



ANNUAL REPORT

AUTORITÉ DE CONTRÔLE PRUDENTIEL

THE FRENCH BANKING AND
INSURANCE MARKET IN FIGURES

2009

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The *Autorité de contrôle prudentiel* (ACP) is an independent administrative authority backed by the *Banque de France*. Established by executive order on 21 January 2010, it was formed from the merger of the licensing authorities (CECEI, CEA) and supervisory authorities responsible for the banking and insurance sectors (*Commission Bancaire*, ACAM). The ACP is responsible for authorising and overseeing banks and insurers.

It has a statutory remit to maintain the stability of the financial system and protect the customers, policyholders and beneficiaries of the entities under its supervision.

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1. Population

1.1 Population of credit institutions and investment firms

France's banking and financial system continued to consolidate and adjust in 2009. as a result, the population of credit institutions shrank still further, from 722 at the end of 2008 to 706 at the end of 2009. The bulk of the decline was accounted for by banks (8 fewer institutions), mutual and cooperative banks (3 fewer) and financial companies (4 fewer). The number of investment firms supervised by the CECEI contracted by 4 to 151. and the number of credit institutions authorised to do business in Monaco decreased by three to 26.

Credit institutions and investment firms in France and credit institutions in Monaco: 2008-2009

A - CREDIT INSTITUTIONS AUTHORISED IN FRANCE	2008	2009	Change (number)
I. INSTITUTIONS AUTHORISED TO ENGAGE IN ALL BANKING TRANSACTIONS	342	331	-11
1.1 Banks	220	212	-8
1.2. Mutual and cooperative banks	104	101	-3
1.3. Municipal credit banks	18	18	-
II. FINANCIAL COMPANIES	304	300	-4
III. SPECIALISED FINANCIAL INSTITUTIONS	6	5	-1
SUB-TOTAL	652	636	-16
B - BRANCHES OF EEA CREDIT INSTITUTIONS DOING BUSINESS UNDER THE FREEDOM OF ESTABLISHMENT	70	70	-
TOTAL France	722	706	-16
C - CREDIT INSTITUTIONS AUTHORISED IN MONACO	2008	2009	Change (number)
I. INSTITUTIONS AUTHORISED TO ENGAGE IN ALL BANKING TRANSACTIONS	27	25	-2
1.1 Banks	26	24	-2
1.2. Institution similar to a municipal credit bank belonging to FBF	1	1	-
II. FINANCIAL COMPANIES	2	1	-1
2.1. Financial companies engaging different types of business and belonging to ASF	2	1	-1
TOTAL Monaco	29	26	-3
TOTAL France and Monaco	751	732	-19

INVESTMENT FIRMS	2008	2009	Change (number)
I. Investment firms under the supervision of the CECEI	155	151	-4
of which passported branches	52	53	1
II. Portfolio management companies authorised by Autorité des marchés financiers (a)	571	591	20
TOTAL	726	742	16

Source: General Secretariat of the ACP

(a) Data provided by the Autorité des marchés financiers.

1.2 French banking in 2009: an open sector

1.2.1 Diversified ownership

The French banking and financial system is very open. At the end of 2009, 70% or 492 of the 706 credit institutions doing business in France were under French ownership, and 30%, or 214, were foreign owned.

Of this total, 74% were owned by banking groups, including 38% by French mutual banking groups, and 26% were controlled by shareholders in other economic sectors, with 9% belonging to manufacturing, trade and service groups, 3% owned by insurance groups, 7% owned by other financial groups or a mix of shareholders, 4% were in the public sector and 3% had private individuals as their majority shareholders. Industrial and trade groups have always held a significant stake in France's population of credit institutions, which is not always the case in comparable countries such as Germany, Italy or the United States. By contrast, insurance groups hold a relatively small stake in banks in France.

French-owned credit institutions by type of ownership at the end of 2009

Ownership	Number of credit institutions in 2009					Number of shareholding groups in 2009
	Banks	Mutual banks	Financial companies	Others (*)	Total	
Large private-sector banking groups	32	0	67	0	99	2
Public sector banking institutions	2	0	4	21	27	4
Mutual banking groups	67	100	103	0	270	6
Insurance companies	4	1	6	0	11	7
Manufacturing, trade, services, construction, business groups	15	0	21	0	36	23
(of which, public sector)	(1)	0	(1)	0	(2)	(1)
Institutions with mixed ownership (credit institutions, institutional investors)	6	0	24	1	31	25
Owned by private individuals	9	0	9	0	18	16
TOTAL	135	101	234	22	492	83

Source: General Secretariat of the ACP

(*) Municipal credit banks and specialised financial corporations.

Analysis of foreign-owned credit institutions by type of ownership and geographical origin at the end of 2009

Ownership	Number of credit institutions at the end of 2009								Total number of groups
	Banks				Financial companies and specialised financial institutions				
	OECD		Third countries	Total	OECD		Third countries	Total	
EEA	Other countries	EEA			Other countries				
Banking group branches	70	8	15	93					109
Banking group subsidiaries	16	5	10	31	27	1	2	30	
Insurance companies	4	2		6	3			3	
Financial groups	2	4		6		7		7	13
Manufacturing, trade, services	1	3		4	9	14		23	13
Owned by private individuals		3	1	4		1		1	5
Mixed banking and financial ownership	1	1	1	3	3			3	5
TOTAL	94	26	27	147	42	23	2	67	151

Source: General Secretariat of the ACP

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Ownership of investment firms is more diversified and often open to private individuals, usually professionals. The owners are bound by a shareholders' agreement. At the end of 2009, 23% of the 151 investment firms doing business in France were controlled by private individuals, 35% of the firms belonged to banking groups (with 10% belonging to French mutual banking groups), 7% were held by insurance groups, 26% belonged to other financial groups and 9% were owned by shareholders in industry, trade or other sectors.

The French banking and financial system is also very open to international markets. This is evidenced in the large number of foreign-owned institutions in France and the presence of French-owned credit institutions in other countries.

1.2.2 Open to foreign capital

France's banking and financial system is very open to foreign-owned institutions⁽¹⁾

At the end of 2009 a total of 214 foreign-controlled credit institutions were doing business in France. This breaks down into 147 banks, 66 financial companies and 1 specialised financial institution, along with 71 investment firms and 77 representative offices.

Of the 214 foreign-controlled credit institutions, most were from the European Union. This was the case of 136 institutions, including 36 from the United Kingdom, 27 from Germany, 16 from Belgium, 13 from the Netherlands and 12 from Italy.

The 78 credit institutions controlled by third-country owners are mainly from the Americas, with 33 of the 34 from the United States, including 11 banks, 21 financial companies and one specialised financial institution, and one Brazilian bank.

Foreign presence in France's banking and financial system

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BANKS	195	188	176	168	164	161	161	161	155	147
<i>Branches</i>	<i>90</i>	<i>83</i>	<i>79</i>	<i>80</i>	<i>82</i>	<i>81</i>	<i>84</i>	<i>88</i>	<i>93</i>	<i>93</i>
European Economic Area	59	55	51	52	55	55	59	64	70	70
Third countries	31	28	28	28	27	26	25	24	23	23
Companies incorporated in France	105	105	97	88	82	80	77	73	62	54
European Economic Area										
Subsidiaries of foreign-owned banks	56	59	56	47	40	40	34	33	21	16
Companies owned by non-banking shareholders	10	11	8	10	8	8	9	9	9	7
Mixed banking and financial ownership	0	0	0	0	1	1	1	0	0	1
Third countries										
Subsidiaries of foreign-owned banks	21	18	17	16	16	15	15	14	16	15
Companies owned by non-banking shareholders	16	15	14	13	15	14	15	14	13	13
Mixed banking and financial ownership	2	2	2	2	2	2	3	3	3	2
FINANCIAL COMPANIES (incorporated in France)	132	123	110	95	83	78	75	76	74	66
European Economic Area										
Financial Companies for various purposes	92	91	81	68	58	57	55	54	53	42
Third countries										
Financial Companies for various purposes	40	32	29	27	25	21	20	22	21	24
SPECIALISED FINANCIAL INSTITUTIONS	1	2	1							
TOTAL CREDIT INSTITUTIONS	328	312	287	264	248	240	237	239	230	214
INVESTMENT FIRMS	67	70	61	55	53	52	56	67	75	71
European Economic Area	54	56	48	44	42	41	43	54	63	61
Branches	(17)	(24)	(23)	(23)	(24)	(23)	(28)	(41)	(52)	(53)
Unpassport branches	-	-	-	-	-	(1)	(1)	(1)	-	-
Firms incorporated in France	(37)	(32)	(25)	(21)	(18)	(17)	(14)	(12)	(11)	(8)
Third countries	13	14	13	11	11	11	13	13	12	10
REPRESENTATIVE OFFICES	89	89	82	75	78	75	74	78	80	77
European Economic Area	44	42	34	35	39	31	28	31	32	29
Third countries	45	47	48	40	39	44	46	47	48	48

Source: General Secretariat of the ACP

(1) This paragraph deals only with majority holdings in credit institutions doing business in France.

1.3 Widespread use of the European passport

1.3.1 Access to the French market

Briefing

Freedom of establishment

Freedom of establishment means that a market participant from a Member State of the European Economic Area is entitled to provide services in another Member State through a permanent establishment such as a branch.

Freedom to provide services

Freedom to provide services means that a market participant from a Member State is entitled to provide services in another Member State without having a permanent establishment there.

Freedom of establishment

Of a total of 168 branches of foreign credit institutions and investment firms in France, those belonging to UK parent companies form the largest contingent, with 60 business locations in 2009. This population increased sharply after the Markets in Financial Instruments Directive (MiFID) was implemented. MiFID gave investment firms incorporated in European Union countries the benefit of mutual recognition for a wider range of services and instruments, and, more particularly for instruments such as contracts for difference and commodities derivatives. The directive also allows firms to use tied agents. Many investment firms have sought to seize MiFID-driven opportunities. However, these branches are very often small, with fewer than 10 employees.

The European passport is widely used to set up establishments in France, but it is also used by institutions from outside the European Economic Area (EEA). With just a single authorised entity in one of the EEA countries, these institutions can exercise their passport rights to do business in one or more other EEA countries. Of the total number of passported branches in France at 31 December 2009, 45 belonged to 43 groups owned by shareholders from outside the EEA. These branches accounted for 25% of the passported branches located in France.

Credit institutions or investment firms branches doing business in France

	1999	2006	2007	2008	2009
Notifying countries	66	87	104	122	123
United Kingdom	14	35	49	59	60
Germany	26	14	16	17	16
Italy	5	5	6	6	7
Netherlands	3	4	6	6	7
Spain	8	6	6	6	6
Other countries	10	23	21	28	27
Passported branches where the ultimate owners are outside the EEA	15	26	30	44	45
United States	6	16	19	28	28
Japan	2	3	3	4	4
Switzerland	1	2	2	3	3
Lebanon	1	1	1	1	1
Other countries	5	4	5	8	9

Source: General Secretariat of the ACP

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Freedom to provide services

Freedom to provide services is the other way of using the EEA passport to do business in another EEA country without having a permanent establishment there. The only metrics available for assessing this activity are the number and change in the number of institutions notifying their intention to exercise the freedom to provide services. As of 31 December 2009, 501 European credit institutions and 1,883 European investment firms were authorised to do business in France under the freedom to provide services (see table below). The number of institutions giving notice of their intention to do business in France increased by 5% over the year, compared with an increase of 23% in 2008, which was largely attributable to MiFID.

Free provision of services in France

Country	Free provision of services in France	
	Notifications from 501 credit institutions authorised in another EEA country	Notifications from 1,883 investment firms authorised in another EEA country
Germany	80	35
Austria	24	24
Belgium	29	22
Bulgaria	0	1
Cyprus	4	18
Denmark	15	7
Spain	20	15
Estonia	1	1
Finland	8	4
Greece	1	9
Hungary	6	2
Ireland	38	46
Iceland	4	0
Italy	26	6
Latvia	0	0
Liechtenstein	3	7
Lithuania	0	0
Luxembourg	61	26
Malta	6	2
Norway	3	21
Netherlands	54	80
Poland	2	0
Portugal	17	6
Czech Rep.	0	0
Romania	0	0
United Kingdom	89	1,542
Slovakia	0	0
Slovenia	0	1
Sweden	10	8
TOTAL	501	1,883

Source: General Secretariat of the ACP

1.3.2 Passporting by French institutions

Freedom of establishment

French institutions use EEA passports primarily to open establishments in Germany, Italy, the United Kingdom, Spain and, to a lesser extent, Belgium. The number of French institutions' branches opened in other EEA countries has increased steadily since 1998. However, in contrast to the inward trends (see above), the transposition of MiFID into French law on 1 November 2007 has yet to spur French investment firms to open large numbers of new branches or to expand their EEA passported business into the new areas covered by mutual recognition.

Branches opened by French credit institutions and investment firms in other EEA countries

	1999	2006	2007	2008	2009
Notifying countries					
United Kingdom	21	25	24	23	24
Germany	17	21	22	26	26
Italy	14	21	21	24	25
Spain	12	20	20	21	21
Belgium	8	15	17	17	15
Other countries	28	43	46	54	54
Total	100	145	150	165	165

Source: General Secretariat of the ACP

Freedom to provide services

As of 31 December 2009 a total of 1,144 notifications had been received from 152 French credit institutions and 573 notifications from 52 French investment firms wishing to do business in another EEA country. The main countries targeted by French credit institutions are Italy (97 notifications), the United Kingdom (91), Belgium (86), Germany (78), Spain (72); while French investment firms are targeting Belgium (48 notifications), the Netherlands (44), the United Kingdom (40), Germany (39) and Italy (37).

BANKING SECTOR



Free provision of services in other European Economic Area countries

Country	Free provision of services in other EEA countries	
	Notifications from 152 credit institutions authorised in France	Notifications from 52 investment firms authorised in France
Germany	78	39
Austria	48	24
Belgium	86	48
Bulgaria	14	4
Cyprus	16	7
Denmark	40	20
Spain	72	35
Estonia	16	8
Finland	35	23
Greece	39	16
Hungary	23	12
Ireland	47	24
Iceland	12	7
Italy	97	37
Latvia	15	8
Liechtenstein	15	10
Lithuania	15	8
Luxembourg	69	31
Malta	14	8
Norway	24	17
Netherlands	69	44
Poland	26	13
Portugal	62	30
Czech Rep.	22	13
Romania	20	4
United Kingdom	91	40
Slovakia	21	11
Slovenia	15	8
Sweden	43	24
TOTAL	1,144	573

Source: General Secretariat of the ACP

2. Banking system profitability and risks in 2009

2.1 Strong earnings growth

After being impacted by the financial crisis in 2008, the seven largest⁽²⁾ French institutions reported a substantial improvement in results for 2009, with strong revenue growth offsetting higher risk-related costs.

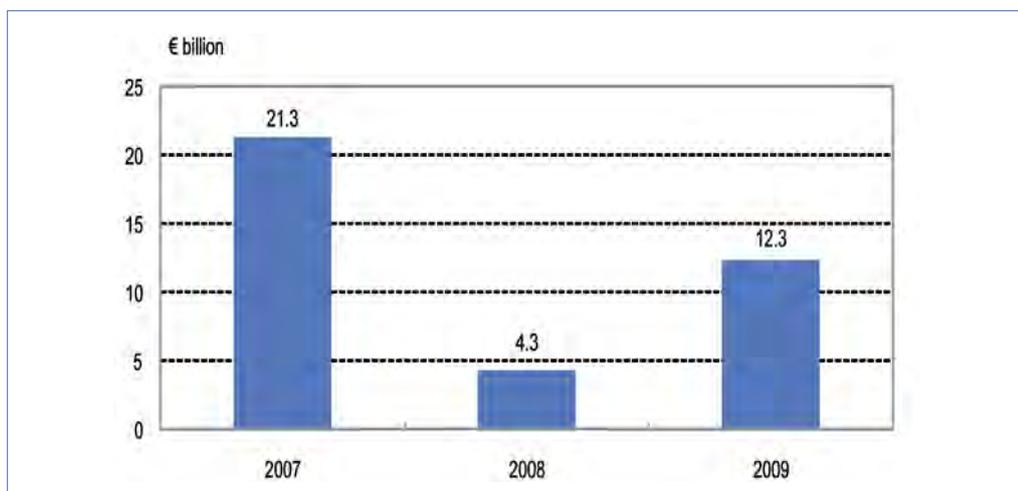
Intermediate operating totals

EUR billion	2007	2008	2009	Change over one year in %
Net banking income	111.8	107.8	132.1	22.5
General operating expenses	74.4	79.7	85.7	7.5
Gross operating income	37.4	28.1	46.4	65.0
Risk-related costs	6.5	21.1	28.0	32.8
Operating income	30.9	7.1	18.4	160.9
Consolidated net income	21.3	4.3	12.3	187.5

Source: banks – IFRS data

Consolidated net income⁽³⁾ returned to the level of first half 2008, having plummeted 137% in second half 2008 in the wake of the Lehman Brothers collapse and the deepening financial crisis. Earnings for 2009 as a whole nearly tripled, rising 187.5%, but were still lower than in 2007.

