2017

The French banking and insurance market in figures

ACPR
BANQUE DE FRANCE

IN SHORT

At 31 December 2017, the assets of the French banking system reported on a consolidated basis totalled **EUR 7,709 billion**. At the same date, the French insurance sector posted an aggregate balance sheet total at market value of **EUR 2,823 billion**.

Net banking income (NBI) for 2017 fell back to **EUR 152.7 billion**, down 2.9% compared with 2016. With regard to the insurance sector, total earned premiums from direct business increased very slightly on life activities from EUR 139.3 billion to **EUR 140.1 billion** (up 0.5%) but rose more steeply on non-life activities from EUR 100.0 billion to **EUR 102.8 billion** (up 2.8%).

Profitability for both banks and insurance companies remained stable. The aggregate net income of all credit institutions amounted to **EUR 30.5 billion** on a consolidated basis at end-2017 (EUR 30.4 billion at end-2016), while the insurance sector posted aggregate net income of **EUR 11.6 billion, unchanged year on year**. The return on equity (ROE) of the banking and insurance sectors was 6.2% and 6.5% respectively in 2017 (compared with 6.4% and 6.7% in 2016).

Deposit taking continued at a brisk pace in 2017. Total deposits collected by banks from customers (households and non-financial corporations) increased by **EUR 94 billion** (or 3.5%) from EUR 2,723 billion to EUR 2,817 billion. In the life insurance sector, **net inflows amounted to EUR 5.0 billion** on redeemable products in 2017 (compared with EUR 15.3 billion in 2016), bringing the corresponding stock of mathematical provisions to EUR 1,785 billion.

With regard to the financing of the economy, total loans granted by banks to non-financial customers (households, businesses, general government, etc.) amounted to **EUR 2,367 billion** at end-2017, up 6.7% or EUR 149 billion on 2016 against a backdrop of 2.2% growth in nominal GDP. In the insurance sector, insurance undertakings' investments amounted to EUR 2,659 billion at 31 December 2017. These were principally composed of bonds (51%), of which 29% were corporate bonds.

Banking institutions and insurance undertakings further improved their solvency position in 2017. At the end of the year, banking institutions as a whole carried total own funds under Basel III standards of **EUR 460 billion**, of which EUR 370 billion was classified as Common Equity Tier 1 (CET1). The average CET1 ratio reached **14.4%**, which is well above the regulatory minimum even when the other Basel III buffer requirements are taken into consideration. Insurance undertakings reported a solvency capital requirement (SCR) coverage ratio of 238%, providing ample protection against the risks to which they are exposed.

Until now, the substantial rise in credit granted in 2017 has not been accompanied by an increase in the outstanding **non-performing loans** held by French banks. Consequently, the ratio of non-performing loans, already below the European Union average, has declined sharply. By contrast, **the low slope of the yield curve** continued to weigh heavily on banks' intermediation margins, contributing to the erosion of their net interest income reported in recent years.

In the insurance sector, the persistent **low interest rate environment** dampened insurers' investment returns, leading them to further reduce rates of returns on life insurance contracts in order to preserve their long-term solvency.

The ACPR ensures the financial soundness of both sectors – a guarantee of the capacity to finance the economy – allowing them to better cope with the risks to which their activities are exposed.

An understanding of the French banking system

The data used in the bank section of this report come from various complementary sources. They are collected from a range of banking institutions[1] and for different scopes of business and fall within two main types of approaches.

The first approach considers the individual company data of all credit institutions (CI) and finance companies (FC) located in France. This approach was applied in the preparation of this report prior to 2015.

I1. Summary of the "domestic perspective"

		CI	FC	IF, EMI, etc.
French groups	Entities in France	Individual company basis	Individual company basis	x
	Branches abroad	Parent company basis	Individual company basis	x
	Subsidiaries abroad	x		x
Independent French entities		Individual company basis	Individual company basis	x
Foreign groups	Entities abroad	x		x
	Branches in France	Individual company basis		x
	Subsidiaries in France	Individual company basis	Individual company basis	x

Key: green indicates selected elements; red indicates excluded elements; and grey indicates missing elements.

Aggregating individual company balance sheets and income statements provides a "domestic" perspective of the French banking system, in which all transactions by legal entities located in France are recorded, whether these transactions take place in France or via their branches[2] abroad. The subsidiaries of foreign banking groups located in France are also included. On the other hand, the activity of subsidiaries of French banks abroad is excluded from this approach.

The data collected with regard to this "domestic" scope provides a very detailed picture of deposit taking and loan granting in France, but must be supplemented by a consolidated approach to eliminate intragroup transactions and incorporate the activities of foreign subsidiaries.

This is the second approach used in this report. It uses data from banking groups headquartered in France, consolidating the activities of the entities that make up each group (branches and subsidiaries) for all statuses (credit institutions and finance companies, but also investment firms (IF), electronic money institutions (EMI), etc.). This approach provides a more "international" perspective. As part of this approach, where possible the individual company data of all other entities present in France are also included in the aggregations,[3] in order to ensure the most comprehensive picture of the French banking system.

I2. Summary of the "international perspective"

		CI	FC	IF, EMI, etc.
French groups	Entities in France	Consolidated basis		
	Branches abroad			
	Subsidiaries abroad			
Independent French entities		Individual company basis	Individual company basis	x
Foreign groups	Entities abroad	x		x
	Branches in France	Individual company basis		x
	Subsidiaries in France	Individual company or "sub-consolidated" basis		

Key: green indicates selected elements; red indicates excluded elements; and grey indicates missing elements.

