. The maximum share of a local authority in a savings company is 20%. The supervisory board of a Caisse d'Épargne is elected from among the cooperative shareholders at the annual general meeting. Local savings companies are not allowed to conduct their own banking business.
Business activity	With the implementation of the General Banking Act of 1984, savings banks became true universal banks and thus placed on the 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.
Regional principle	Yes (savings banks); anchored in the article of association

Public welfare orientation Since the beginning of 2009 (Livret A approved for distribution by all banks), no more 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.

In 2022, the French savings banks donated a total of EUR 22.8m (previous year: EUR 20.7m) to a total of 1,216 (previous year: 987) social , cul-tural or charitable projects at local level. Additionally, according to Article L.512-85 of the French Monetary and Financial Code, savings banks are to finance law, savings banks are required to promote social housing and regional economic development, and to provide access to financial services for all.

Leadership 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) and 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.

Table 3: Structural indicators of French savings banks

	2022
Customers	17.2 M
Cooperative shareholders	4.4 M
Employees	32,967
Net banking income*	7.2
Deposits and savings*	502
Customer loans*	360

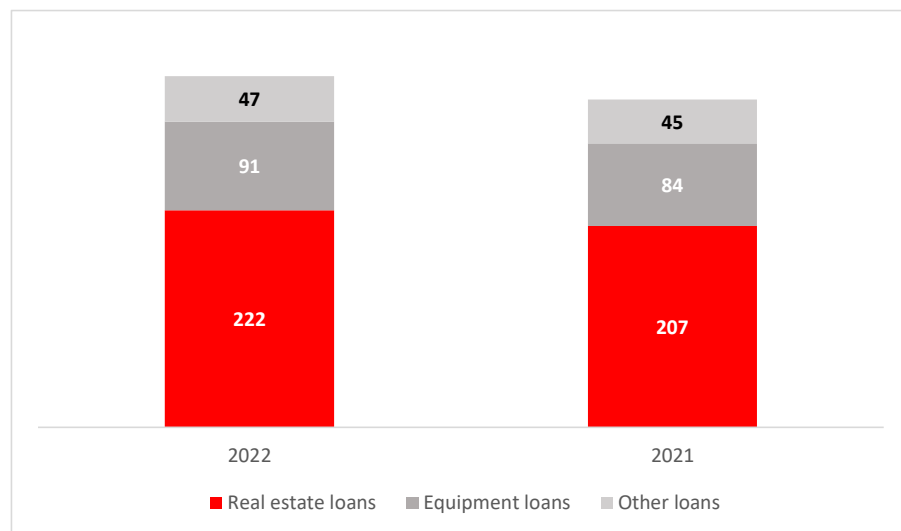
Source: Groupe BPCE Financial Report, 2022,*in EUR billion

Table 4: Business figures of French savings banks

	2022
Net banking income	7.23
Operating Expenses	4.73
Gross operating income	2.5
Cost-Income-Ratio (in%)	65.4
Cost of risk	0.65
Income before tax	1.86

Source: Groupe BPCE Financial Report, 2022, in EUR billion

Figure 5: Outstanding loans of the French savings banks



Source: Financial Report Groupe BPCE 2022, in EUR billion

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, 2022; 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)



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. merger of the Groupe Caisses d'Epargne and the 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 bought 50.1% of the shares in Oney Bank, a leading provider of consumer loans. In July 2021, BPCE delisted Natixis after Groupe BPCE acquired the shares of Natixis' minority shareholders in order to simplify the group's structure. Natixis' investment banking and asset management activities are to form a separate division within BPCE in the future.

Table 6: Structural information on Groupe BPCE

Members	15 savings banks (Caisse d'Epargne), 14 popular banks (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 apex institution
Tasks	<ul style="list-style-type: none"> • Representation of the interests of the savings banks and Volksbanks vis-à-vis national authorities, the National Bank and the banking supervisory authorities • Conclusion of national and international agreements • Appointment of the management board 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 retail banks of the Group

Table 7: Structural information on Groupe BPCE

	2022
Customers	35 M
Employees	100,000
Market share in corporate loans	>20%
Cooperative shareholders	9 M

Source: Financial Report Groupe BPCE, 2022

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

	2022
Balance sheet total	1,531
Amounts due to customers	694
Loans and receivables from customers	827
Net banking income	26
Net Income	4
Equity	82

Source: Groupe BPCE Financial Report, 2022, in EUR billion

Figure 6: The ownership structure of Groupe BPCE



Source: Financial Report Groupe BPCE, 2022

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

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

Table 9: Structural features of the FNCE

Legal form	Registered association
Members	All of the savings banks (currently 15), which are represented by the Chairman of the supervisory board, a member of the supervisory board and the Chairman of the management board.
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 savings banks' social responsibility• Further training for managers and shareholders• Promotion of cooperation between French savings banks and comparable foreign institutions

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