Consolidated net income



Source: banks

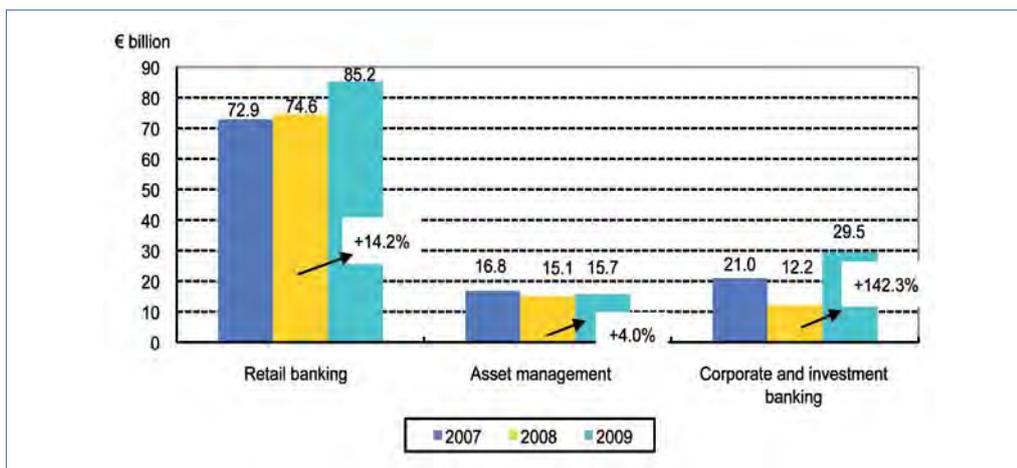
(2) BNP Paribas, Société Générale, Crédit Agricole Group, Crédit Mutuel Group, BpCE Group, HSBC France and Dexia Crédit Local.
 (3) The net income attributable to the group (or group share) does not include income attributable to minority interests.

BANKING SECTOR

2.1.1 Income rises across all business lines

Following slower growth in 2007 and a slump in 2008, **net banking income (NBI) increased by 22.5% in 2009**. The improvement was observed in all business lines.

Net banking income by business line

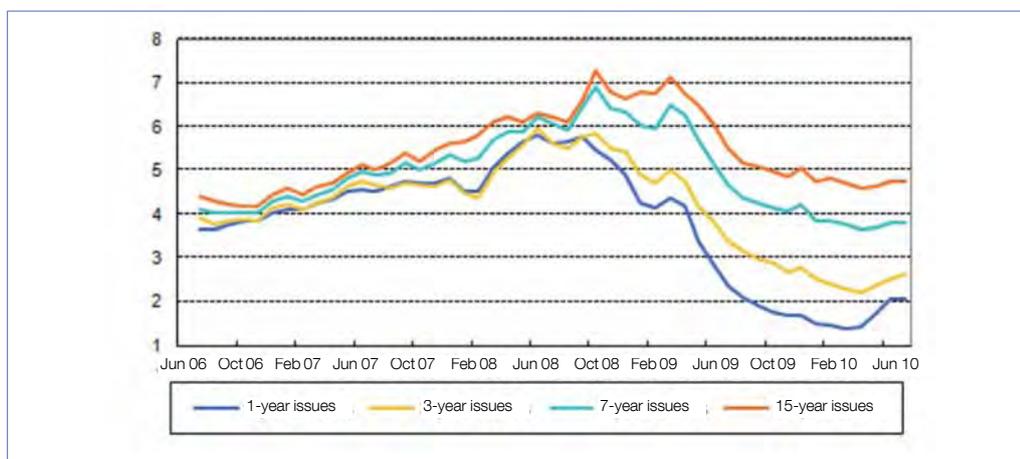


Source: banks

Retail banking income grew strongly in 2009. However, this business line had remained profitable through the worst of the financial crisis, with net interest income proving the most resilient component of NBI, accounting for 60% in December 2009 and growing 39% over the year.

Part of this strong performance was due to a fall in **financing costs**, stemming at first from support measures taken by the government, with EUR 111 billion in state-guaranteed financing from *Société de financement de l'économie française* (SFEF), which stopped issuing securities in October 2009, and also from **the monetary policy of the European Central Bank (ECB)**, which cut its minimum bid rate from 2% to 1%. Later on in the year, **market financing terms improved** as 3-month Euribor fell from 3.29% to 0.71%.

Cost of financing index *



Sources: Markit, Bloomberg – calculations of the General Secretariat of the ACP

*This index represents the cost of risk-free securities issues (swap rates against 3-month Euribor) plus a liquidity premium (IBoxx Financial AA). It is a proxy for market financing difficulties.

After a difficult year in 2008, **corporate and investment banking earnings recovered sharply in 2009, with a 142.3% rise.** Banks benefited from sustained capital market activity as conditions returned to normal and risk aversion abated.

2.1.2 But risk-related costs are still high

Despite a 7.5% increase in operating expenses, a steep rise in net banking income drove gross operating income sharply higher than in previous years, offsetting the increase in risk-related costs.

Risk-related costs rose by a further 32.8% in 2009, taking the total increase since 2007 to more than 300%. As economic conditions worsened, these higher costs affected all business lines, particularly retail banking.

In corporate and investment banking, asset impairments and writedowns of exposures to subprime-related assets, especially structured products (notably collateralised debt obligations) and monoline insurer guarantees, continued to put a damper on earnings, though to a lesser extent than in 2008.

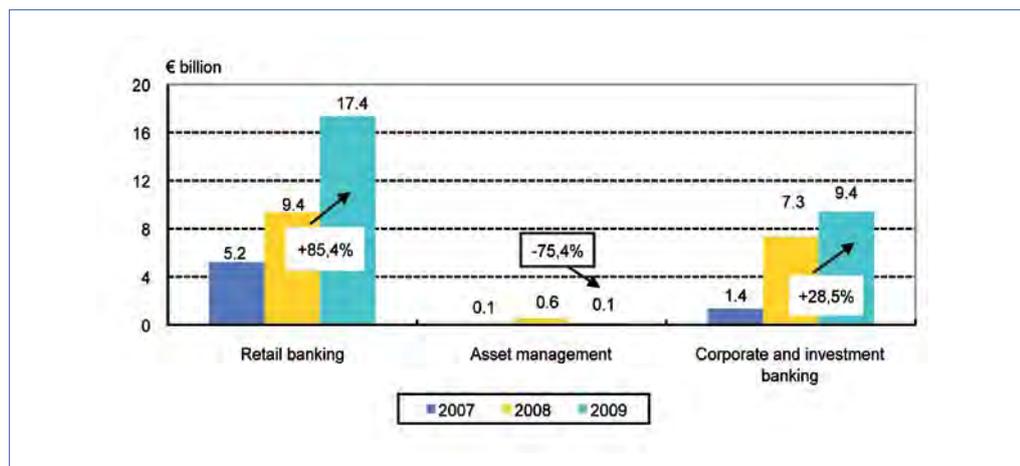
Writedowns of CDO and monoline guarantees

EUR billion	2008		2009	
	CDO	Monolines	CDO	Monolines
Exposures net of hedges	12.1	14.0	16.2	9.0
Writedowns	5.1	8.5	9.9	6.0
Net exposure	7.0	5.5	6.3	3.0
Hedge ratio	42%	61%	61%	67%

Sources: banks (four leading banking groups)

Banks need to maintain sufficient income to cope with loss rates that could remain high.

Risk-related costs by business line



Source: banks

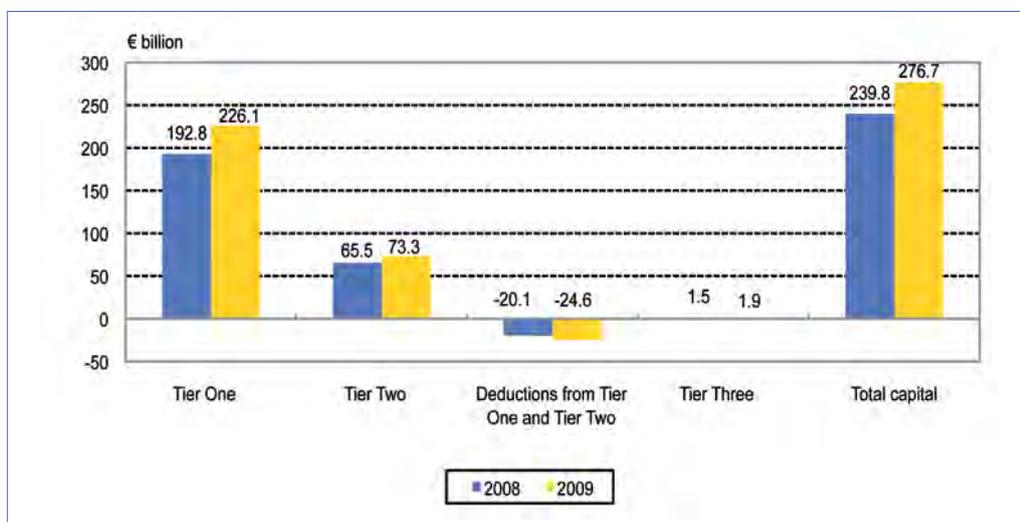
BANKING SECTOR

2.2 Enhanced solvency and capital

The leading banking groups substantially increased their total capital in 2009, which rose 15% during the year to EUR 277 billion.

The groups received injections of public capital through *Société de prise de participation de l'État* (SPPE), which subscribed EUR 9.25 billion in deeply subordinated notes (TSS) and preferred stock in the first half of 2009, following a first wave of TSS issuance worth EUR 10.5 billion in December 2008 and the purchase of a EUR 1 billion equity stake in Dexia in September 2008. However, these measures played only a temporary role. **The five French banking groups that received this support repaid SPPE in full or in part in the second half of 2009 and replaced public capital with retained earnings or by issuing market instruments with equivalent or higher ratings.**

Total capital and its components

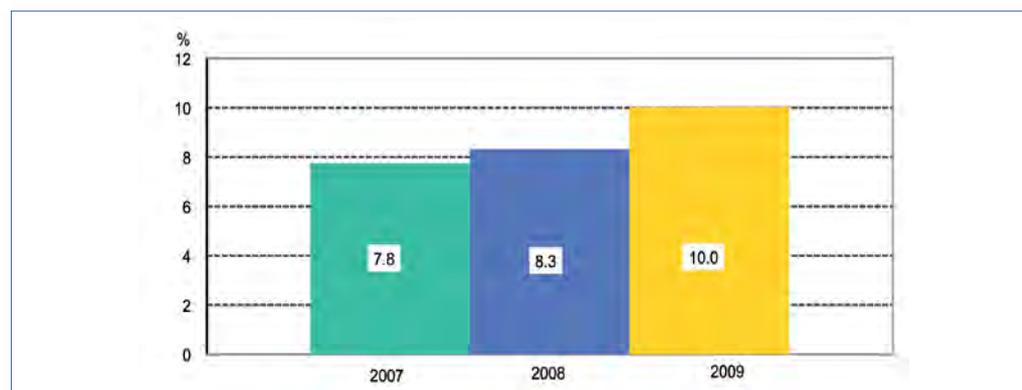


Source: General Secretariat of the ACP

The increase in total capital stems primarily from the increase in original own funds, which stand at more than EUR 226 billion, reflecting an improvement in total own funds.

By end 2009, the aggregate Tier One Ratio of major French banking groups had reached a historical high of more than 10%.

Tier One Ratio



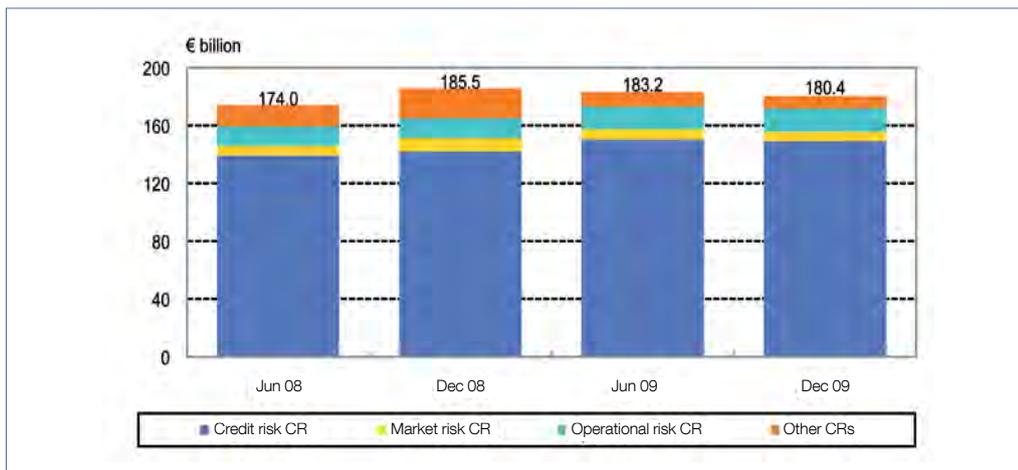
Source: General Secretariat of the ACP

2.3 Risks kept in check

2.3.1 Capital requirements stabilise

Other reasons for the improvement in solvency ratios are sound risk management and the levelling-off of capital requirements at EUR 180 billion, down 2.8%.

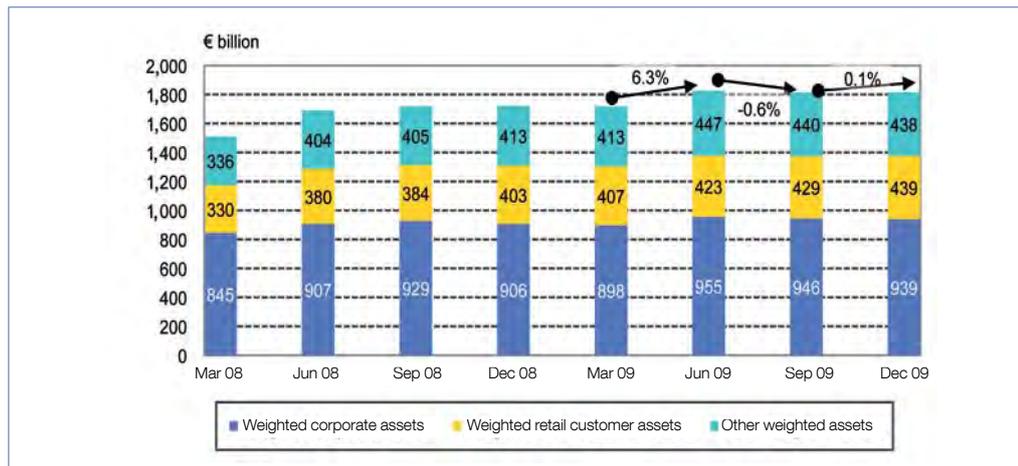
Capital requirements



Source: General Secretariat of the ACP

Credit risk still accounted for the bulk of capital requirements at 82.7% of the total. The 5.4% increase in credit risk-weighted assets over the year stems primarily from the acquisition of Fortis by BNP Paribas in May 2009. Stripping out BNP Paribas, the increase is only 2%.

Credit risk-weighted assets



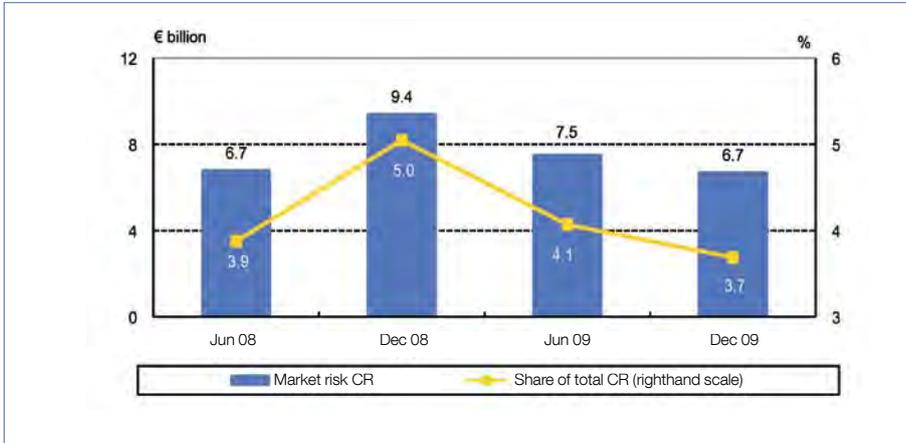
Source: General Secretariat of the ACP

Capital requirements for market risk declined by 29% in absolute terms and shrank as a percentage of total capital requirements.

BANKING SECTOR



Capital requirements for market risk



Source: General Secretariat of the ACP

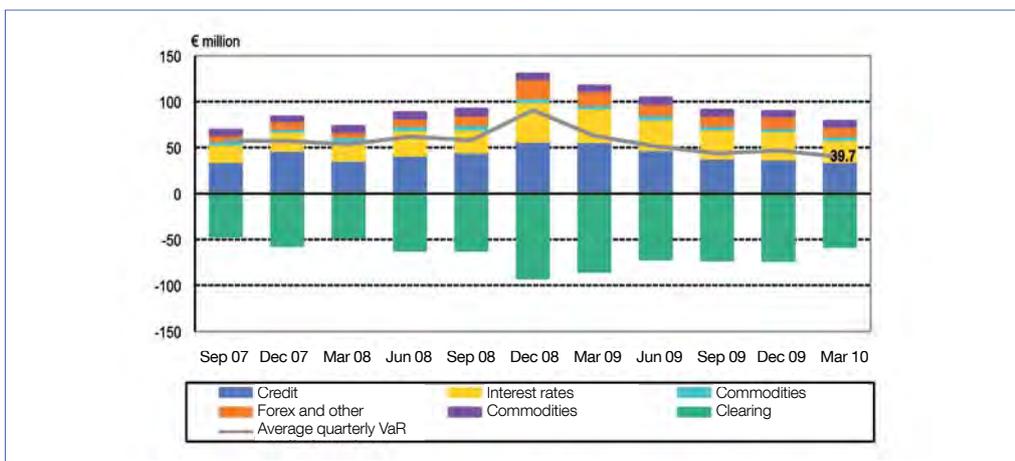
Briefing

Value at Risk (VaR) is the maximum potential loss that an institution could incur in the value of a portfolio of financial assets in the event of adverse developments under normal market conditions, with regard to a given holding period and confidence interval.

The lower capital requirements are due to a reduction in Value at Risk (VaR), attributable to two factors:

- lesser volatility in 2009 than in 2008;
- a policy of disengaging from the riskiest transactions, which was reflected to varying degrees, e.g. total discontinuation of some activities, lower limits or, at the very least, offsetting between transactions.