Using this second approach, data are broken down into three sub-populations in the tables and charts: (i) the six major French banking

[1] Credit institutions and finance companies.

[2] Branches are not a legal entity in their own right (see Glossary in section III).

[3] That is to say when the data collected on a company basis provide a level of detail similar to that of the data collected on a consolidated basis, which enables an expert comparison to be made. Using data on a company basis and aggregating them with consolidated data represents a good approximation as, for these entities, the risk of double counting is very limited and their activity abroad (not captured) is minimal.

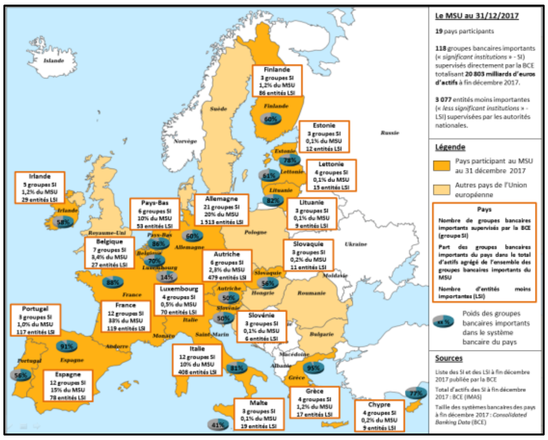
groups;[4] (ii) the other banking groups[5] submitting consolidated data; and (iii) the entities submitting company data only.[6]

Size and balance sheet structure of the French banking system

On a consolidated basis, total French bank assets held domestically and abroad amounted to EUR 7,709 billion at 31 December 2017 and 83% of these assets were concentrated among the six largest French banking groups.

Since 4 November 2014, when the single supervisory mechanism (SSM) came into force in Europe, the European Central Bank (ECB) has been responsible, with the help of national authorities, for the direct supervision of the major euro area banks. These groups, placed directly under the ECB's authority, are referred to as "significant institutions" (SI). At end-December 2017, 12 SI groups with total assets of EUR 6,770 billion at the highest level of consolidation were located in France. These accounted for 87.8% of French banking system assets.

I3. The Single Supervisory Mechanism[7]

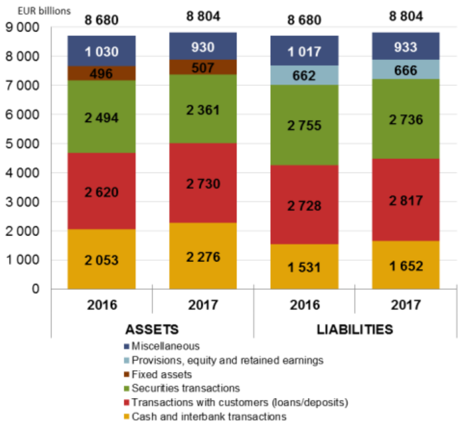


Source: ACPR, ECB database.

The banking groups that are directly supervised by national authorities are known as "less significant institutions" (LSI).

Total aggregate assets reported in individual company bank balance sheets at 31 December 2017 amounted to EUR 8,804 billion.

I4. Structure of the aggregate company balance sheet



Domestic perspective – individual company data.

The figure provided by this approach is higher than that obtained on a consolidated basis primarily because intragroup transactions are not eliminated. It provides a "domestic view" of its main components and particularly its

[4] In alphabetical order: BNP Paribas, BPCE, Crédit Agricole, Crédit Mutuel, La Banque Postale and Société Générale.

[5] Including French banking groups, bank subsidiaries of non-banking groups and subsidiaries of foreign sub-consolidated groups.

[6] This includes independent French banks – or solo banks – as well as subsidiaries or branches of foreign banks, and independent finance companies.

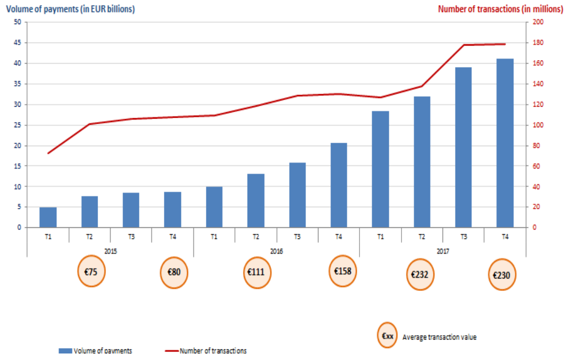
[7] This map is available in large format in the French version of this report.

transactions with customers.[8] At end-2017, the credit institutions located in France collected total deposits of EUR 2,817 billion from customers and granted EUR 2,730 billion in loans, up EUR 94 billion and EUR 119 billion, respectively, compared with end-2016. The remainder of the balance sheet is mainly made up of interbank and securities transactions. These amounted to EUR 2,361 billion on the assets side (purchases of securities for investment purposes or market activities, securities lending, etc.) and EUR 2,736 billion on the liabilities side (financing via securities issuance, market activity, securities borrowing, etc.).

The activity of payment institutions in France

At 31 December 2017, the French banking system numbered 29 payment institutions (PI) authorised in France and 16 PI branches located in the European Economic Area (EEA), compared with 19 and 7 respectively in 2013. There has been a steady growth in this type of institution in recent years, particularly with the entry of Fintechs into the sector. The ACPR supports and assists these developments,[9] while remaining alert to the associated risks, particularly for the consumer.

