

France

In 2021, the activity in France rebounded sharply: GDP increased by 6.8%, after -7.9% in 2020 and +1.9% in 2019. Although the average level of annual GDP was 1.7% below the average level for 2019, quarterly GDP returned to its pre-crisis level in the third quarter of 2021 and clearly exceeded it in the fourth quarter (+0.7% compared with the fourth quarter of 2019). The output of the various industries and the components of demand rebounded, albeit with important differences in intensity. Furthermore, with the strong recovery in activity, labour income contributed to the dynamism of household disposable income. Thus, despite rising prices, household purchasing power per consumption unit increased by 1.9%. With the rebound in consumption spending, the savings rate decreased but remained at a historically high level, at 18.7%. The economic recovery boosted firms' results, with their margin rate recovering by 2.4 points to 34.2%, after a moderate decline in 2020 (-1,6 points).

In this context, French banks have played a key role in sustaining the momentum of the recovery. The banking sector is one of France's six main economic assets, according to the OECD. As of January 2022, the French banking industry counted 334 banks. According to the Financial Stability Board, four French banks are among the eight Euro area Global Systemically Important Banks (G-SIBs). Financial activities accounted for 3.9% of total value added in France in 2021, of which approximately 60% for the banking industry. The banking industry employed 350,400 people at the end of 2021 – accounting for more than 20% of the sector's workforce in the euro area – and recruited 40,300 people in 2021. Their network of bank branches providing access to banking services and cash is among the densest in Europe (almost one out of three bank branches in the eurozone is in France).

The results of the combined asset quality review and stress testing, conducted by the European Banking Authority and the European Central Bank, demonstrated the high level of capitalization of French banks. The aggregate common equity Tier 1 capital (CET1) of French banks was 16.1% at the end of 2021 (vs. 15,5% for the euro area banks).

The six largest French banking groups, which operate according to the 'universal banking' diversified model, posted solid performances in all their business lines in 2021 - supported by the economic rebound and a positive jaws effect. Total net banking income amounted €162.4 billion (up 9.9% compared to 2020) and total group net income reached €33.1 billion.

French banks continue to play their full role in financing the economy, providing a robust supply of credit. At the end of December 2021, outstanding loans to businesses and households stood at €2,876 billion, up 4.7% year-on-year.

More specifically, bank loans to businesses continued to grow strongly over the year, with outstanding loans up 3.6% to €1,242 billion. Investment loans were up sharply (outstanding loans of €852 billion, up 5.6% year-on-year), supporting projects and companies' drive to become more competitive. Outstanding treasury loans amounted to €320 billion.

Loans to SMEs accounted for 43% of total loans granted to businesses in December 2021 and rose by 3.0% year-on-year. Access to credit remains high: 96% of SMEs investment loans and 90% of cash credits applications were accepted in the fourth quarter of 2021.

French banks also actively finance French consumers. Outstanding household loans reached €1,439 billion at the end of December 2021, up 5.9% year-on-year. Most household loans were housing loans, representing €1,215 billion (up 6.4% year-on-year).

Lending activity remains both dynamic and sound. The level of non-performing loans is very low (1.9% at the end of December 2021) as the cost of risk (as a proportion of average total assets it declined from 0.4% in 2009 to 0.1% in 2021).

Diversification of corporate financing is developing in France. Markets account for 36% of corporate financing, compared with 30% in 2009. French banks also have a large and diversified investment banking activity.

Furthermore, French banks' investments, innovation, and leading role in the fintech ecosystem make them the natural leaders of the digital financial movement in France. 95% of French people consult their bank's website or use their banking app, according to the study FBF/IFOP conducted in 2021. Moreover, the health crisis has strengthened the use of contactless payment: 6.3 billion transactions in 2021 (after 4.6 billion in 2020) accounting for 56% of card transactions in retail stores.

Finally, French banks are firmly committed to the fight against climate change. They have rolled out powerful and wide-ranging measures for several years now to reduce their exposure to the most greenhouse gas-emitting energies and accelerate the financing of renewable energies and green and sustainable activities. Their commitment is concrete, as demonstrated by the figures. Loans to the coal sector now make up a marginal share of their balance sheets (€2 billion, i.e. 0.02% of their total balance sheet), whereas renewable energy loan outstanding accounted for more than €42 billion in 2021, including €14 billion in new flows.