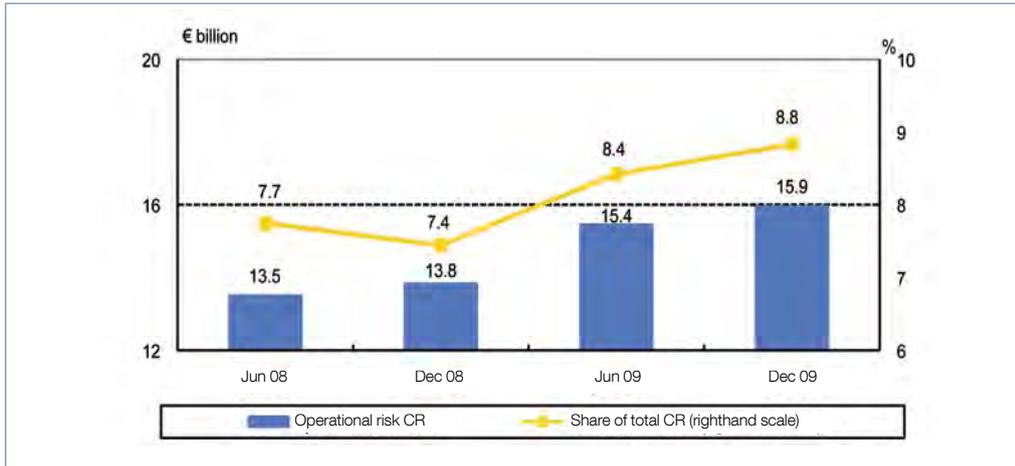
1-day VaR



Source: banks (BNP Paribas and Société Générale)

The overall decline in capital requirements was attenuated by the increase in requirements for operational risk, which rose by 15% between December 2008 and December 2009.

Capital requirements for operational risk



Source: General Secretariat of the ACP

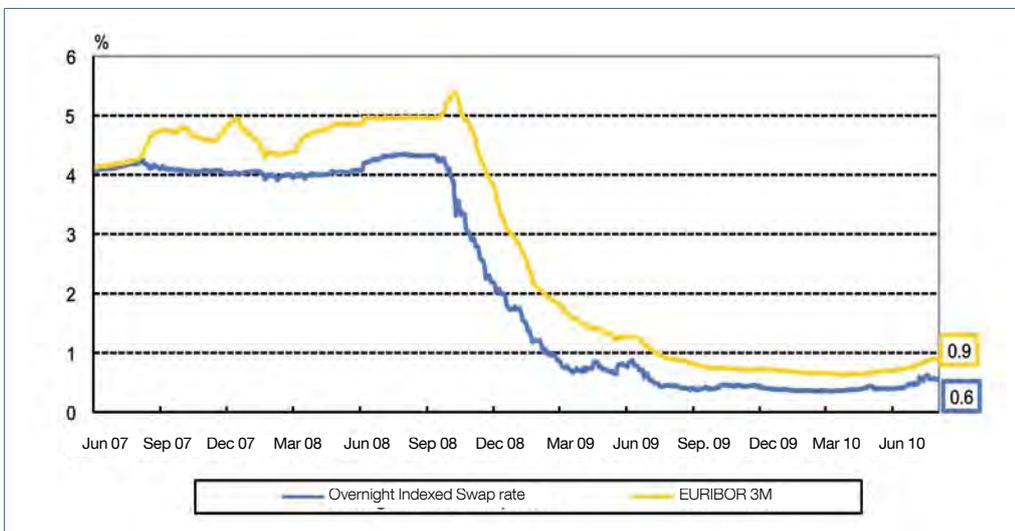
2.3.2 Liquidity pressures ease

Briefing

The Overnight Indexed Swap rate (OIS) is the overnight financing rate on the interbank market, whereas 3-month Euribor is the rate for uncollateralised financing up to three months. The differential between the two rates is commonly used to show a loss of confidence on the interbank market.

Successive moves to loosen monetary policy since fourth quarter 2008 and easing pressures on the money market brought short-term financing rates down to low levels at the end of 2009.

Short-term rates (Overnight Indexed Swap rate and 3-month Euribor)

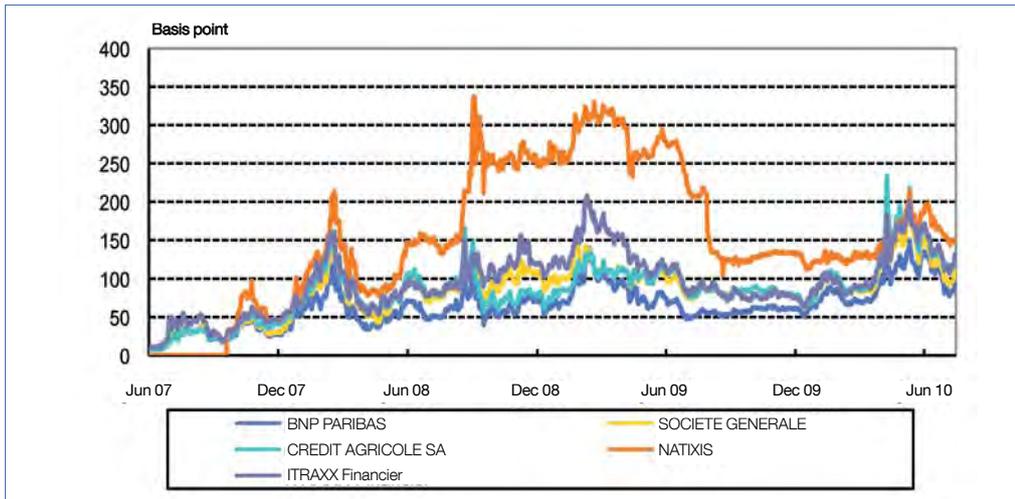


Source: Bloomberg

BANKING SECTOR

More broadly, the government's **support measures vented the strong pressures observed at the start of the year**. As a result, the premiums on French banks' credit default swaps (CDS) reached all-time highs in first quarter 2009. These premiums fell sharply in second half 2009, but remained high nonetheless. The increase seen at the start of 2010 underscores the need to remain vigilant.

CDS premiums – senior debt, 5-year contracts



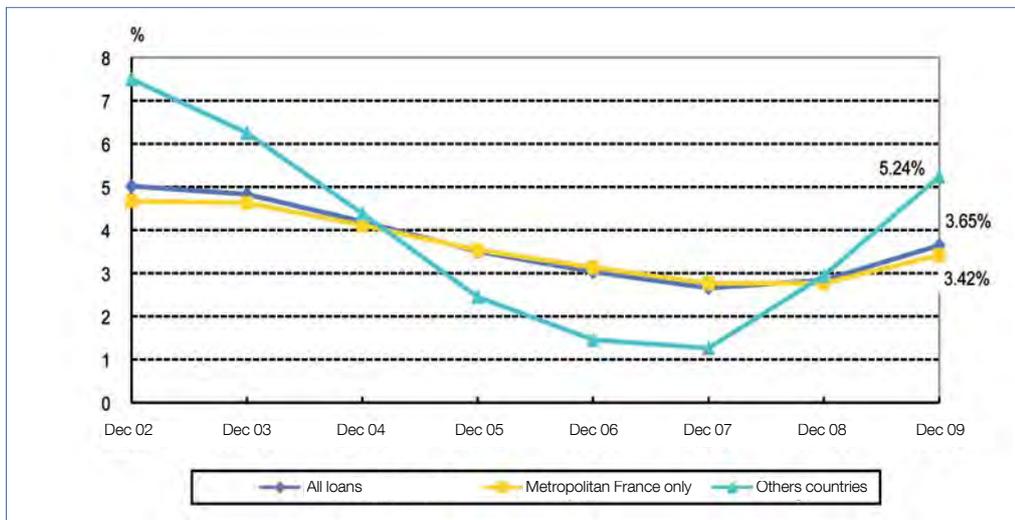
Source: Bloomberg

2.3.3 Diminishing loan book quality

Gross non-performing loans grew rapidly, both in comparison to gross lending and in absolute terms. They peaked at EUR 77.5 billion for customer loans at the end of 2009 and EUR 90 billion for all non-performing assets. As a share of all assets, they reached a level close to that at end 2003.

Gross non-performing loans as a percent of gross lending

Aggregated parent-company data



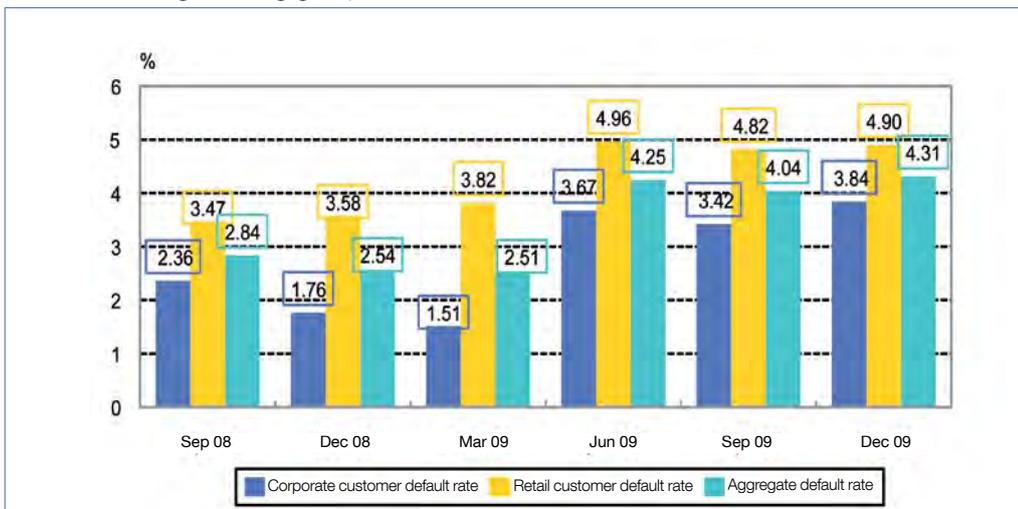
Source: General Secretariat of the ACP

The share of loans in default has risen substantially since the second quarter of 2009

Retail customers are still the most vulnerable to default: loans in default as a proportion of sound assets in the previous period stood at 4.9% at the end of December, an increase of 1.3 percentage points over one year. **But the sharpest drop in loan quality was seen in business loans,** with a doubling of the default rate between March and September, followed by a further rise in the fourth quarter.

Default rates of the main loan books

Seven leading banking groups

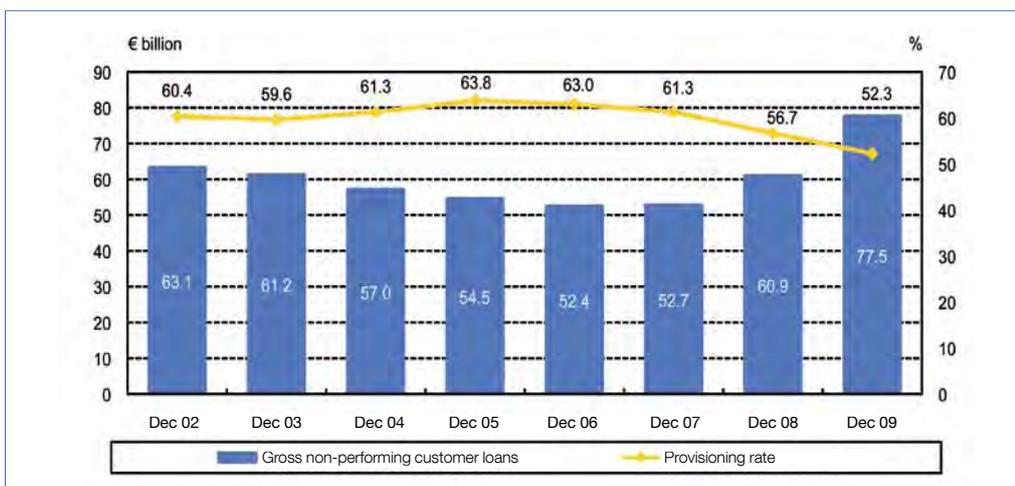


(as a proportion of sound loans in the previous period)
Source: General Secretariat of the ACP

The ratios of provisions to non-performing customer loans in 2009 continued to decrease, as they did in 2008. In view of the risk-mitigation measures taken for some of these loans, such as collateralisation, these ratios are generally not very high. Even so, they are now at their lowest level in a decade at around 50%.

Ratio of provisions to non-performing customer loans

Aggregated parent-company data



Source: General Secretariat of the ACP

3. Refocusing on customers

3.1 The major groups' balance sheets show a reduction in trading books

Aggregated consolidated balance sheet of the seven leading banking groups

EUR billion	2007	2008	2009	Share of total assets (%)	2009/2008 change (%)
ASSETS					
Financial assets at fair value through profit or loss	77.5	68.5	68.9	1.1	0.6
Derivative hedging instruments	34.5	46.5	52.9	0.8	13.8
Available-for-sale financial assets	409.6	346.4	441.1	6.9	27.4
Financial assets held for trading	2,030.6	2,550.5	1,812.6	28.2	-28.9
Loans and advances to credit institutions	443.6	524.5	495.1	7.7	-5.6
Customer loans and receivables	2,462.3	2,791.8	3,025.8	47.1	8.4
Held-to-maturity financial assets	18.8	21.9	20.7	0.3	-5.6
Other	379.7	475.9	505.6	7.9	6.2
TOTAL ASSETS	5,856.5	6,826.1	6,422.8	100.0	-5.9
LIABILITIES					
Financial liabilities held for trading	1,545.2	2,220.8	1,545.0	24.1	-30.4
Financial liabilities at fair value through profit or loss	196.7	165.0	170.8	2.7	3.5
Derivative hedging instruments	39.7	78.2	73.6	1.1	-5.9
Amounts owed to credit institutions	789.0	778.7	693.1	10.8	-11.0
Amounts owed to customers	1,656.7	1,840.7	2,125.5	33.1	15.5
Debts evidenced by a certificate	1,017.2	1,013.3	1,075.9	16.8	6.2
Provisions	26.7	19.5	26.1	0.4	34.0
Subordinated debt	82.1	100.7	102.9	1.6	2.2
Consolidated shareholders' equity	223.5	216.1	266.3	4.1	23.2
Other	279.6	393.2	343.7	5.4	-12.6
TOTAL LIABILITIES	5,856.5	6,826.1	6,422.8	100	-5.9

Source: General Secretariat of the ACP

The leading groups' consolidated balance sheets were affected by changes in consolidation structure over the year, with the acquisition of Fortis by BNP Paribas and the merger of the Banques Populaires and Caisses d'Epargne groups.

Total assets were down nearly 6% in 2009. This decline is due primarily to the 30% fall in assets and liabilities held for trading, echoing the trend observed at international level.

Banks also shifted their focus back to customer business. Transactions with customers now account for 47% of total assets, while assets held for trading represent slightly less than one third. Amounts owed to customers increased to one third of total liabilities, while liabilities held for trading shrank to a quarter of the total.

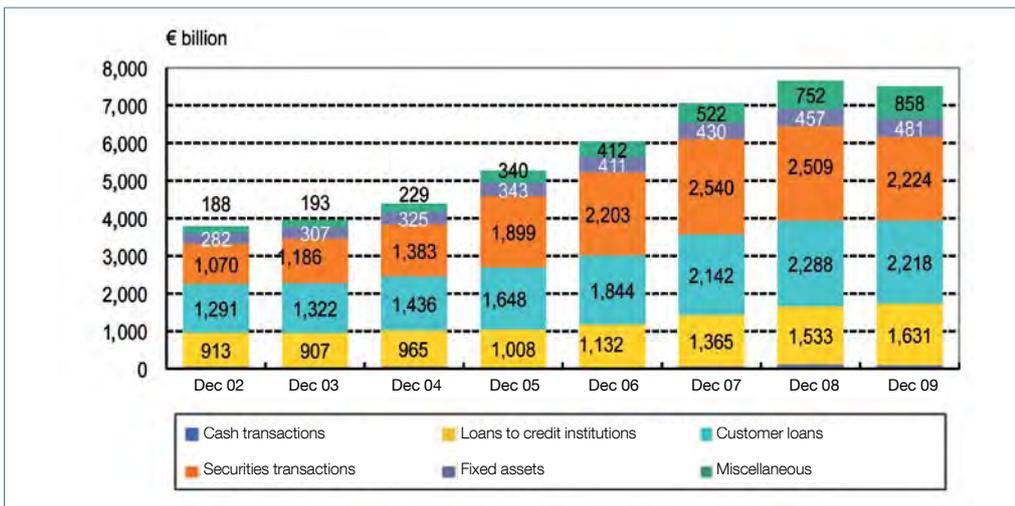
3.2 Structure of the French banking system

Briefing

The analysis in the previous section consolidates the earnings and activity of a sample of the seven leading banking groups, in both accounting and prudential terms. It therefore includes all transactions, including those carried out by subsidiaries in other countries. The following analysis looks at aggregated parent company data, which provide more detailed information about all credit institutions and investment firms. The discrepancies between these two complementary views stem from differences in consolidation structure, consolidation methods and accounting standards.