I5. Activity of main payment institutions in France



Payment institution individual company data.

Over the past three years, the volume of payments handled by PIs has leapt to EUR 41.2 billion at end-2017, while the average individual transaction value increased from EUR 65 to EUR 230 during the same period.

Composition of customer deposits collected by credit institutions

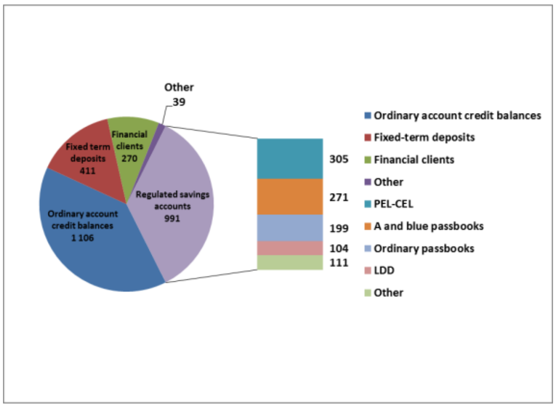
At 31 December 2017, total deposits held amounted to EUR 2,817 billion, mainly made up of current accounts (EUR 1,106 billion), regulated savings accounts – primarily PELs (*plan d'épargne logement*) and CELs (*compte d'épargne logement*) saving plans, A passbooks and LDD passbooks[10] (EUR 911 billion) – and fixed-term deposits (EUR 411 billion).

[8] Transactions which are, by construction, little affected by the problem of possible double counting of intragroup flows between banking entities of the same group. For the purposes of this report, "customers" include financial clients.

[9] See the home page of the ACPR Fintech-Innovation Unit

[10] For further information on regulated savings, see the report of the *Observatoire de l'épargne réglementée* (OER – Observatory for Regulated Savings).

I6. Breakdown of deposits collected from customers



Domestic perspective – individual company data.

Current accounts recorded the largest annual increase in customer deposits in 2017, climbing by EUR 106 billion year on year and EUR 353 billion in the past three years. Deposits held in respect of PELs and CELs increased by EUR 12 billion in 2017. The substantial increase over the past three years in current account balances seems to indicate a wait-and-see approach to savings, particularly in a context of limited yields and low inflation.

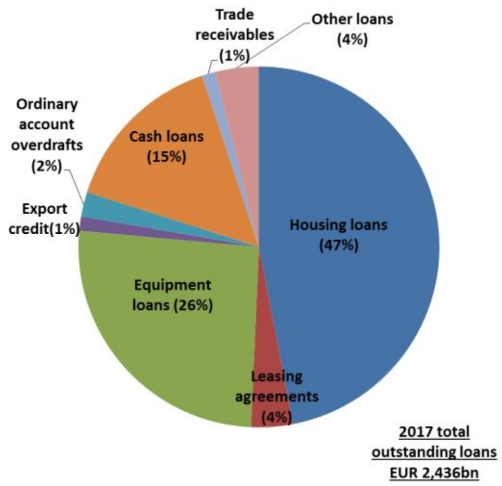
Customers and activities financed by French credit institutions

Applying a domestic perspective, aggregate outstanding loans to customers of all credit institutions located in France amounted to EUR 2,730 billion at 31 December 2017, of which EUR 2,436 billion was granted in France and the remaining EUR 294 billion was granted by branches abroad. The bulk of these loans concerns non-financial customers in France with EUR 2,288 billion at end-2017, up EUR 71 billion, or 3.15%, compared with end-2016.

The main type of business carried out in France by credit institutions is the granting of housing loans (47%), followed by equipment loans (26%) and cash loans (15%).

The main category of borrowers at end-2017 were French households, whose outstanding loans increased by 5.6% year on year to EUR 1,180 billion, while non-financial corporations (NFCs) and general government accounted for EUR 789 billion (up 5.9%) and EUR 178 billion (down 2.3%), respectively.

I7. Customer loans by type



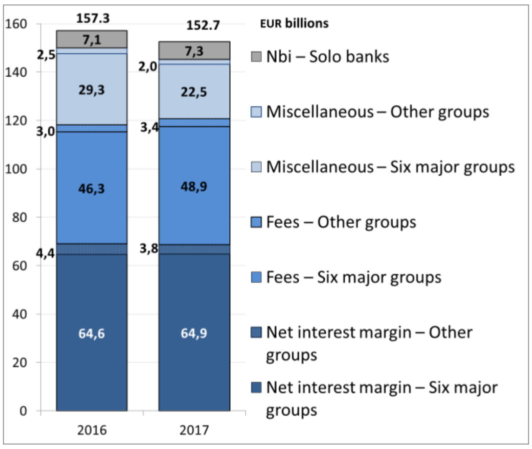
Domestic perspective – individual company data.

Lastly, off-balance sheet financing and guarantee commitments vis-à-vis customers, which contribute to the financing of the economy, rose by 3.9% to EUR 1,744 billion at end-2017.

Profitability of the French banking system

At the consolidated level, i.e. considering the international perspective of the French banking system, net banking income (NBI) stood at EUR 152.7 billion at end-December 2017, down by 2.9% on 2016. NBI consists primarily of the net interest margin (banks' investment income net of interest paid) and fees charged for services. In 2017, the NBI of the six major French banking groups amounted to EUR 136.3 billion, or 89.3% of the sector's total.

