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Press Release

Prudential Supervision Authority 2010 Annual Report

The *Autorité de Contrôle Prudentiel* (ACP), created in March 2010, today published its first annual report. The report covers both the banking and insurance sectors.

All of the major French banking and insurance groups reported satisfactory earnings for 2010. This reflected improved economic and financial conditions compared to the previous year, despite the stress in the sovereign bond markets.

The net earnings-group share of the five major banking groups totalled EUR 22 billion in 2010¹, an increase of 89% compared to 2009. This growth is explained mainly by a sharp decline in the cost of risk (-36% for all business lines taken together), and by particularly strong earnings in retail banking (+49%).

The revenues of insurance companies and mutual and provident institutions – many of which were restructured in 2010 – also increased. Initial net earnings reports showed strong profits, although they were marked by increased losses in non-life segments.

The solvency of the banking and insurance sectors was strong. The average Tier-1 capital ratio of the five major banking groups² at the end of the year was around 10.6% - a historically high level – thanks to the high volume of retained earnings. Similarly, the major insurance companies maintained capital cushions well above regulatory minimums. While these capital levels give both sectors the capacity to withstand current macroeconomic conditions without difficulty, they need to continue managing their risks carefully.

The year 2010 marked an important stage in the development of the new regulatory framework, with the publication of a large part of the new international prudential rules known as “Basel III” and the completion of the impact study on the upcoming European insurance rules known as “Solvency II”. The *Autorité de Contrôle Prudentiel* contributed substantially to the development of this new framework, which will substantially strengthen financial stability; and it is actively working on its implementation by all actors.

The reform of prudential regulation has now finally been matched by a consolidation in the French and European supervisory architecture. In addition to the creation of the French *Autorité de Contrôle Prudentiel* in 2010, three new European Supervisory Authorities were launched on 1 January 2011, replacing the three sectoral Committees of Supervisors. A European Systemic Risk Board (ESRB) was also created. This new architecture represents a major advance for Europe, in which the ACP will play an active role.

¹ Aggregate earnings of the BNPP, SG, GCA, BPCE and GCM groups

² BNPP, SG, GCA, BPCE and GCM

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