Assets

Aggregated parent-company data



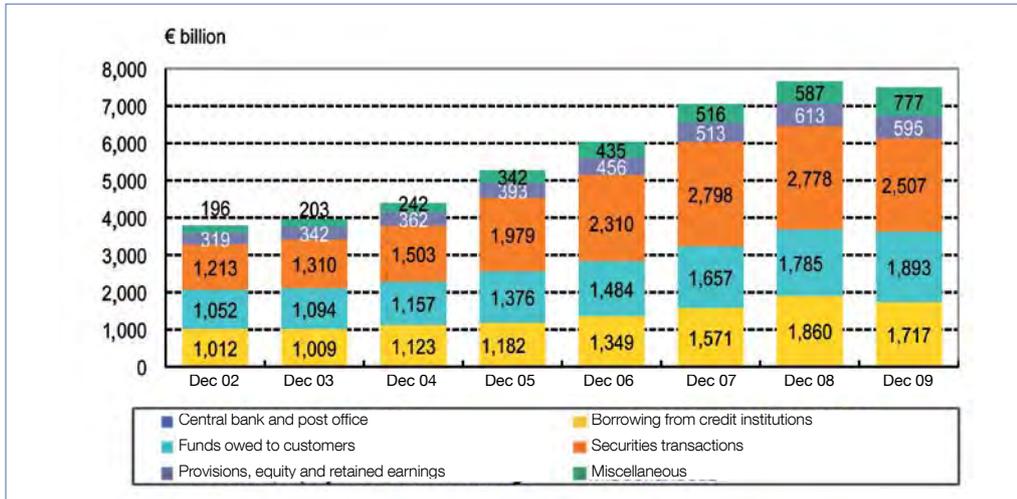
Source: General Secretariat of the ACP

French institutions maintained their customer business as they reduced their securities portfolios. Outstanding loans remained stable on the assets side of the balance sheet, but customer deposits posted substantial growth of 6%. **Customer deposits provided a sound financing base for French banks in difficult market conditions.**

BANKING SECTOR

Liabilities

Aggregated parent-company data

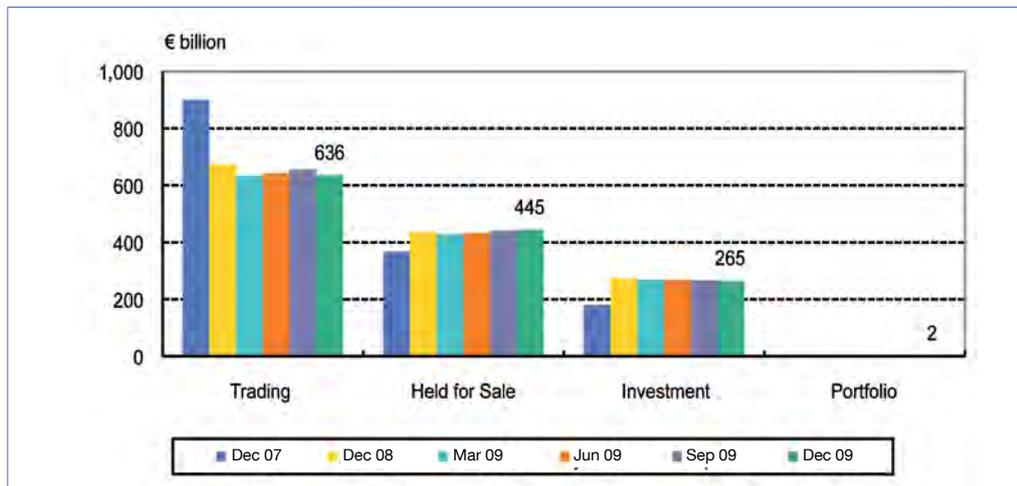


Source: General Secretariat of the ACP

On the assets side, after some securities were reclassified in 2008 and switched from the trading book to the banking book, **the trading book stagnated, as did the other books.**

Credit institutions' securities portfolios

Aggregated parent-company data



Source: General Secretariat of the ACP

3.3 Business activity

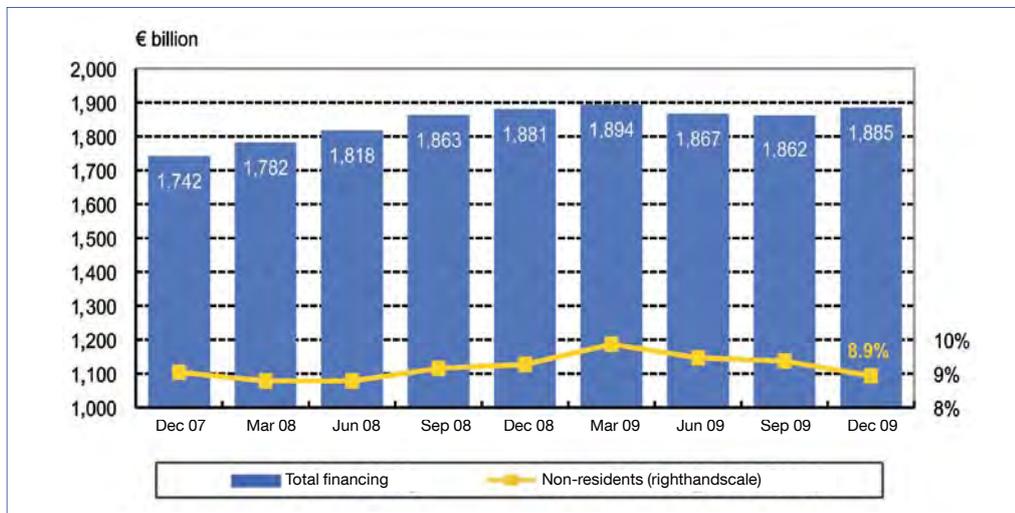
3.3.1 Outstanding loans stable

Outstanding customer loans in metropolitan France were stable overall, with an increase of 0.2%. But this figure conceals contrasting developments in different types of lending.

The increases of 16.6% in export credits, 5.1% in equipment loans and 3.7% in housing loans offset the decline in other types of lending. The growth of housing loans was slower than in previous years, despite low lending rates.

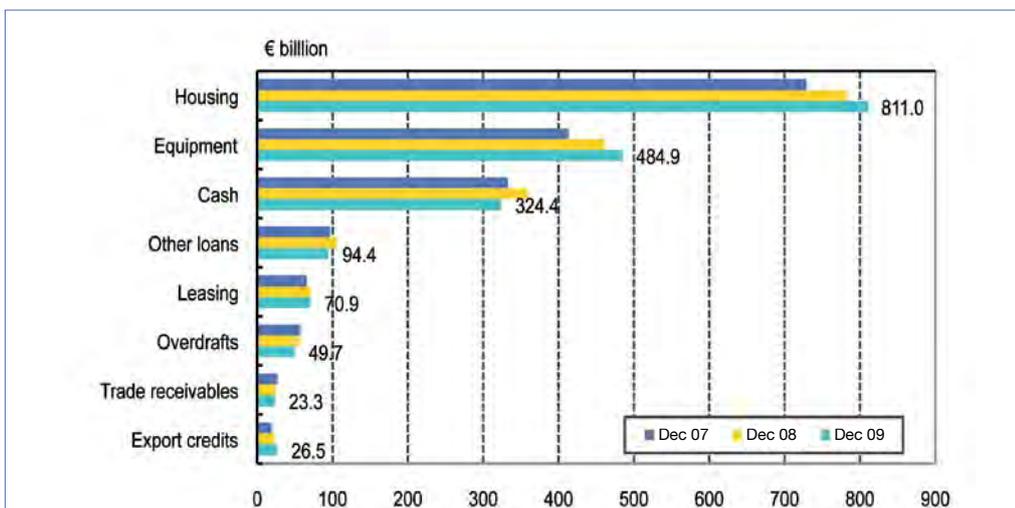
Financing for the economy provided by the French banking system

Metropolitan activity



Source: General Secretariat of the ACP

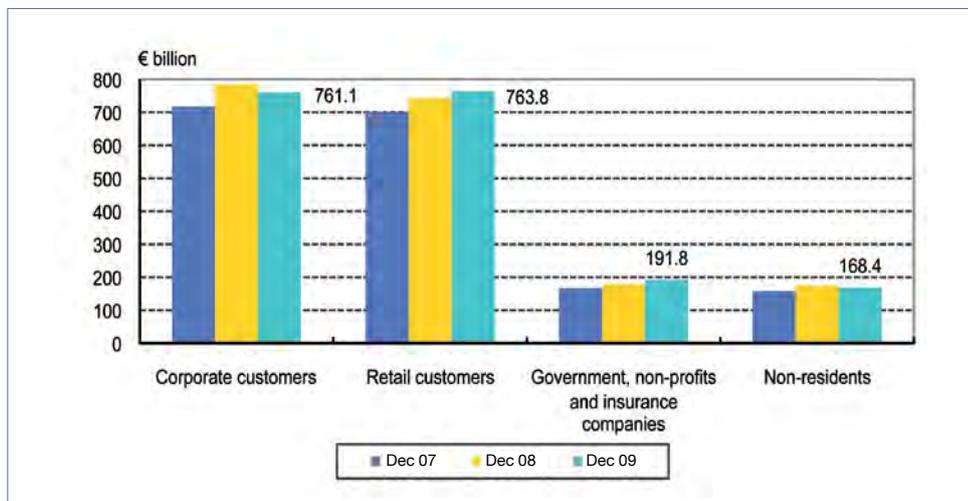
Financing for the economy by loan type



Source: General Secretariat of the ACP

BANKING SECTOR

Financing for the economy by category of agent



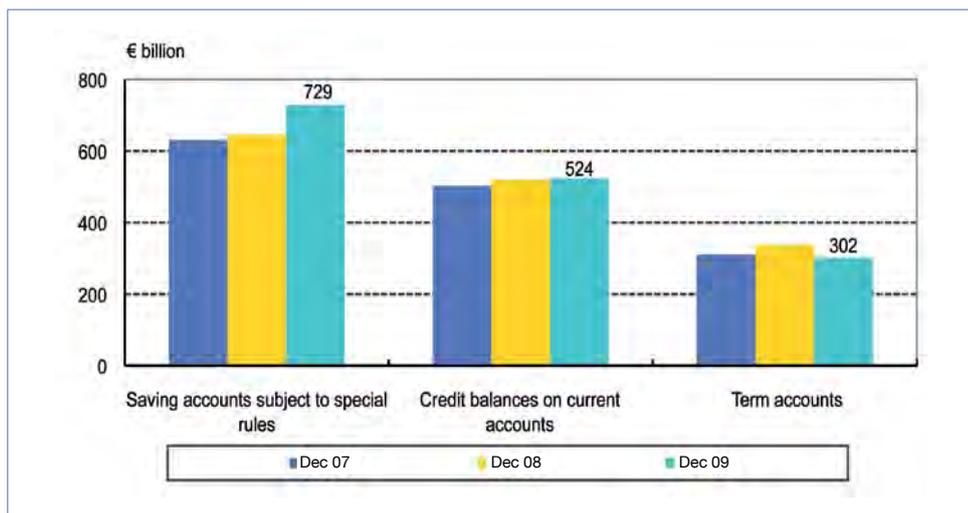
Source: General Secretariat of the ACP

3.3.2 Deposits

In addition to the 47.6% growth in lending to financial customers, **the strong 6.1% increase in customer deposits** is noteworthy and stems from a 12.6% rise in passbook savings deposits.

Customer deposits

Aggregated parent-company data



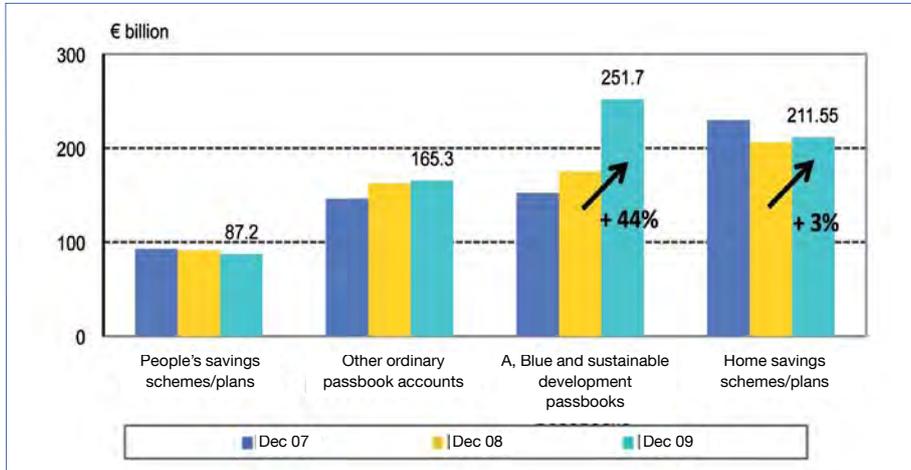
Source: General Secretariat of the ACP

The strongest growth in **passbook savings deposits was on Livret A accounts, which increased 74%**. This growth was driven by deregulation of Livret A distribution as well as the attractive 4% interest rate being paid at the start of 2009. But as the interest rate declined over the year to reach 1.25% for the period from August to December 2009, deposits shrank slightly in the second quarter of 2009. **However, total deposits were still much higher than at the end of 2008**, as savers preferred passbook accounts as a means of building up precautionary savings.

Refocusing on customers

Savings accounts subject to special rules

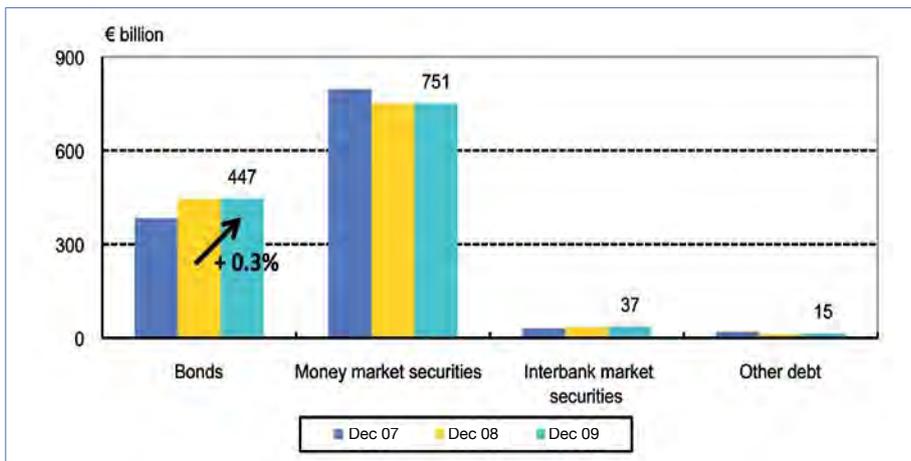
Aggregated parent-company data, metropolitan France only



Source: General Secretariat of the ACP

Debts evidenced by a certificate

Aggregated parent-company data

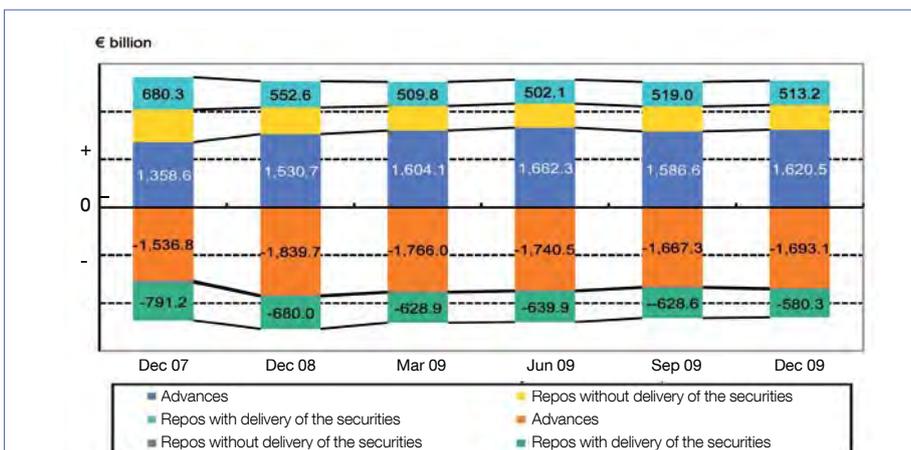


Debt evidenced by a certificate remained unchanged from 2008, as institutions managed to renew some of their deposits despite a difficult economic environment.

Source: General Secretariat of the ACP

Interbank transactions

Aggregated parent-company data



Source: General Secretariat of the ACP



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Annex 1

Business data

(EUR billion)	2007	2008	2009	2009/2008 change in %
Total assets	7,061	7,662	7,508	-2.0
Customer loans	2,142	2,288	2,218	-3.1
Securities portfolio	1,450	1,387	1,348	-2.8
o/w trading securities	900	675	636	-5.8
Customer deposits	1,657	1,785	1,893	6.1
o/w sight deposits	503	520	524	0.7
o/w savings accounts subject to special rules	631	646	729	12.8
Positions on financial futures	75,257	83,034	83,284	0.3

Source: General Secretariat of the ACP

Annex 2

Earnings data

(EUR billion)	2007	2008	2009	2009/2008 change in %
Net banking income	98.0	79.2	113.3	43.2
Structural expenses	67.0	66.8	68.3	3.0
Gross operating income	31.0	12.4	45.1	264.0
Net allocations to provisions and loan losses	2.7	10.0	14.5	44.8
Operating income	27.1	-2.4	28.0	-
Ordinary pre-tax income	34.3	-4.2	25.5	-
Net income	27.0	-3.2	20.3	-

Source: General Secretariat of the ACP

Annex 3

Summary of the main ratios relating to business and earnings*

(%)	2007	2008	2009
Average cost of customer funds	3.26	3.26	1.96
Average return on customer loans	5.76	5.68	4.63
Overall banking margin	1.31	0.92	1.17
Cost-to-income ratio	68.4	84.4	60.2
Return on equity	9.8	-1.0	6.1

Source: General Secretariat of the ACP

* The data are for metropolitan France only. All ratios, except cost-to-income are calculated on the basis of average capital

BANKING SECTOR

Annex 4

Total assets, all credit institutions

(EUR million)	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	CHANGE 2009/2008 (%)
ASSETS				
CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS	62,995	121,505	95,788	-21.2
LOANS TO CREDIT INSTITUTIONS	1,364,595	1,533,282	1,630,723	6.4
. current accounts	255,148	233,165	241,428	3.5
. deposits and loans	896,993	1,060,481	1,123,842	6.0
. securities bought under repurchase agreements	6,027	2,678	10,234	282.2
. other loans	206,426	236,958	255,219	7.7
CUSTOMER LOANS	2,141,766	2,288,525	2,218,186	-3.1
. loans to non-financial customers	1,831,181	1,992,992	1,968,715	-1.2
. loans to financial customers	190,814	178,257	132,302	-25.8
. securities bought under repurchase agreements	259	296	216	-26.9
. overdrafts	79,911	72,396	65,201	-9.9
. non-performing loans	20,390	26,374	36,999	40.3
. other credits	19,211	18,210	14,752	-19.0
SECURITIES TRANSACTIONS	2,539,924	2,509,390	2,223,978	-11.4
. securities bought under repurchase agreements	680,271	552,559	513,234	-7.1
. trading securities	900,322	674,832	635,725	-5.8
. securities held for sale	366,692	432,790	444,536	2.7
. portfolio securities	1,977	2,321	2,324	0.1
. investment securities	180,682	277,007	265,346	-4.2
. other transactions	409,981	569,881	362,813	-36.3
CAPITAL ASSETS	429,828	457,490	481,375	5.2
. subordinated loans	39,861	42,575	44,009	3.4
. shares in affiliated entities	277,672	295,211	317,306	7.5
. fixed assets	26,663	28,484	28,558	0.3
. financial and operating leases	83,298	88,731	88,393	-0.4
. other assets	2,334	2,489	3,107	24.8
MISCELLANEOUS	521,800	752,129	858,047	14.1
TOTAL ASSETS	7,060,907	7,662,321	7,508,096	-2.0