I8. Breakdown of net banking income



International perspective – consolidated data.

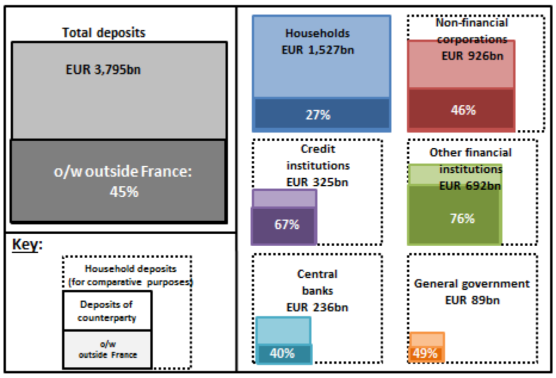
In the current environment of lastingly low rates resulting in a flattening of the yield curve, banks' interest margins only accounted for 47.2% of their total NBI in 2017.

The sector's consolidated net income at 31 December 2017 reached EUR 30.5 billion. As a ratio of total consolidated assets, this level of income translates to a return on assets (ROA) for the entire French banking sector of 0.40%, largely unchanged from 2016 (0.39%). Return on equity (ROE) stood at 6.2%, down slightly year on year from 6.4%. Overall financial performance in 2017 was hit by the exceptional additional income tax levied on companies with revenue of more than EUR 1 billion, which raised the effective tax rate applicable to these companies by between 5 and 10 percentage points.

The French banking system's international activities

French banking groups conduct a large part of their business abroad through subsidiaries or branches.

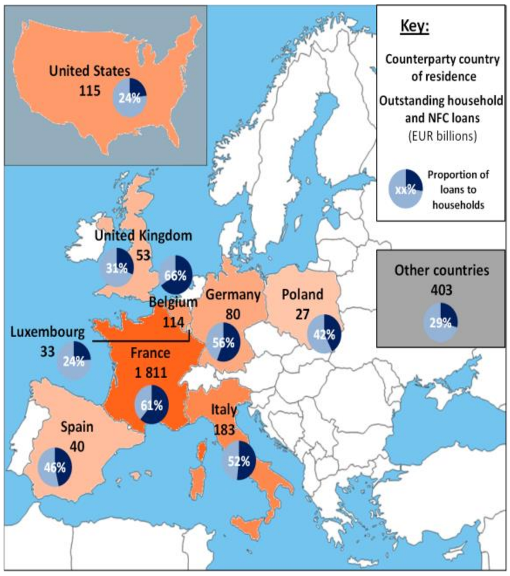
I9. Breakdown by counterparty of deposits received



International perspective – consolidated data.

On a consolidated basis, a significant proportion of deposits are collected from foreign customers (45%), although this varies considerably depending on the type of counterparty, ranging from 27% for households to 76% for other financial institutions.

I10. Loans to households and NFCs: French banks' main countries of operation



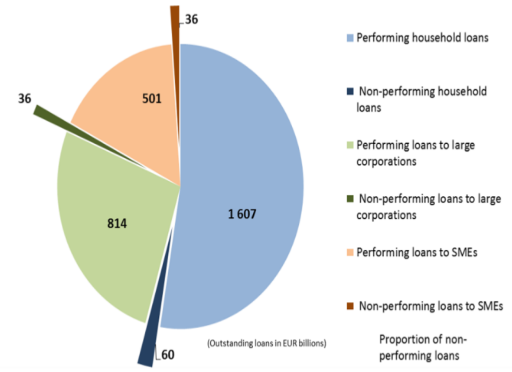
International perspective – consolidated data.

On the assets side, the main outstanding household and non-financial corporation (NFC) loans abroad are in neighbouring European countries and the United States.

The credit risk incurred by French banks

When loan repayments remain unpaid for a certain period or there is a risk that the loans will not be settled, they are deemed "non-performing". Non-performing loans can affect banks' net income and reduce their own funds as well as undermine their overall financial soundness.

I11. Outstanding performing and non-performing loan amounts



International perspective – consolidated data.

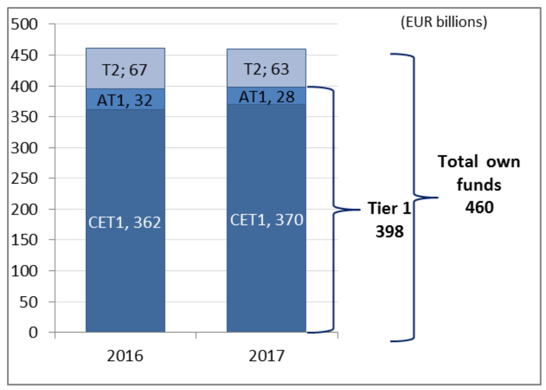
Changes in the amounts of these non-performing loans are closely monitored by supervisory authorities, which are responsible for guaranteeing the soundness of all banks and ultimately financial stability. At end-December 2017, for all countries, the outstanding amounts of French banking groups' non-performing loans to households and NFCs reached EUR 132 billion, representing 3.6% of outstanding loans to households, 4.2% of outstanding loans to large corporations and 6.7% of outstanding loans to SMEs (compared with 4.1%, 4.8% and 8.3% respectively in 2016). This overall improvement is due to an increase in outstanding loans with no notable increase in the volume of non-performing loans, as was the case in 2016. For all counterparties, the ratio for non-performing loans held in France at end-2017 was 3.4% of outstanding loans.