Source: General Secretariat of the ACP

(EUR million)	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	CHANGE 2009/2008 (%)
LIABILITIES				
CENTRAL BANKS AND POST OFFICE BANKS	7,089	38,265	18,755	-51.0
BORROWING FROM CREDIT INSTITUTIONS	1,570,506	1,860,451	1,717,180	-7.7
. credit balances on current accounts	126,476	103,155	100,621	-2.5
. due to banks	1,206,950	1,498,561	1,320,994	-11.8
. securities sold under repurchase agreements	33,748	20,743	24,069	16.0
. other borrowing	203,332	237,992	271,495	14.1
FUNDS OWED TO CUSTOMERS	1,657,099	1,785,351	1,893,415	6.1
. borrowing from financial customers	181,572	244,489	307,359	25.7
. securities sold under repurchase agreements	362	410	1,320	222.2
. credit balances on current accounts	502,515	520,040	523,500	0.7
. savings accounts subject to special rules	631,265	645,884	728,557	12.8
. credit balances on term accounts	310,235	337,719	302,378	-10.5
. certificates of deposit and savings certificates	2,131	1,938	1,886	-2.6
. other liabilities	29,019	34,872	28,415	-18.5
SECURITIES TRANSACTIONS	2,797,746	2,777,493	2,506,655	-9.8
. securities sold under repurchase agreements	791,164	679,987	580,278	-14.7
. debts evidenced by a certificate	1,229,904	1,245,348	1,249,434	0.3
o/w: . money market securities	796,648	750,778	751,386	0.1
. bonds	383,140	445,435	446,573	0.3
. other transactions	776,679	852,157	676,944	-20.6
PROVISIONS, SHAREHOLDERS' EQUITY	483,924	577,814	562,691	-2.6
. grants and public funding	4,044	4,322	4,810	11.3
. sundry provisions and mutual guarantee deposits	71,222	110,060	72,326	-34.3
. subordinated debt	147,139	179,258	176,819	-1.4
. equity capital, reserves and fund for general banking risks	261,518	284,173	308,736	8.6
RETAINED EARNINGS/LOSSES	28,798	35,608	32,145	-9.7
MISCELLANEOUS	515,744	587,265	777,255	32.4
TOTAL LIABILITIES	7,060,907	7,662,321	7,508,096	-2.0

Source: General Secretariat of the ACP

BANKING SECTOR

Annex 5

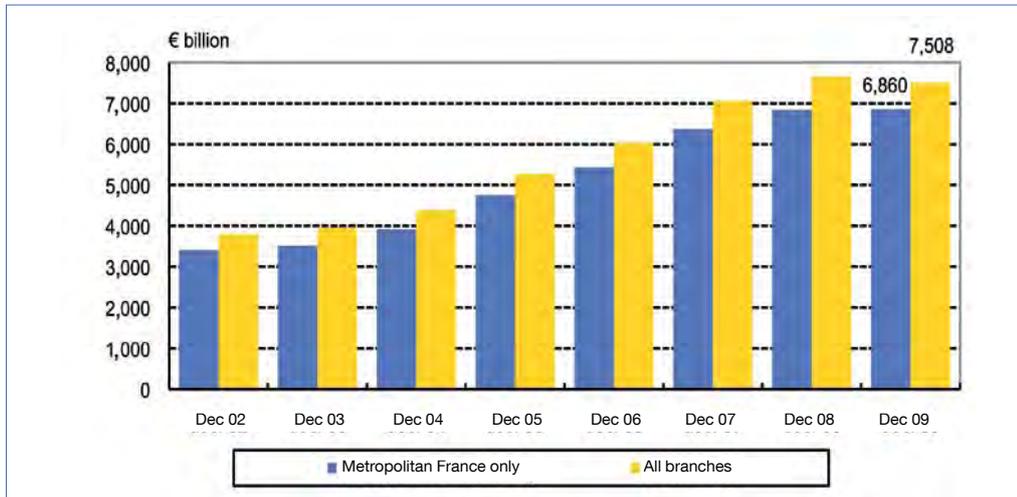
Off-balance sheet commitments of credit institutions

(EUR million)	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	CHANGE 2009/2008 (%)
FINANCING COMMITMENTS				
Given:				
. to credit institutions	143,399	127,441	158,990	24.8
. to customers	822,310	757,388	770,089	1.7
Received:				
. from credit institutions	212,533	332,771	395,838	19.0
. from customers	17,302	37,123	32,073	-13.6
GUARANTEE COMMITMENTS				
Given:				
. to credit institutions	455,496	373,193	379,253	1.6
. to customers	630,811	606,924	616,800	1.6
Received:				
. from credit institutions	674,912	459,036	462,689	0.8
. from customers	432,329	515,616	531,252	3.0
COMMITMENTS ON SECURITIES				
Securities to be received	222,089	174,240	190,584	9.4
o/w securities sold with a repurchase option	0	0	0	-
Securities to be delivered	221,981	183,163	192,271	5.0
o/w securities bought with a repurchase option	83	1,330	100	-92.5
CURRENCY TRANSACTIONS				
Currencies to be received	4,118,489	4,399,623	5,094,748	15.8
Currencies to be delivered	4,116,088	4,408,950	4,539,089	3.0
COMMITMENTS IN RESPECT OF FINANCIAL FUTURES				
	75,257,454	83,033,860	83,283,755	0.3
o/w:				
Transactions in interest rate futures	59,990,412	69,328,774	73,172,833	5.5
Transactions in currency futures	2,148,403	3,154,686	2,404,701	-23.8
Transactions in other futures	13,118,638	10,550,401	7,706,221	-27.0

Source: General Secretariat of the ACP

Annex 6

Change in total assets



Source: General Secretariat of the ACP

BANKING SECTOR

Annex 7

Lending to the economy (at 31 December 2009)*

(EUR million)	RESIDENTS						NON-RESIDENTS	TOTAL	Annual % change
	Non-financial corporation	Sole proprietors	Individuals	Insurance companies	General government	Private non-profit entities			
Trade receivables financing	14,068	143	4	1	1,118	98	7,833	23,265	-6.0
Export credits	3,416	3	0	0	29	0	23,102	26,549	16.6
Short-term lending	118,574	8,354	123,152	1,770	10,431	319	61,806	324,406	-9.7
Investment credit	255,758	36,316	0	699	148,721	9,020	34,356	484,870	5.1
Home loans	92,751	75,262	627,479	57	1,487	1,264	12,705	811,005	3.7
Other credits	57,125	1,060	1,953	677	5,759	277	18,505	85,356	-11.4
Overdrafts	31,227	1,853	6,799	1,636	1,104	1,208	5,907	49,734	-9.7
Consumer leases and similar operations	57,648	2,960	4,457	85	1,902	514	3,289	70,855	0.9
Subordinated loans	4,576	8	1	3,618	0	7	866	9,075	-4.8
GRAND TOTAL	635,143	125,958	763,847	8,543	170,551	12,708	168,409	1,885,159	0.2
Relative shares of economic agents (%)	33.7	6.7	40.5	0.5	9.0	0.7	8.9	100	
Annual change (%)	-3.8	0.6	2.9	-12.4	8.4	8.3	-3.5	0.2	

Source: General Secretariat of the ACP

* The data are for metropolitan France only.

Annex 8

Funds owed to customers*

(EUR million)	31 December 2008				31 December 2009				Annual % change
	Residents	Non-residents	Total	% of structure	Residents	Non-residents	Total	% of structure	
Borrowing from financial customers	82,302	74,584	156,886	10.6	137,417	94,125	231,542	14.2	47.6
Securities sold under repurchase agreements	202	0	202	0.0	35	0	35	0.0	-82.8
Credit balances on current accounts	418,907	32,929	451,836	30.5	432,366	35,826	468,192	28.8	3.6
Factoring accounts	6,167	656	6,823	0.5	6,491	740	7,231	0.4	6.0
Collateral deposits	4,882	3,671	8,553	0.6	4,961	4,055	9,016	0.6	5.4
Special saving accounts	627,357	8,223	635,580	42.9	705,730	10,138	715,867	44.0	12.6
O/w:									
. Ordinary passbooks	144,042	4,857	148,899	10.0	145,155	5,871	151,026	9.3	1.4
. Livret A and Livret Bleu	104,796	348	105,145	7.1	181,673	1,157	182,830	11.2	73.9
. Young persons' passbooks	7,345	10	7,356	0.5	7,171	11	7,182	0.4	-2.4
. Popular savings passbooks	61,778	31	61,809	4.2	58,070	24	58,094	3.6	-6.0
. Sustainable development passbooks	69,847	115	69,962	4.7	68,776	122	68,898	4.2	-1.5
. Home savings schemes/accounts	203,957	2,415	206,372	13.9	208,917	2,557	211,474	13.0	2.5
. Popular savings schemes	29,153	245	29,397	2.0	28,882	248	29,130	1.8	-0.9
. Other savings accounts subject to special rules	6,438	4	6,442	0.4	7,075	4	7,079	0.4	9.9
Term deposit accounts	144,198	60,789	204,987	13.8	134,147	48,883	183,030	11.2	-10.7
Certificates of deposit and savings certificates	1,826	2	1,828	0.1	1,806	1	1,806	0.1	-1.2
Other amounts due	4,570	337	4,907	0.3	4,400	189	4,589	0.3	-6.5
Accrued interest payable	10,893	556	11,449	0.8	5,422	403	5,824	0.4	-49.1
TOTAL	1,301,304	181,746	1,483,051	100.0	1,432,775	194,358	1,627,133	100.0	9.7

Source: General Secretariat of the ACP

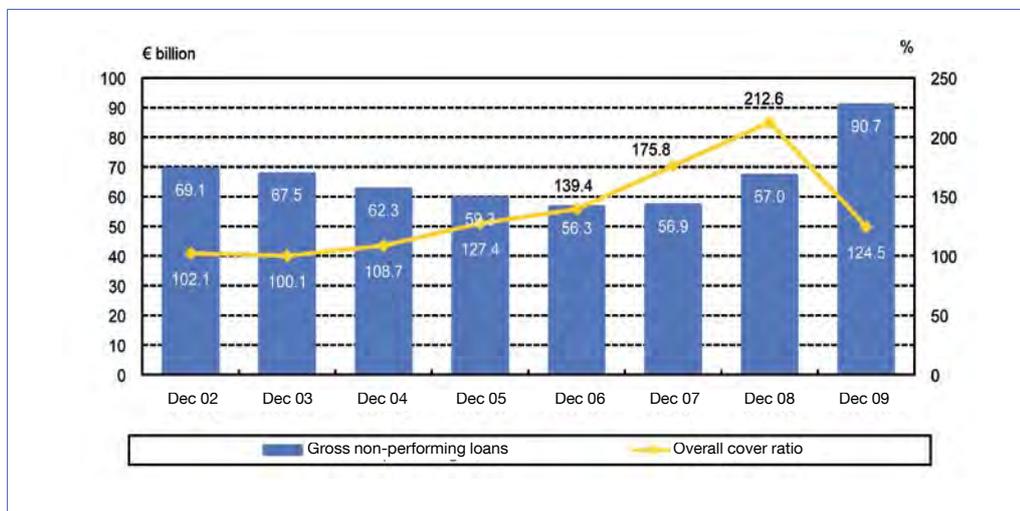
* The data are for metropolitan France only.

BANKING SECTOR



Annex 9

Overall non-performing loan cover ratio *



Source: General Secretariat of the ACP

* The overall cover ratio includes specific provisions and general provisions.

Annex 10

Aggregate income statement of credit institutions

(EUR million)	METROPOLITAN FRANCE ONLY				AGGREGATE ACTIVITY			
	2007 (1)	2008 (1)	2009 (2)	CHANGE 2009/2008 %	2007 (1)	2008 (1)	2009 (2)	CHANGE 2009/2008 %
Net bank operating income (3)	86,136	69,664	93,336	34.0	93,488	74,945	109,439	46.0
. money market and interbank transactions	-9,531	-2,867	4,378	-	-6,609	-3,841	5,713	-
. customer transactions	59,125	67,106	58,282	-13.2	65,581	76,704	66,610	-13.2
. securities transactions (4)	-8,663	-69,722	21,502	-	-14,368	-86,284	26,247	-
o/w repurchase agreements	-2,769	-3,725	-847	-	-4,155	-4,776	-1,116	-
. leasing transactions	4,718	5,002	4,013	-19.8	5,030	5,369	4,348	-19.0
. off-balance sheet transactions	6,309	42,762	-26,174	-	6,513	53,875	-28,550	-
. financial services	15,839	15,432	14,592	-5.4	16,667	16,249	15,787	-2.8
. other operating revenue	18,339	11,950	16,743	40.1	20,675	12,873	19,283	49.8
Net ancillary and miscellaneous income	3,795	3,762	3,579	-4.9	4,464	4,218	3,893	-7.7
Net banking income (3)	89,931	73,426	96,915	32.0	97,952	79,163	113,332	43.2
Operating expenses	56,196	55,809	57,244	2.6	64,078	62,934	65,032	3.3
. personnel	30,792	30,261	32,287	6.7	35,705	34,451	37,348	8.4
. other overheads	25,404	25,547	24,957	-2.3	28,373	28,483	27,684	-2.8
Depreciation and provisions for tangible and intangible fixed assets	2,579	3,518	2,892	-17.8	2,901	3,846	3,228	-16.1

(EUR million)	METROPOLITAN FRANCE ONLY				AGGREGATE ACTIVITY			
	2007 (1)	2008 (1)	2009 (2)	CHANGE 2009/2008 %	2007 (1)	2008 (1)	2009 (2)	CHANGE 2009/2008 %
Gross operating income	31,156	14,099	36,778	160.9	30,973	12,383	45,072	264.0
Net allocations to provisions and loan losses (5)	2,353	6,885	11,038	60.3	2,666	10,035	14,526	44.8
Net allocations to provisions for risks and liabilities	999	2,702	2,155	-20.2	1,178	4,762	2,585	-45.7
Operating income	27,804	4,512	23,585	422.8	27,130	-2,413	27,961	-
Net capital gains on fixed assets	7,205	-1,777	-4,163	134.3	7,216	-1,753	-2,464	40.5
Income before exceptional items and tax	35,009	2,735	19,422	610.3	34,346	-4,167	25,497	-
Net income	27,705	2,408	15,767	554.7	26,975	-3,185	20,326	-

Source: General Secretariat of the ACP

(1) Final figures

(2) Estimated figures

(3) Excluding interest on non-performing loans

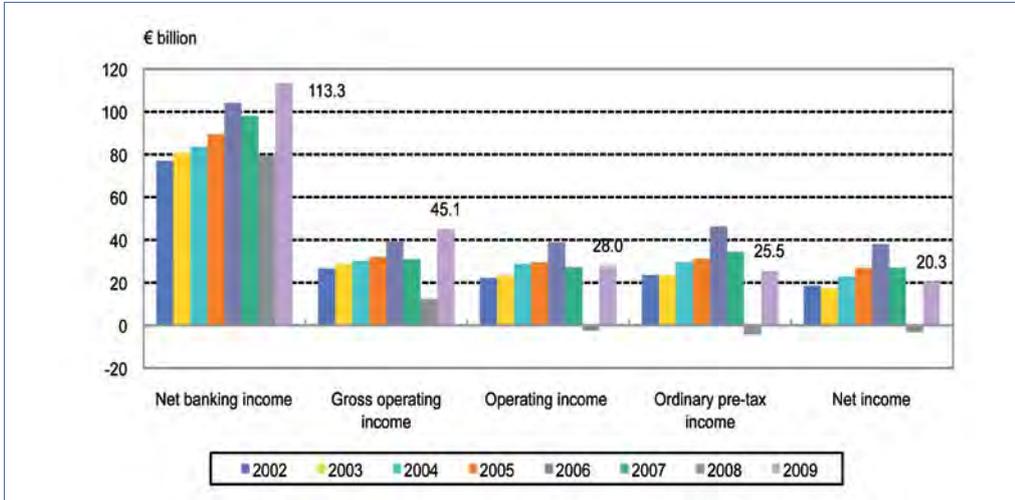
(4) Including allocations to provisions for impairment of securities held for sale and portfolio securities

(5) Including interest on non-performing loans

BANKING SECTOR

Annex 11

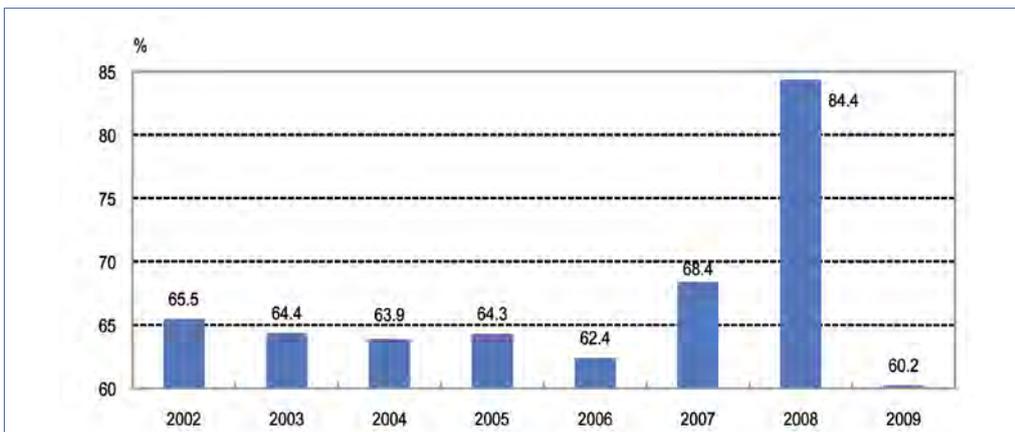
Intermediate operating totals



Source: General Secretariat of the ACP

Annex 12

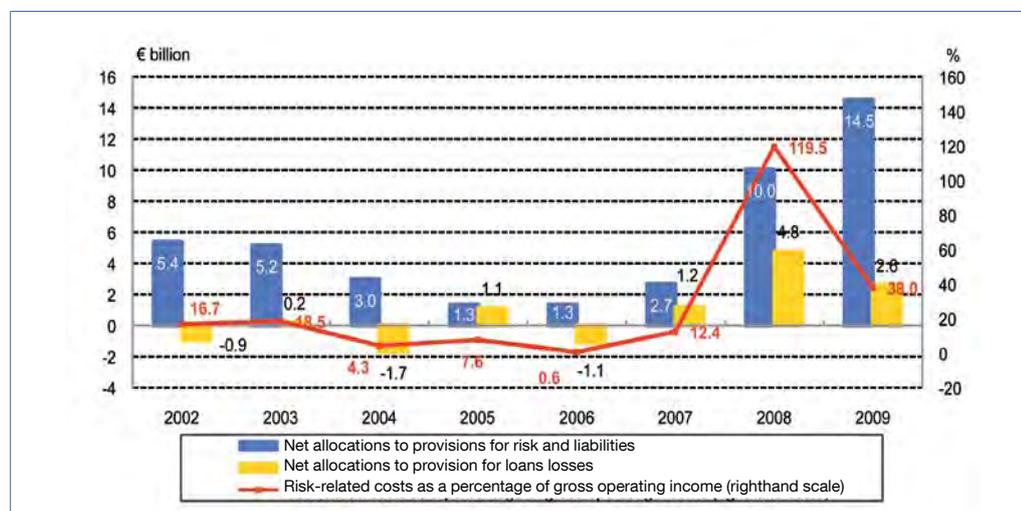
Cost-to-income ratio



Source: General Secretariat of the ACP

Annex 13

Provisions compared to gross operating income



Source: General Secretariat of the ACP

Annex 14

Average costs and returns*

(%)	2007	2008	2009
1. Customer transactions			
Average cost of borrowing (including money market securities)	3.26	3.26	1.96
Average return on loans	5.76	5.68	4.63
2. Securities transactions			
Debt securities (other than money market securities)	4.11	2.62	3.14
Subordinated debt	4.9	5.01	4.64
Return on securities portfolio	4.97	-0.62	5.41
3. Money market transactions			
Average cost of borrowing	5.89	5.29	2.76
Average return on loans	5.99	5.66	3.19
4. Overall banking margin	1.31	0.92	1.17

Source: General Secretariat of the ACP

* The data are for metropolitan France only.

BANKING SECTOR



Annex 15

Total assets, all investment firms

(EUR million)	31 Dec. 07	31 Dec. 08	31 Dec. 09	Change 2009/2008
	Amount	Amount	Amount	
ASSETS				
Short-term and interbank transactions	51,739	59,527	50,060	-15.9
Customer transactions	729	1,253	400	-68.0
Securities and other transactions	488,910	424,976	288,498	-32.1
. Trading securities	203,479	116,116	103,680	-10.7
. Options bought	167,514	181,054	93,460	-48.4
. Securities held for sale and portfolio securities	28,415	25,652	19,289	-24.8
. Investment securities	4	21	21	-2.0
. Securities bought under repurchase agreements	18,320	10,285	7,258	-29.4
. Trading and settlement accounts	8,088	4,811	4,342	-9.7
. Sundry debtors	16,011	21,790	13,663	-37.3
. Accrued income and deferred charges	45,344	62,593	44,701	-28.6
. Non-performing assets and accruals	1,736	2,654	2,083	-21.5
Fixed assets	697	575	580	1.0
. Subordinated loans	7	7	7	-3.4
. Shares in affiliated entities	449	269	274	1.6
. Net fixed assets	239	295	295	0.0
. Non-performing assets and accruals	2	3	5	52.4
Shareholders and partners	0	76	3	-96.0
TOTAL ASSETS	542,075	486,407	339,542	-30.2
LIABILITIES				
Short-term and interbank transactions	121,970	109,101	83,549	-23.4
Credit balances on customer accounts	1,268	1,166	1,913	64.1
Securities and other transactions	411,258	366,261	243,592	-33.5
. Securities transactions	44,349	33,041	33,195	0.5
. Options sold	260,127	228,810	124,098	-45.8
. Debts evidenced by a certificate	11,884	15,156	14,902	-1.7
<i>o/w:</i>				
. Money market securities	6,892	10,339	12,279	18.8
. Bonds	4,980	4,811	2,621	-45.5
. Trading and settlement accounts	9,995	6,758	5,443	-19.5
. Securities sold under repurchase agreements	42,340	30,536	31,517	3.2
. Sundry creditors	5,439	14,908	4,240	-71.6
. Accrued liabilities and deferred income	36,744	36,815	30,086	-18.3
. Accrued interest payable	379	239	111	-53.4
Provisions, shareholders' equity	6,081	9,533	9,800	2.8
. Subordinated debt	259	311	295	-5.0
. Provisions	4,234	7,529	7,683	2.0
. Premiums related to capital stock and reserves	605	607	605	-0.3
. Capital	983	1,085	1,216	12.0
Retained earnings/losses	105	519	244	-53.0
Excess of income/loss over charges	1,394	- 174	443	-
TOTAL LIABILITIES	542,075	486,407	339,542	-30.2

(EUR million)	31 Dec. 07	31 Dec. 08	31 Dec. 09	Change 2009/2008
	Amount	Amount	Amount	
OFF-BALANCE SHEET ITEMS				
Financing commitments				
Given	2,171	4,671	1,636	-65.0
Received	17,541	11,789	13,444	14.0
Guarantee commitments				
Given	8,196	4,697	4,274	-9.0
Received	3,423	6,262	6,385	2.0
Commitments on securities				
Securities to be received	11,611	33,374	5,383	-83.9
Securities to be delivered	11,035	4,114	5,153	25.3
Currency transactions				
Currencies to be received	12,021	15,055	18,211	21.0
Currencies to be delivered	4,605	8,377	13,773	64.4
Commitments in respect of financial futures	5,105,875	4,163,298	2,629,480	-36.8
Other off-balance sheet commitments	19,149	10,505	10,455	-0.5

Source: General Secretariat of the ACP

BANKING SECTOR



Annex 16

Aggregate income statement of investment firms

(EUR million)	2007	2008	2009	Change 2009/2008 %
Short-term and interbank transactions	-2,432.1	1,570.6	-367.1	-
. interest expense	4,604.0	5,549.3	3,824.9	-31.1
. interest revenue	2,171.9	7,119.9	3,457.8	-51.4
Securities transactions (propriety trading)	7,932.5	-74,876.9	-9,974.4	86.7
. expenses	4,073.2	77,442.6	16,017.4	-79.3
o/w repurchase agreements	1,804.2	1,551.0	234.1	-84.9
o/w bond interest	85.4	31.5	12.2	-61.4
. income	12,005.7	2,565.7	6,043.0	135.5
o/w repurchase agreements	1,294.5	642.2	115.9	-81.9
Financial futures transactions (propriety trading)	-2,746.5	76,537.8	12,428.9	-83.8
. expenses	514,813.4	875,549.8	613,630.3	-29.9
. income	512,067.2	952,087.3	626,059.2	-34.2
Financial services/expenses	1,726.1	2,043.4	1,000.6	-51.0
. interbank transactions	11.4	11.4	15.6	36.4
. customer transactions	15.4	13.2	12.7	-3.6
. securities transactions	724.1	546.2	389.5	-28.7
. foreign exchange transactions	239.2	636.6	0.9	-99.9
. commitments on securities	0.5	0.0	0.0	-
. financial futures transactions	443.9	491.3	297.8	-39.4
. provision of financial services	291.6	344.7	284.1	-17.6
Financial services/income	2,200.9	1,828.8	1,534.9	-16.1
. interbank transactions	13.6	15.4	11.7	-24.2
. customer transactions	20.7	15.5	16.4	5.9
. securities transactions	363.7	259.0	188.5	-27.2
. foreign exchange transactions	2.9	1.9	2.1	9.6
. commitments on securities	25.3	4.1	5.3	26.9
. financial futures transactions	152.4	189.2	106.8	-43.6
. provision of financial services	1,622.4	1,343.7	1,204.3	-10.4
Foreign exchange transactions	144.1	-682.9	179.2	-
. expenses (losses)	2,098.5	1,904.0	2,563.2	34.6
. income (gains)	2,242.6	1,221.1	2,742.3	124.6
Income from equity interests and subordinated debt	74.0	93.5	79.3	-15.2
Expenses on subordinated loans	12.9	15.3	8.1	-47.1
Other bank operating income	184.0	110.1	152.2	38.2
Other bank operating expenses	175.6	252.5	95.7	-62.1
Net ancillary and miscellaneous income	87.4	215.2	-45.7	-
NET BANKING INCOME (1)	3,529.8	2,485.1	2,882.8	16.0

(EUR million)	2007	2008	2009	Change 2009/2008 %
OPERATING EXPENSES	2,208.0	1,812.1	1,893.0	4.5
. personnel	1,367.7	1,054.5	1,078.4	2.3
. taxes	71.5	66.7	63.8	-4.4
. external services	970.3	971.2	1,008.3	3.8
. other operating expenses (rebilled expenses)	-201.5	-280.3	-257.5	8.1
Depreciation and provisions for tangible and intangible fixed assets	61.1	72.1	80.9	12.3
GROSS OPERATING INCOME	1,260.7	600.9	908.9	51.2
Net allocations to provisions and loan losses (2)	23.4	443.8	245.8	-44.6
Net allocations to provisions for risks and liabilities	-2.1	2.1	78.7	3,631.1
OPERATING INCOME	1,239.4	155.0	584.5	277.0
Net capital gains on fixed assets	290.8	-10.9	12.6	-
ORDINARY PRETAX INCOME	1,530.2	144.2	597.1	314.2
Exceptional income	25.5	14.8	5.2	-64.9
Exceptional expenses	75.5	116.6	13.7	-88.3
Net allocation to reserve for general banking risks	1.1	-73.0	5.2	-
. allocations to reserve for general banking risks	45.0	0.0	5.2	-
. writebacks from reserve for general banking risks	43.9	73.0	0.0	-
Net allocations to regulatory provisions	1.2	0.2	0.2	-32.1
Corporate income tax	197.5	305.2	339.5	11.2
NET INCOME	1,288.7	-167.4	444.0	-

Source: General Secretariat of the ACP

(1) Excluding interest on non-performing loans

(2) Including interest on non-performing loans

INSURANCE SECTOR

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Scope of the study

The figures presented in this section are taken from data that insurance entities under the prudential supervision of the *Autorité de contrôle prudentiel* (ACP) are required to file annually. The study does not include the activity of European insurance companies that have been conducting business in France since 1995 under the freedom of establishment or the freedom to provide services. These companies are subject to the supervisory authorities of their home countries under the European passport. However, such companies account for less than 2% of the activity in France.

1. Population

Concentration in the insurance market, which started in the mid-1990s, continued in 2009. The total number of authorised insurance entities fell from 1,420 in 2008 to 1,313 in 2009. The decline in numbers primarily concerned mutual insurers governed by the Mutual Insurance Code.

Insurance entities

Briefing

Insurance business is regulated by a set of European directives. Insurance entities in France are subject to three separate sets of regulations: the Insurance Code, the Mutual Insurance Code and the Social Security Code. The three codes are similar with regard to prudential regulations; and a single supervisory authority, ACP, is responsible for enforcing their provisions.

In 2009 some one hundred insurance entities, most of them mutual insurers, disappeared **as a result of the concentration underway in the sector in recent years.** This movement stems mainly from keen competition between insurers and the increasing complexity of supplementary health insurance, which has prompted many insurers to adjust their strategies and seek critical mass for their long-term development.

Insurance entities

Applicable regulations	2007	2008	2009
Insurance Code (CDA)	389	386	377
Book II, Mutual Insurance Code (CMUT)	1,070	973	880
o/w substitute mutual insurers	424	388	345
Social Security Code (CSS)	63	61	56
Total	1,522	1,420	1,313

Source: General Secretariat of the ACP

2. Financial data

2.1 Balance sheet

At the end of 2009 the aggregate total assets of all insurance and re-insurance entities under ACP supervision stood at **EUR 1,822 billion at book value, corresponding to EUR 1901 billion in assets** at market value, including unrealised gains⁽⁴⁾.

2009 aggregate summary balance sheet in EUR billion

Assets	(EUR billion)	(EUR billion)	Liabilities
Reinsurers	77.6	135.3	Equity
Investments	1,421.1	1,337.8	Provisions
Unit-linked investments	209.1	210.6	Units of account
Other assets	113.9	138.0	Other liabilities
Total assets	1,821.7	1,821.7	Total liabilities
Unrealised gains	79.2		
Total assets at market value	1,900.9		

Source: General Secretariat of the ACP

2008 aggregate summary balance sheet in EUR billion

Assets	(EUR billion)	(EUR billion)	Liabilities
Reinsurers	73.7	130.1	Equity
Investments	1,331.3	1,244.9	Provisions
Unit-linked investments	183.4	184.5	Units of account
Other assets	114.7	143.6	Other liabilities
Total assets	1,703.1	1,703.1	Total liabilities
Unrealised gains	5.6		
Total assets at market value	1,708.7		

Source: General Secretariat of the ACP

The total assets of the insurance sector, at book value, continued to grow in 2009 compared with the previous year, with a 7% increase to EUR 119 billion.

The general trend conceals contrasting developments in different balance sheet components. Unit-linked contracts, where the policyholder bears the risk of a loss of asset value, were up by 14%.

(4) Not counting the provision for liquidity risks of 9 billion euros in 2008.

INSURANCE SECTOR

Briefing

The “provisions” item in the insurance sector represents insurers’ commitments to policyholders. It provides an assessment of the future cost of the claims and benefits to be paid to policyholders. For the purposes of analysis, the balance sheet is often expressed as a percentage of this estimated item, as shown below.

Summary balance sheet as a percentage of 2009 provisions

Assets	(%)	(%)	Liabilities
Reinsurers	5.8	10.1	Equity
Investments	106.2	100.0	Provisions
Unit-linked investments	15.6	15.7	Units of account
Other assets	8.5	10.3	Other liabilities
Total assets	136.2	136.2	Total liabilities
Unrealised gains	5.9		
Total assets at market value	142.1		

Source: General Secretariat of the ACP

Summary balance sheet as a percentage of 2008 provisions

Assets	(%)	(%)	Liabilities
Reinsurers	5.9	10.4	Equity
Investments	106.9	100.0	Provisions
Unit-linked investments	14.7	14.8	Units of account
Other assets	9.2	11.5	Other liabilities
Total assets	136.8	136.8	Total liabilities
Unrealised gains	0.4		
Total assets at market value	137.2		

Source: General Secretariat of the ACP

The structure of the balance sheet, expressed as a proportion of the provisions expressed in euros, shows no significant change from the previous year.

2.2 Analysis by type of insurer

Briefing

A single set of European Insurance Directives governs the insurance entities under ACP supervision, but these entities have different business profiles that stem from their history and legal structure, as well as from different insurance specialisations.

Analysis by category of insurers' shares of the main balance sheet components (31 December 2009)

Share of total assets (%)	Life insurers and composite insurers	Provident institutions	Mutual insurers (Mutual Insurance Code)	Non-life insurers	Reinsurers
Equity	40.8	8.9	10.5	31.5	8.3
Provisions	83.0	2.2	2.4	9.6	2.8
Unit-linked provisions	99.9	0.1	0.1	0.0	0.0
Assets	80.3	2.5	2.8	11.1	3.3
Unrealised gains (losses)	43.6	2.1	1.4	42.9	10.1

Source: General Secretariat of the ACP

- Because of the nature of their business, **life and composite insurers write most of their contracts with a view to accumulating savings in euros or in units of account. Consequently, they hold a large share of the assets in the sector.** At the end of 2009, these contracts recorded unrealised gains and made a positive contribution to the differential between the book value and the market value of the assets. However, life insurers' share of the sector's equity is 40.8%, smaller than their share of total assets, which stands at 80.3%, as life insurance business requires less capital than other, riskier, business lines.
- **Provident institutions** operating in the field of employee insurance schemes offer both long-term coverage, such as retirement, disability and incapacity benefits, which are capital consuming, and short-term coverage, such as group health insurance.
- **Many of the mutual insurers governed by the Mutual Insurance Code offer individual health coverage.** Rapid settlement of claims means that they are not required to hold substantial investments. By contrast, some mutual insurers specialising in life insurance hold large volumes of assets.
- **Under the specialisation principle, non-life insurers do not cover risks linked to human lifespan;** they cover only personal risks, such as incapacity, disability and health. Furthermore, non-life insurers are the only insurers authorised to cover third-party liability and most property and casualty risks. Consequently, they have large amounts of equity.
- **Re-insurers, on the other hand, are allowed to accept all types of risks from insurers.** Their balance sheets therefore combine the whole spectrum of risks covered by the insurance sector.

2.3 Prudential ratios

At the end of 2009 the average coverage ratio for regulatory requirements in the insurance sector as a whole was between 103% and 125% depending on the category of insurers. Overall, insurers' assets exceeded the regulatory requirements.