The ACPR pays particular attention to how these institutions make provisions for their doubtful debts.

The solvency position of French banking institutions

The provisions of the Basel III international agreements implemented in Europe through the CRD IV package have imposed a stricter definition of prudential own funds, which reflects the ability of institutions to absorb losses. The higher quality own funds for absorbing losses are known as Common Equity Tier 1 (CET1). Total CET1, which consists mainly of the equities and partnership shares issued by institutions, increased by 2.2% on 2016 at the consolidated level to EUR 370 billion at end-December 2017.

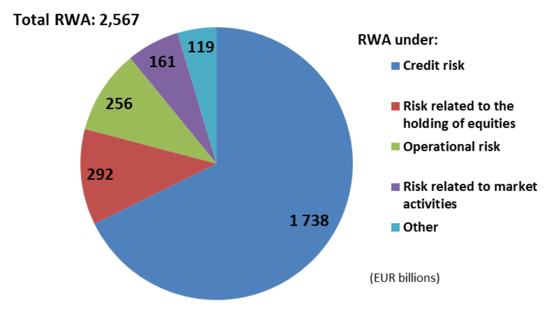
I12. Breakdown of Basel III own funds



International perspective – consolidated data.

Total prudential own funds also include two other categories: "Additional Tier 1" (AT1) and "Tier 2" (T2). They amounted to EUR 461 billion at end-2017.

I13. Breakdown of RWA by risk type



International perspective – consolidated data.

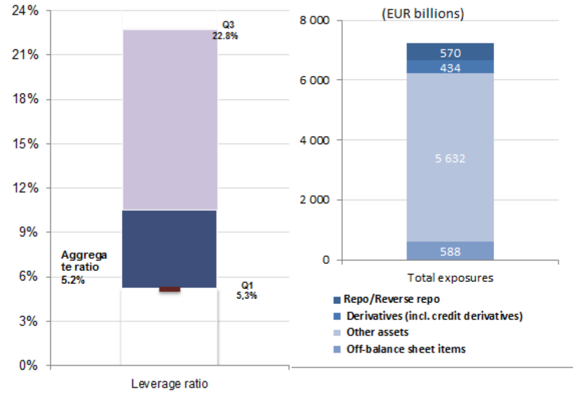
The own funds of banking institutions should be compared with the minimum capital requirements imposed by regulations, which vary depending on the risks faced by banks. An aggregate measure of risk-weighted assets (RWA) is derived from the activity of each bank. Total RWA for the entire French banking sector amounted to EUR 2,566 billion at 31 December 2017 (after EUR 2,499 billion in 2016), with credit risk representing 68%.

At individual bank level, the different categories of own funds are compared to total RWA to calculate solvency ratios. Under current regulations, all banks must always hold at least 4.5% of RWA in CET1, Tier 1 capital (i.e. CET1 and AT1) must cover at least 6% of RWA and total own funds (i.e. CET1, AT1 and T2) must be greater than 8% of RWA.

The weighted average CET1 solvency ratio for the French banking sector was 14.2% at 31 December 2017, which is well in excess of minimal regulatory requirements.

Alongside the solvency ratios, the Basel III agreements also introduced a "leverage ratio", although its application is not yet binding under European regulations. The leverage ratio compares Tier 1 capital to a measure of non-weighted risk exposure (in contrast to the solvency ratios), taking into account institutions' total assets and off-balance sheet commitments. At 5.17% at end-2017, the aggregate leverage ratio of the French banking system compares favourably to the 3% recommended minimum level set by the Basel Committee.

I14. Distribution of the leverage ratio and breakdown of total aggregate exposure (denominator)



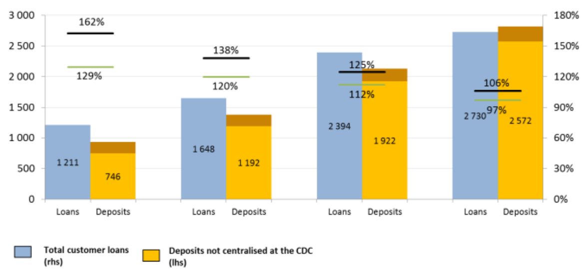
International perspective – consolidated data.

The liquidity position of French banking institutions

After several years of decline, the loans to deposits ratio stabilised at 97% at end-2017, after bottoming out at 96% in 2016.

However, part of the deposits collected under regulated savings accounts are centralised with the *Caisse des Depots et Consignations* (CDC) and therefore do not constitute a "resource" fully available to banks to finance loans to customers. After adjusting for the centralisation of deposits with the CDC, the customer loans to deposits ratio stood at 106%, pursuing a steady downward trend that began many years ago. This reflects greater backing of loans by deposits and a lesser recourse to refinancing via the markets.