Cover ratio for regulated commitments (%)

(%)	2009	25th percentile in 2009	Median in 2009	75th percentile in 2009	2008
Life insurers and composite insurers	103.5	102.8	104.4	109.6	104.2
Non-life insurers	111.7	104.2	115.7	163.2	113.7
Mutual insurers (Mutual Insurance Code)	127.6	198.4	390.6	729.5	106.6
Provident institutions	124.8	109.8	117.2	139.6	124.8

Source: General Secretariat of the ACP

Compared to 2008 the coverage of commitments to policyholders declined slightly for all insurance companies, but still exceeded the regulatory requirements. On the other hand, mutual insurers' coverage increased sharply. For provident institutions, the ratio was unchanged from the previous year.

INSURANCE SECTOR

At the end of 2009 the solvency margin requirement was covered 129% for life insurers and 522% for provident institutions, excluding unrealised gains. It should be noted, however, that some of the components of the coverage ratio are prone to major volatility, hence the need to maintain a safety margin.

Balance sheet margin cover ratio, without and with unrealised gains (%)

(%)	2009	25th percentile in 2009	Median in 2009	75th percentile in 2009	2008
Life insurers and composite insurers	129.0	116.2	163.3	325.7	127.9
<i>plus unrealised gains</i>	199.5	162.9	226.7	385.5	146.9
Non-life insurers	407.8	105.8	267.2	653.4	320.3
<i>plus unrealised gains</i>	610.7	109.2	325.9	776.4	448.6
Mutual insurers (Mutual Insurance Code)	345.6	221.5	330.6	523.9	340.0
<i>plus unrealised gains</i>	374.7	220.9	348.1	576.9	340.0
Provident institutions	522.6	201.1	373.6	704.5	446.0
<i>plus unrealised gains</i>	602.7	192.7	422.8	796.2	463.1

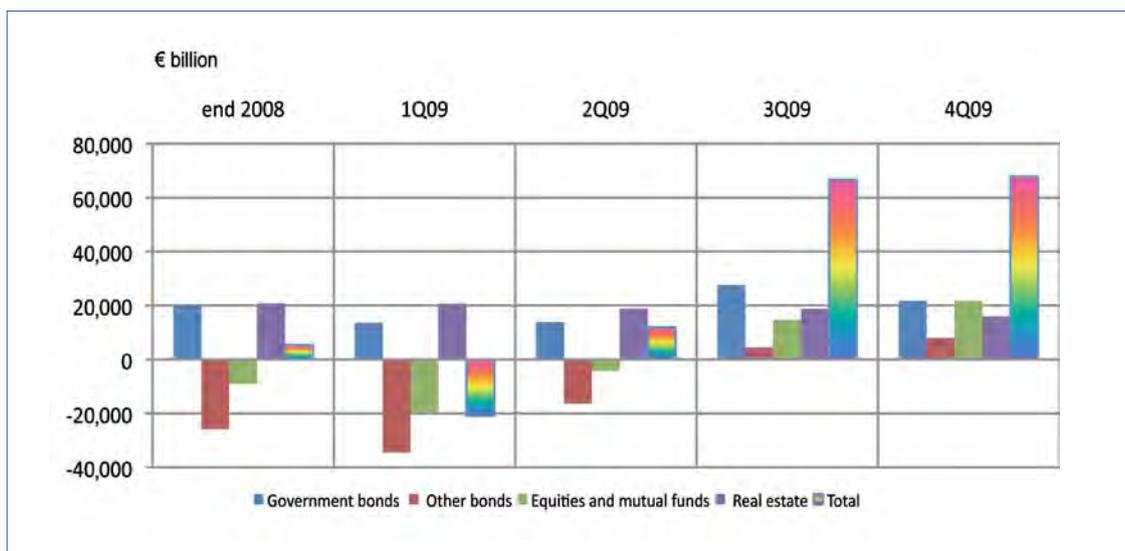
Source: General Secretariat of the ACP

Compared with 2008 the coverage of margin requirements by balance sheet assets increased in every area. This increase was even more marked for the ratio that includes unrealised gains. The improvement of this ratio reflects the rebuilding of unrealised gains at the end of 2009⁽⁵⁾.

2.4 Origin of unrealised gains and losses

Unrealised gains and losses on different asset classes in 2009

Insurance sector total



Source: General Secretariat of the ACP

(5) Coverage of commitments and coverage of the solvency margin move in opposite directions because of the varying influence of their components, e.g. changes in asset values from one year to the next with the valuation of each instrument and as a result of portfolio reallocation, increase in commitments to policyholders, impact of the end of the earnings smoothing measures in 2008.

Briefing

Unrealised gains are the difference between the book value of investments and their market value.

At the end of 2009 the insurance sector's situation had improved sharply from an unrealised loss of EUR 21 billion to an unrealised gain of nearly EUR 68 billion.

On the whole, unrealised gains on government securities and property investments held steady during 2009. At the end of the first half most exposures to listed equities and corporate bonds showed unrealised losses. **The biggest improvement was a EUR 42 billion year-on-year increase in non-sovereign debt securities, equities and collective investment schemes.**

Overall, 2009 saw a substantial rebound in unrealised gains on bonds, which returned to pre-crisis levels.

2.5 2009 results

After declining in 2008, turnover in the insurance sector rose 8% in 2009. Most of this increase stems from life insurance business, which was up 13% and matched the level of activity seen in 2007.

Briefing

Underwriting income and net income: to make certain that insurers' financial statements are comparable, insurance accounting regulations call for underwriting income to be reported separately. This means that equity investments, non-recurring income and expenses and income tax charges have an impact on net income only.

Furthermore, the regulations break down underwriting income into two components: life and non-life.

In 2009 life underwriting income increased by 74% compared with 2008 to stand at EUR 4.7 billion, while non-life underwriting income declined 46% to EUR 3.1 billion. After counting capitalised investment income, non-recurring items and tax expenses recorded in the non-underwriting income statement, **net income for the sector stood at EUR 8.2 billion in 2009, compared with EUR 11.8 billion in 2008. One of the reasons for the trend in non-life insurance was an increase in claims. Benefits paid and investment income under life insurance contracts returned to levels near those observed in 2007. Comparisons with 2008 data are harder to make because of the financial crisis and its impact⁽⁶⁾.**

⁽⁶⁾ In 2008, the recognition of assets held for unit-linked contracts at market value disrupted the analysis of changes in investment income. The investment risk that policyholders bear in such transactions was recognised as a decrease in benefits and a simultaneous decrease in investment income.

INSURANCE SECTOR

The margin rate for the sector as a whole, i.e. net income as a percentage of premiums, narrowed from 4.8% in 2008 to 3.1% in 2009.

2009 summary income statement in EUR billion

	Life	Non-life	TOTAL
Premiums	158.8	105.5	264.3
Benefits and claims paid*	-213.0	-82.6	-295.6
Investment income**	70.9	5.3	76.2
Administrative expenses	-12.7	-22.6	-35.3
Reinsurance	0.7	-2.5	-1.9
Underwriting income	4.7	3.1	7.8
Investment income (non-underwriting)			4.4
Other non-underwriting income or loss			-4.0
Net income			8.2

Source: General Secretariat of the ACP

* benefits and claims paid, excluding adjustments for unit-linked life insurance: EUR 188 billion

** of which adjustments for unit-linked life insurance investment income: EUR 45.9 billion

2008 summary income statement in EUR billion

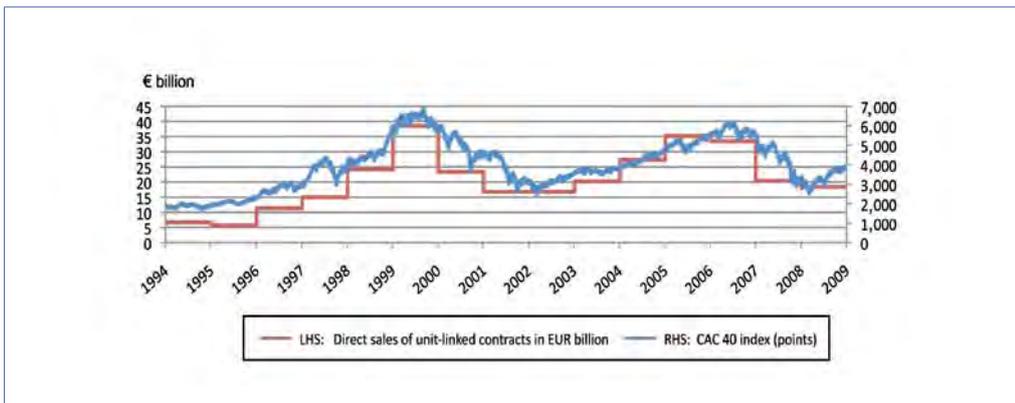
	Life	Non-life	TOTAL
Premiums	140.6	103.1	243.7
Benefits and claims paid*	-114.7	-77.0	-191.7
Investment income**	-9.5	5.5	-4.0
Administrative expenses	-12.6	-21.1	-33.7
Reinsurance	-0.7	-3.2	-3.9
Underwriting income	2.7	6.7	9.4
Investment income (non-underwriting)			3.8
Other non-underwriting income or loss			-1.8
Net income			11.8

Source: General Secretariat of the ACP

2.6 New subscriptions

An analysis by category shows a slight fall in new subscriptions to unit-linked contracts in 2009. They declined by 10% from 2008 to stand at EUR 18 billion. In the past, sales of this type of contract have always been heavily dependent on stock market index performances.

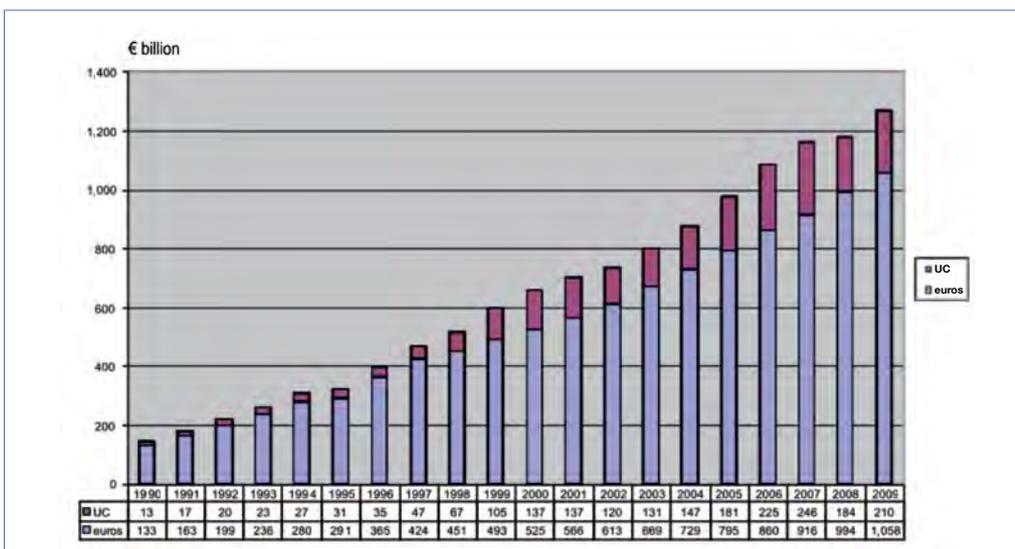
New subscriptions to unit-linked contracts and CAC 40 index



Source: General Secretariat of the ACP

Redemptions of life insurance contracts started to increase towards the end of 2008 in the wake of events such as the Lehman Brothers bankruptcy and the Madoff affair, as well as a sharp fall in stock prices. This spurred the supervisor to pay closer attention to outflows from life insurance. Ultimately the redemptions were quite limited, given the poor economic and financial context, and were reflected in a decline in actuarial reserves for unit-linked contracts. **The pattern did not continue in 2009, and average redemptions in 2009 returned to the levels seen in 2007 and previous years.**

Actuarial reserves for life insurance contracts



Source: General Secretariat of the ACP



ANNEXES

Insurance sector results by business category

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Annex 1

Life and capital redemption insurance

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	3,011	100.0	3,816	100.0	5,993	100.0	8,247	100.0
Investment income (underwriting)	955	31.7	1,228	32.2	994	16.6	848	10.2
Re-insurers' share of expenses	571	19.0	1,176	30.8	1,151	19.2	1,397	16.9
Total resources	4,537	150.7	6,220	163.0	8,138	135.8	10,492	127.2
EXPENSES								
Claims paid	4,423	146.9	5,061	132.6	6,368	106.3	4,994	60.5
Change in insurance reserves	-1,485	-49.3	-1,522	-39.9	34	0.6	3,387	41.0
Administrative and acquisition costs	193	6.4	170	4.5	189	3.2	187	2.2
Profit sharing	651	21.6	866	22.7	758	12.6	1,071	12.9
Premiums passed on to reinsurers	537	17.8	1,144	30.0	1,107	18.5	1,319	15.9
Total expenses	4,319	143.4	5,719	149.9	8,456	141.1	10,958	132.8
Net transfers between categories	25	0.8	-97	-2.5	254	4.2	278	3.3
UNDERWRITING INCOME	243	8.1	404	10.6	-64	-1.1	-188	-2.2

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	24	23	29	21	0.2	10.2
Acquisition expenses	87	71	92	113	1.37	54.5
Administrative costs and other net underwriting expenses	106	100	98	73	0.8	35.2
TOTAL	217	194	219	208	2.5	100.0

Source: General Secretariat of the ACP

(EUR million)	2006	2007	2008	2009
Life insurance provisions at closing date	30,871	30,281	31,741	36,757

Source: General Secretariat of the ACP

Changes in guaranteed capital	(EUR million)		Change in %
	Start of year	End of year	
2006	33,290	32,372	-2.8
2007	34,437	34,287	-0.4
2008	34,232	35,153	2.7
2009	34,870	39,396	12.9

Source: General Secretariat of the ACP

Contract surrender (EUR million)	2006	2007	2008	2009	% of capital
Termination	5	10	5	4	0.0
Redemption	3,450	4,569	3,397	4,370	12.5
Reductions	15	18	13	10	0.0

Source: General Secretariat of the ACP

INSURANCE SECTOR

Annex 2

Euro or foreign currency individual and group insurance contracts

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	89,683	100.0	86,079	100.0	83,142	100.0	97,638	100.0
Investment income (underwriting)	24,582	27.4	29,011	33.7	25,608	30.8	26,119	26.7
Re-insurers' share of expenses	4,941	5.5	4,851	5.6	4,967	6.0	3,532	3.6
Total resources	119,206	132.9	119,941	139.3	113,717	136.8	127,290	130.3
EXPENSES								
Claims paid	56,743	63.3	61,886	71.9	66,029	79.4	65,145	66.7
Change in insurance reserves	29,883	33.3	25,117	29.2	24,266	29.2	28,660	29.3
Administrative and acquisition costs	5,871	6.5	6,115	7.1	6,222	7.5	6,647	6.8
Profit sharing	20,362	22.7	23,311	27.1	18,960	22.8	25,771	26.3
Premiums passed on to reinsurers	4,803	5.4	4,682	5.4	4,661	5.6	3,320	3.4
Total expenses	117,662	131.2	121,111	140.7	120,138	144.5	129,543	132.6
Net transfers between categories	861	1.0	3,617	4.2	7,249	8.7	3,724	3.8
UNDERWRITING INCOME	2,405	2.7	2,447	2.8	828	1.0	1,470	1.5

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	234	275	273	320	0.3	4.5
Acquisition expenses	3,368	3,677	3,092	3,229	3.3	46.3
Administrative costs and other net underwriting expenses	2,510	2,445	3,144	3,424	3.5	49.1
TOTAL	6,112	6,397	6,509	6,973	7.1	100.0

Source: General Secretariat of the ACP

(EUR million)	2006	2007	2008	2009
Life insurance provisions at closing date	709,116	769,072	824,445	891,064

Source: General Secretariat of the ACP

Changes in guaranteed capital	(EUR million)		Change in %
	Start of year	End of year	
2006	845,031	931,437	10.2
2007	985,127	1,037,258	5.3
2008	1,037,044	1,112,184	7.2
2009	1,080,657	1,160,429	7.3

Source: General Secretariat of the ACP

Contract surrender (EUR million)	2006	2007	2008	2009	% of capital
Termination	13,416	36,322	31,111	20,519	1.9
Redemption	45,342	48,997	42,369	39,434	3.6
Reductions	818	874	2,004	592	0.0

Source: General Secretariat of the ACP

Annex 3

Whole life and term life group insurance

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	9,819	100.0	11,359	100.0	10,992	100.0	12,351	100.0
Investment income (underwriting)	1,952	19.9	2,425	21.3	1,740	15.8	1,543	12.4
Re-insurers' share of expenses	1,507	15.3	823	7.2	1,493	13.6	2,042	16.5
Total resources	13,278	135.2	14,607	128.6	14,225	129.4	15,936	129
EXPENSES								
Claims paid	6,349	64.7	6,226	54.8	6,389	58.1	6,828	55.2
Change in insurance reserves	546	5.6	2,055	18.1	1,333	12.1	1,628	13.1
Administrative and acquisition costs	1,596	16.3	2,454	21.6	2,383	21.7	2,774	22.4
Profit sharing	2,001	20.4	1,749	15.4	1,252	11.4	1,921	15.5
Premiums passed on to reinsurers	1,651	16.8	985	8.7	1,768	16.1	2,340	18.9
Total expenses	12,143	123.7	13,469	118.6	13,125	119.4	15,493	125.4
Net transfers between categories	187	1.9	82	0.7	-315	-2.9	411	3.3
UNDERWRITING INCOME	1,322	13.5	1,220	10.7	785	7.1	898	7.2

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	125	136	129	145	1.1	4.9
Acquisition expenses	1,319	2,057	2,122	2,279	18.4	77.5
Administrative costs and other net underwriting expenses	300	418	287	515	4.1	17.5
TOTAL	1,744	2,611	2,538	2,939	23.8	100.0

Source: General Secretariat of the ACP

(EUR million)	2006	2007	2008	2009
Life insurance provisions at closing date	58,695	63,677	67,219	72,985

Source: General Secretariat of the ACP

Changes in guaranteed capital	(EUR million)		Change in %
	Start of year	End of year	
2006	1,530,551	1,628,858	6.4
2007	1,521,433	1,692,033	11.2
2008	1,751,121	1,840,887	4.8
2009	1,793,983	1,811,552	0.9

Source: General Secretariat of the ACP

Contract surrender (EUR million)	2006	2007	2008	2009	% of capital
Termination	12,999	6,561	49,533	29,734	1.6
Redemption	357	385	385	371	0.0
Reductions	300	2,003	697	740	0.0

Source: General Secretariat of the ACP

INSURANCE SECTOR



Annex 4

Unit-linked life insurance

In addition to a 40% decline in new premiums, unit-linked life insurance suffered from transfers of more than EUR 7 billion to other categories of insurance contracts, as reflected in the figures for individual life insurance.