I15. Ratios of loans to deposits

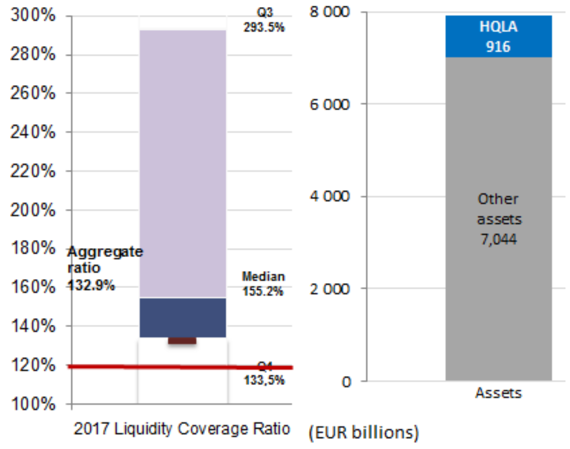


Domestic perspective – individual company data.

Following the implementation of new regulations designed to better supervise the liquidity coverage ratio (LCR), banks must hold stocks of high quality liquid assets (HQLA) that can be quickly and easily transferred.

At end-December 2017, French banks as a whole held, on a consolidated basis, total HQLA of EUR 929 billion (12% of their balance sheet), of which EUR 851 billion was classified as level 1 (i.e. extremely liquid) HQLA. At end-2017, the aggregate LCR of French institutions was well above the regulatory minimum of 100% at 133%.

I16. Distribution of LCR and proportion of HQLA in the balance sheet



International perspective – consolidated data.

Key figures for the French banking sector

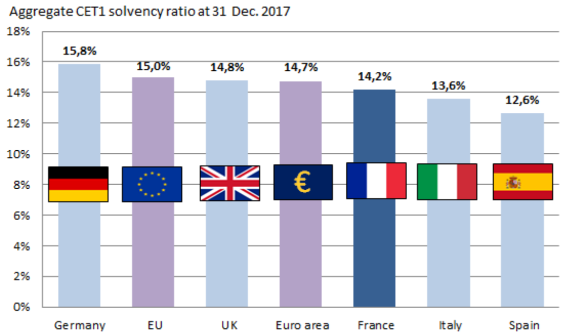
I17. Key figures for the French banking sector

(EUR billions or %)	2016	2017	Change in %
Operations			
Total assets	**7 922**	**7 709**	**-3,0%**
o/w foreign	*2 526*	*2 386*	*-6,0%*
o/w domestic	*5 396*	*5 323*	*-1,0%*
Household non-performing loan rate	**4,1%**	**3,6%**	**-0.5pp**
NFC non-performing loan rates	**5,2%**	**5,1%**	**-0.1pp**
Profitability			
Net banking income	**157,3**	**152,7**	**-3,0%**
Net income	**30,4**	**30,5**	**0,3%**
Return on Equity (%)	**6,4%**	**6,2%**	**-0.2pp**
Solvency			
CET1 equity capital	**362,0**	**369,7**	**2,1%**
Risk-weighted assets	*2 572*	*2 567*	*-0,2%*
CET1 solvency ratio	**14,1%**	**14,4%**	**+0.3pp**

Note: these figures are also available in greater detail in the tables and charts found in the French version of this report.

A comparison of French banking groups with their European neighbours[11]

I18. European comparison of aggregate CET1 solvency ratios

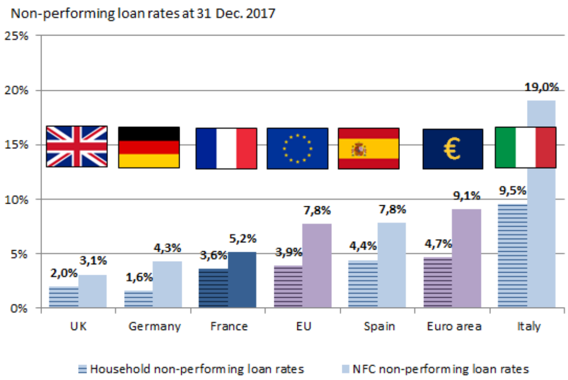


Source: SDW – Consolidated Banking Data (CBD) – ECB

A comparison of CET1 solvency ratios indicates that French banking groups, with an aggregate ratio of 14.2%, lie slightly below the euro area and European Union averages of 14.7% and 15.0% respectively.

As for non-performing loan rates, French groups report better ratios than the average of their European Union and euro area counterparts, both in the household and non-financial corporation (NFC) sectors.

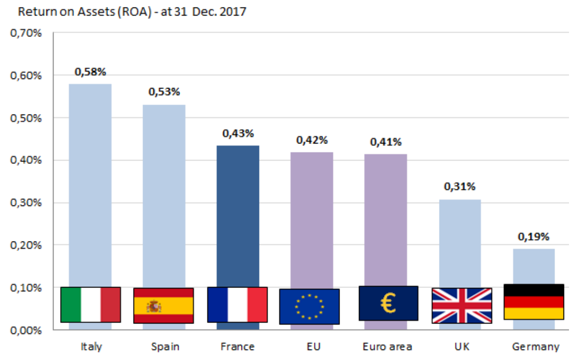
I19. European comparison of non-performing loan rates



Source: Consolidated Banking Data (CBD) – ECB.

The return on assets (ROA)[12] of French banking groups improved slightly in 2017 to 0.43%, compared with 0.42% in 2016. This is similar to the reported euro area average of 0.41%.

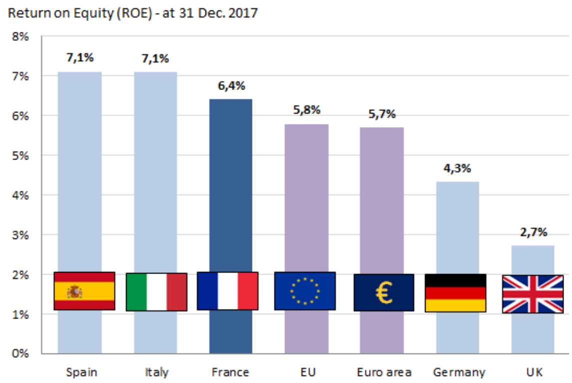
I20. European comparison of ROA



Source: Consolidated Banking Data (CBD) – ECB.

The net aggregate return on equity (ROE) of French banking groups in 2017 was 6.4%, well above the euro area average of 5.7%.

I21. European comparison of ROE



Source: Consolidated Banking Data (CBD) – ECB.

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[11] European indicators relate to domestic banking groups in each country. Slight differences may therefore arise from figures calculated for the entire French banking system (including solo banks in particular).

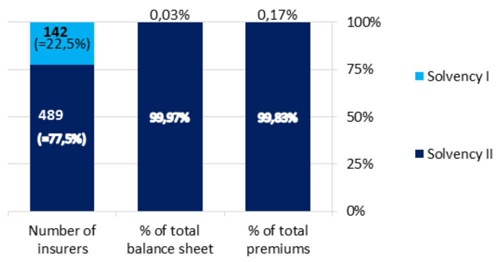
[12] This indicator does not take into account the quality of the assets.

Composition of the insurance sector in France

At end-2017, the French insurance market was made up of 741 insurance undertakings, of which 285 were insurance companies (including 14 reinsurers and 4 non-EU country branches) governed by the *Code des Assurances* (French Insurance Code), 420 were mutual insurers governed by Book II of the *Code de la Mutualité* (French Mutual Insurance Code) and 36 were provident institutions governed by the *Code de la Sécurité Sociale* (French Social Security Code). There were fewer insurance undertakings on the market at end-2017 than at end-2016 (774 insurance undertakings) due to the market experiencing a period of concentration, mainly through the reduction in the number of substituted mutual insurers (mutual insurers whose written risk is borne by another mutual insurer).

Of the 631 insurance undertakings excluding substituted mutual insurers, 492 (around 78%) have been subject to the Solvency II framework since 1 January 2016. At end-2017, they accounted for 99% of the market in terms of assets and activity (measure based on premium volumes).

I22. Breakdown between Solvency I and Solvency II



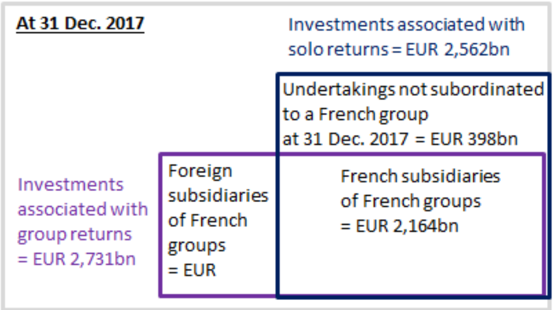
Company registration and ENS data.

All 631 undertakings submit national specific prudential and accounting reports (*États Nationaux Spécifiques* – ENS) to the ACPR. As well as being a tool for individual monitoring and supervision, these reports also provide an overview of the insurance sector. Of these, the 492 undertakings subject to Solvency II also submit prudential non-consolidated reporting templates, harmonised at the European level. These can be used to draw comparisons with other EU countries.[13] This report is based on the data provided in these two submissions.

With the entry into force of the Solvency II supervisory framework, prudential insurance groups must submit consolidated statements. Given that the two-year transitional period granted to mutual insurance groups by the Ordinance of 2 April 2015 to legally constitute prudential group structures came to an end during the year, the coverage provided by group reporting data in this report is significantly higher than previously.

[13] And even European Economic Area (EEA) countries.

I23. Investments associated with group and solo returns

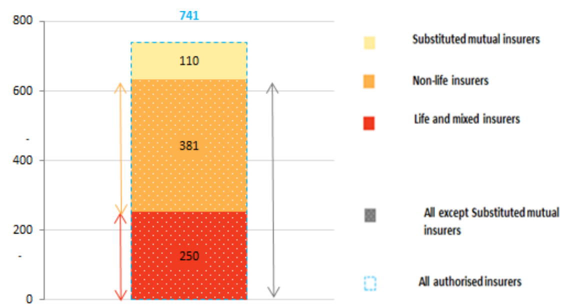


Solvency II individual company and consolidated data.

The 139 undertakings still under the Solvency I regime continue to submit dedicated annual statements, which are also used for the purposes of this report.

The activities and areas of specialisation of the 631 insurance undertakings that submit national specific prudential and accounting reports to the ACPR are diverse. In 2017, 250 were life and mixed insurers, authorised to operate in life insurance and life and health insurance respectively. The remaining 381 undertakings were authorised for non-life insurance activities. A number of life and mixed insurance undertakings, which accounted for around 80% of the market's life technical provisions, are also subject to weekly regulatory reporting of life insurance transactions (inflows and outflows). The data reported in these submissions are also exploited in this report for the sections devoted to life insurance.

I24. Insurers authorised in France



Company registration data.

A growth industry

The size of the aggregate balance sheet for all insurance undertakings illustrates the weight of the French insurance sector.