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	35,203	100.0	33,523	100.0	20,182	100.0	17,829	100.0
Investment income (underwriting)	1,757	5.0	1,848	5.5	1,341	6.6	1,479	8.3
Re-insurers' share of expenses	879	2.5	3,232	9.6	-270	-1.3	802	4.5
Total resources	37,839	107.5	38,603	115.2	21,253	105.3	20,111	112.8
EXPENSES								
Claims paid	7,849	22.3	9,973	29.7	15,749	78.0	10,587	59.3
Change in insurance reserves	24,982	71	17,978	53.6	-4,933	-24.4	1,398	7.8
Administrative and acquisition costs	1,833	5.2	2,022	6.0	1,908	9.5	1,231	6.9
Profit sharing	733	2.1	544	1.6	789	3.9	643	3.6
Premiums passed on to reinsurers	834	2.4	3,174	9.5	781	3.9	336	1.8
Total expenses	36,231	102.9	33,691	100.5	14,294	70.8	14,194	79.6
Net transfers between categories	-797	-2.3	-3,603	-10.7	-7,139	-35.4	-4,415	-24.7
UNDERWRITING INCOME	811	2.3	1,309	3.9	-180	-0.9	1,502	8.4

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	50	61	89	88	0.4	6.6
Acquisition expenses	1,090	1,146	799	596	3.3	45.2
Administrative costs and other net underwriting expenses	743	876	1,102	634	3.5	48.1
TOTAL	1,883	2,083	1,990	1,319	7.4	100.0

Source: General Secretariat of the ACP

(EUR million)	2006	2007	2008	2009
Life insurance provisions at closing date	227,518	243,862	182,797	207,269

Source: General Secretariat of the ACP

Annex 5

Occupational retirement insurance (class 26 and PERP)

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	1,862	100.0	1,745	100.0	1,836	100.0	1,842	100.0
Investment income (underwriting)	519	27.9	560	32.1	509	27.7	508	27.5
Re-insurers' share of expenses	557	29.9	501	28.7	414	22.5	573	31.0
Total resources	2,938	157.8	2,806	160.8	2,759	150.3	2,922	158.6
EXPENSES								
Claims paid	454	24.4	420	24.1	-35	-1.9	587	31.8
Change in insurance reserves	1,437	77.2	1,272	72.9	1,950	106.2	1,176	63.8
Administrative and acquisition costs	67	3.6	91	5.2	109	5.9	97	5.2
Profit sharing	687	36.9	716	41	502	27.3	768	41.6
Premiums passed on to reinsurers	282	15.1	291	16.7	295	16.1	288	15.6
Total expenses	2,927	157.2	2,790	159.9	2,821	153.6	2,916	158.3
Net transfers between categories	0	0.0	0	0.0	1	0.1	0	0.0
UNDERWRITING INCOME	11	0.6	16	0.9	-61	-3.3	7	0.3

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	3	3	4	4	0.2	4.1
Acquisition expenses	55	68	74	79	4.2	74.5
Administrative costs and other net underwriting expenses	17	27	39	22	1.2	21.2
TOTAL	75	98	117	105	5.7	100.0

Source: General Secretariat of the ACP

(EUR million)	2006	2007	2008	2009
Life insurance provisions at closing date	15,949	18,035	20,004	21,843

Source: General Secretariat of the ACP

INSURANCE SECTOR

Annex 6

Motor insurance

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	17,697	100.0	17,687	100.0	17,846	100.0	17,805	100.0
Investment income (underwriting)	1,542	8.7	1,493	8.4	1,119	6.3	1,095	6.1
Re-insurers' share of expenses	2,083	11.8	1,978	11.2	1,966	11.0	1,270	7.1
Total resources	21,322	120.5	21,158	119.6	20,931	117.3	20,171	113.2
EXPENSES								
Claims paid	12,994	73.4	13,020	73.6	13,523	75.8	14,141	79.4
Change in insurance reserves	1,274	7.2	1,417	8.0	947	5.3	1,543	8.6
Administrative and acquisition costs	3,471	19.6	3,550	20.1	3,726	20.9	3,781	21.2
Profit sharing	8	0.0	8	0.0	16	0.1	4	0.0
Premiums passed on to reinsurers	2,149	12.1	2,189	12.4	2,134	12.0	1,199	6.7
Total expenses	19,896	112.4	20,184	114.1	20,346	114.0	20,667	116.0
UNDERWRITING INCOME	1,426	8.1	974	5.5	585	3.3	-496	-24.7

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	1,598	1,622	1,656	1,654	9.3	30.8
Acquisition expenses	2,268	2,358	2,409	2,510	13.5	44.7
Administrative costs and other net underwriting expenses	1,211	1,200	1,319	1,274	7.4	24.5
TOTAL	5,077	5,180	5,384	5,438	30.2	100.0
Total as a % of premiums	28.7	29.3	30.2	30.5		

Source: General Secretariat of the ACP

Change in claims ratio (claims/premiums, including claims processing expense)

Year of claim events	2005	2006	2007	2008	2009
Claims ratio					
At the end of the 1st year	82.7	84.0	86.1	85.5	91.3
At the end of the 2nd year	81.8	83.5	85.4	85.4	-
At the end of the 3rd year	79.9	81.1	83.5	-	-
At the end of the 4th year	79.1	80.4	-	-	-
At the end of the 5th year	78.3	-	-	-	-

Source: General Secretariat of the ACP

Annex 7

Property insurance

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	12,419	100.0	12,875	100.0	13,376	100.0	13,747	100.0
Investment income (underwriting)	760	6.1	729	5.7	579	4.3	508	3.7
Re-insurers' share of expenses	1,183	9.5	1,168	9.1	1,112	8.3	2,172	15.8
Total resources	14,362	115.6	14,772	114.7	15,067	112.6	16,428	119.5
EXPENSES								
Claims paid	7,539	60.7	7,722	60	7,972	59.6	10,308	74.9
Change in insurance reserves	316	2.5	713	5.5	596	4.5	452	3.2
Administrative and acquisition costs	3,114	25.1	3,204	24.9	3,440	25.7	3,507	25.5
Profit sharing	77	0.6	80	0.6	88	0.7	81	0.5
Premiums passed on to reinsurers	2,392	19.3	2,294	17.8	2,265	16.9	2,412	17.5
Total expenses	13,438	108.2	14,013	108.8	14,361	107.4	16,760	121.9
UNDERWRITING INCOME	924	7.4	759	5.9	706	5.3	-332,1	-16.5

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	1,040	1,078	1,109	1,194	9.3	30.8
Acquisition expenses	2,119	2,188	2,348	2,382	13.5	44.7
Administrative costs and other net underwriting expenses	1,000	1,022	1,094	1,127	7.4	24.5
TOTAL	4,159	4,288	4,551	4,704	30.2	100.0
Total as a % of premiums	33.5	33.3	34	34.2		

Source: General Secretariat of the ACP

Change in claims ratio (claims/premiums, including claims processing expense)

Year of claim events	2005	2006	2007	2008	2009
Claims ratio					
At the end of the 1st year	72.0	71.9	72.2	71.9	88.6
At the end of the 2nd year	68.7	69.9	69.7	70.9	-
At the end of the 3rd year	67.0	67.5	67.5	-	-
At the end of the 4th year	65.9	66.4	-	-	-
At the end of the 5th year	65.3	-	-	-	-

Source: General Secretariat of the ACP

INSURANCE SECTOR



Annex 8

General liability insurance

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	2,862	100.0	2,959	100.0	3,037	100.0	3,069	100.0
Investment income (underwriting)	699	24.4	679	22.9	600	19.8	480	15.6
Re-insurers' share of expenses	461	16.1	572	19.3	428	14.1	422	13.7
Total resources	4,022	140.5	4,210	142.3	4,065	133.8	3,970	129.3
EXPENSES								
Claims paid	1,380	48.2	1,401	47.3	1,573	51.8	1,531	49.8
Change in insurance reserves	678	23.7	848	28.7	379	12.5	449	14.6
Administrative and acquisition costs	581	20.3	583	19.7	624	20.5	633	20.6
Profit sharing	1	0.0	3	0.1	2	0.1	3	0.1
Premiums passed on to reinsurers	642	22.4	580	19.6	541	17.8	545	17.7
Total expenses	3,282	114.7	3,415	115.4	3,119	102.7	3,161	103.0
UNDERWRITING INCOME	740	25.9	795	26.9	946	31.1	809	40.2

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	179	187	194	189	9.3	30.8
Acquisition expenses	375	389	410	422	13.5	44.7
Administrative costs and other net underwriting expenses	206	194	215	212	7.4	24.5
TOTAL	760	769	818	822	30.2	100.0
Total as a % of premiums	26.6	26.0	26.9	26.7		

Source: General Secretariat of the ACP

Change in claims ratio (claims/premiums, including claims processing expense)

Year of claim events	2005	2006	2007	2008	2009
Claims ratio					
At the end of the 1st year	80.9	80.3	85.3	83.6	81.0
At the end of the 2nd year	78.8	80.9	83.0	84.4	-
At the end of the 3rd year	76.9	76.1	83.2	-	-
At the end of the 4th year	74.0	73.5	-	-	-
At the end of the 5th year	72.9	-	-	-	-

Source: General Secretariat of the ACP

Annex 9

Natural disaster insurance

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	1,244	100.0	1,270	100.0	1,293	100.0	1,282	100.0
Investment income (underwriting)	96	7.7	88	6.9	76	5.9	57	4.4
Re-insurers' share of expenses	182	14.6	390	30.7	336	26.0	288	22.4
Total resources	1,522	122.3	1,748	137.6	1,705	131.9	1,627	126.9
EXPENSES								
Claims paid	464	37.3	593	46.7	648	50.1	677	52.8
Change in insurance reserves	-100	-8.0	62	4.9	18	1.4	-124	-9.6
Administrative and acquisition costs	197	15.8	198	15.6	223	17.2	217	16.9
Profit sharing	10	0.8	9	0.7	10	0.8	9	0.7
Premiums passed on to reinsurers	738	59.3	759	59.8	751	58.1	752	58.6
Total expenses	1,309	105.2	1,621	127.6	1,650	127.6	1,531	119.4
UNDERWRITING INCOME	213	17.1	127	10.0	55	4.3	96	4.7

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	61	68	74	68	9.3	30.8
Acquisition expenses	128	135	141	141	13.5	44.7
Administrative costs and other net underwriting expenses	69	63	82	76	7.4	24.5
TOTAL	258	266	297	285	30.2	100.0
Total as a % of premiums	20.7	20.9	23.0	22.2		

Source: General Secretariat of the ACP

INSURANCE SECTOR

Annex 10

Other insurance

“Other insurance” includes assistance, legal expenses and sundry financial losses.
Simplified income statements

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	2,806	100.0	3,114	100.0	3,287	100.0	3,467	100.0
Investment income (underwriting)	216	7.7	122	3.9	85	2.6	91	2.6
Re-insurers' share of expenses	319	11.4	374	12.0	396	12.0	492	14.1
Total resources	3,341	119.1	3,610	115.9	3,768	114.6	4,050	116.8
EXPENSES								
Claims paid	1,285	45.8	1,436	46.1	1,485	45.2	1,660	47.8
Change in insurance reserves	166	5.9	158	5.1	142	4.3	204	5.9
Administrative and acquisition costs	957	34.1	1,234	39.6	1,314	40.0	1,339	38.6
Profit sharing	104	3.7	98	3.1	73	2.2	39	1.1
Premiums passed on to reinsurers	411	14.6	496	15.9	573	17.4	599	17.2
Total expenses	2,923	104.2	3,422	109.9	3,587	109.1	3,841	110.7
UNDERWRITING INCOME	418	14.9	188	6.0	181	5.5	209	10.4

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	253	288	305	321	9.3	30.8
Acquisition expenses	731	962	1,010	1,059	13.5	44.7
Administrative costs and other net underwriting expenses	226	272	305	280	7.4	24.5
TOTAL	1,210	1,522	1,619	1,660	30.2	100.0
Total as a % of premiums	43.1	48.9	49.3	47.8		

Source: General Secretariat of the ACP

Change in claims ratio (claims/premiums, including claims processing expense)

Year of claim events	2005	2006	2007	2008	2009
Claims ratio					
At the end of the 1st year	55.0	55.5	53.9	52.4	54.8
At the end of the 2nd year	52.6	50.7	51.1	52.0	-
At the end of the 3rd year	51.5	50.3	50.6	-	-
At the end of the 4th year	50.0	49.1	-	-	-
At the end of the 5th year	50.1	-	-	-	-

Source: General Secretariat of the ACP

Annex 11

Transport insurance

Simplified income statement

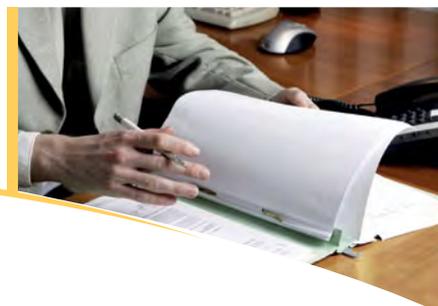
	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	1,007	100.0	968	100.0	1,018	100.0	964	100.0
Investment income (underwriting)	82	8.1	94	9.7	109	10.7	52	5.3
Re-insurers' share of expenses	121	12.0	149	15.4	202	19.8	251	26.0
Total resources	1,210	120.2	1,211	125.1	1,329	130.6	1,267	131.3
EXPENSES								
Claims paid	592	58.8	601	62.1	628	61.7	615	63.7
Change in insurance reserves	-37	-3.7	-53	-5.5	-76	-7.5	-2	-0.2
Administrative and acquisition costs	232	23	240	24.8	250	24.6	238	24.6
Profit sharing	1	0.1	-1	-0.1	-1	-0.1	1	0.0
Premiums passed on to reinsurers	287	28.5	282	29.1	341	33.5	295	30.5
Total expenses	1,075	106.8	1,069	110.4	1,142	112.2	1,146	118.8
UNDERWRITING INCOME	135	13.4	142	14.7	187	18.4	121	6.0

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	39	40	43	43	9.3	30.8
Acquisition expenses	137	139	142	151	13.5	44.7
Administrative costs and other net underwriting expenses	94	100	108	86	7.4	24.5
TOTAL	270	280	293	281	30.2	100.0
Total as a % of premiums	26.8	28.9	28.8	29.1		

Source: General Secretariat of the ACP

INSURANCE SECTOR



Annex 12

Construction insurance

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	2,261	100.0	2,460	100.0	2,463	100.0	2,313	100.0
Investment income (underwriting)	697	30.8	742	30.2	622	25.3	543	23.4
Re-insurers' share of expenses	399	17.6	303	12.3	289	11.7	351	15.1
Total resources	3,357	148.5	3,505	142.5	3,374	137.0	3,207	138.6
EXPENSES								
Claims paid	949	42.0	970	39.4	1,082	43.9	1,128	48.7
Change in insurance reserves	1,479	65.4	1,384	56.3	1,157	47.0	859	37.1
Administrative and acquisition costs	346	15.3	365	14.8	385	15.6	371	16.0
Profit sharing	0	0.0	0	0.0	0	0.0	2	0.0
Premiums passed on to reinsurers	419	18.5	411	16.7	426	17.3	403	17.4
Total expenses	3,193	141.2	3,130	127.2	3,050	123.8	2,764	119.4
UNDERWRITING INCOME	164	7.3	375	15.2	324	13.2	443	22.0

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	136	142	145	145	9.3	30.8
Acquisition expenses	226	247	262	245	13.5	44.7
Administrative costs and other net underwriting expenses	121	119	123	127	7.4	24.5
TOTAL	482	508	530	517	30.2	100.0
Total as a % of premiums	21.3	20.7	21.5	22.3		

Source: General Secretariat of the ACP

Annex 13

Credit insurance and surety bonding

Simplified income statement

	2006		2007		2008		2009	
	(EUR million)	% of premiums						
RESOURCES								
Premiums	887	100.0	878	100.0	882	100.0	796	100.0
Investment income (underwriting)	70	7.9	97	11.0	84	9.5	104	13.0
Re-insurers' share of expenses	132	14.9	139	15.8	87	9.9	111	13.9
Total resources	1,089	122.8	1,114	126.9	1,053	119.4	1,011	126.9
EXPENSES								
Claims paid	308	34.7	315	35.9	369	41.8	599	75.2
Change in insurance reserves	148	16.7	85	9.7	-47	-5.3	-50	-6.2
Administrative and acquisition costs	210	23.7	232	26.4	224	25.4	230	28.9
Profit sharing	29	3.3	12	1.4	21	2.4	14	1.7
Premiums passed on to reinsurers	205	23.1	163	18.6	175	19.8	139	17.4
Total expenses	900	101.5	807	91.9	742	84.1	932	117.0
UNDERWRITING INCOME	189	21.3	307	35.0	311	35.3	79	3.9

Source: General Secretariat of the ACP

Operating expenses (EUR million)	2006	2007	2008	2009	% of premiums	% of total
Claims processing expenses	52	56	47	37	9.3	30.8
Acquisition expenses	172	174	174	181	13.5	44.7
Administrative costs and other net underwriting expenses	56	58	50	49	7.4	24.5
TOTAL	280	288	271	268	30.2	100.0
Total as a % of premiums	31.6	32.8	30.7	33.6		

Source: General Secretariat of the ACP

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