At end-2017, the total net book value of insurers' balance sheets, aggregated at French insurance market level (all undertakings subject to ACPR supervision on an individual company basis), amounted to EUR 2,574 billion, up 3.6% year on year (following a 3% increase between 2015 and 2016).

I25. Aggregate accounting balance sheet for the insurance sector

(EUR billions)	2016	2017
Reinsurers' share of technical provisions	118	130
Investments excl. unit-linked contracts	1 902	1 930
Unit-linked contracts	316	362
Other assets	150	152
Total assets	**2 485**	**2 574**
Equity capital	173	179
Technical provisions excl. unit-linked contracts	1 740	1 766
Technical provisions on unit-linked contracts	318	364
Other liabilities	254	265
Total liabilities	**2 485**	**2 574**

ENS data.

The aggregate balance sheet value of the subset of undertakings with operations in the French market and subject to Solvency II requirements amounted to EUR 2,823 billion,[14] up 3% year on year.

The aggregate balance sheet value of French prudential groups – including new groups formed during the year – came to EUR 2,963 billion at 31 December 2017.[15]

[14] Based on market value as defined by Solvency II.

[15] Those that took advantage of the transitional period until 2017.

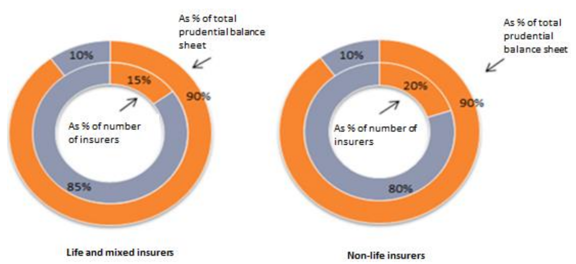
I26. Prudential balance sheet of the population subject to Solvency II at end-2017

(EUR billions)	SII Solo	SII Group
Investments	2 562	2 731
o/w excl. unit-linked contracts	*2 200*	*2 308*
o/w unit-linked contracts	*362*	*423*
Cash and deposits	63	73
Other assets	198	159
Total assets	**2 823**	**2 963**
Net assets	325	247
Technical provisions	2 227	2 393
o/w excl. unit-linked contracts	*1 877*	*1 982*
o/w unit-linked contracts	*351*	*411*
Other liabilities	271	323
Total liabilities	**2 823**	**2 963**

Solvency II individual company and consolidated data.

At individual company level, there is a wide disparity between French insurance market players in terms of balance sheet values. However, the market is relatively concentrated: within the population subject to Solvency II, 15% of life and mixed insurers and 20% of non-life insurers account for 90% of the aggregate prudential balance sheet total of their respective sectors.

I27. Breakdown by type of insurer within the Solvency II population

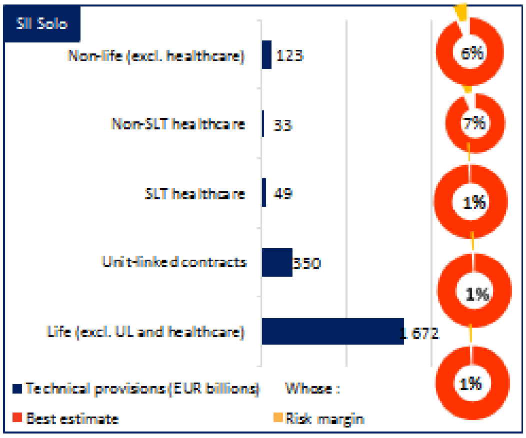


Solvency II individual company data.

An increase in technical provisions

Technical provisions, which embody insurers' commitments to their policyholders, make up the bulk of their balance sheets. Within the meaning of Solvency II, these provisions also include a "risk margin" in order to cover the amount that a third party would demand to assume the insurer's commitments. In 2017, total technical provisions recorded by the French insurance market amounted to EUR 2,227 billion, up 3% year on year.

I28. Solvency II technical provisions by type of activity at end-2017



Solvency II individual company data.

With EUR 2,022 billion, which includes a 1.1% risk margin, life business (excluding healthcare) accounted for 91% of total technical provisions, of which EUR 350 billion, or around 16% of all the market's technical provisions, corresponded to unit-linked contracts. The share of technical provisions for unit-linked contracts increased by almost two percentage points between 2016 and 2017, following significant net inflow on unit-linked products over the last two years due to a low interest rate environment and uptrends in the financial markets.

Non-life and healthcare business accounted for only 9% of technical provisions (EUR 204 billion), while the higher risk margin of 6.8% reflects the greater degree of uncertainty in these lines of business.

A stable investment structure[16]

Insurance investments are the direct result of insurers' management of premiums paid by policyholders. It is therefore essential that the assets held are sufficiently liquid to allow the

[16] For further details on investments, see the annual study on French insurers' asset allocations published in the Banque de France Bulletin, particularly the study conducted at end-2017.

insurers to honour their commitments when the need arises.

The investments of insurance undertakings authorised in France amounted to EUR 2,823 billion at end-2017, with 51% of the total made up of sovereign and corporate bonds. The structure of insurance undertakings' investments is relatively stable, although in 2017 the proportion of corporate bonds declined slightly year on year by two percentage points with investment capacity mainly shifting towards shares in investment funds.

A slight decline in overall activity volume but an improvement in underwriting income

At end-2017, the total revenue (gross earned premiums) of the insurance sector amounted to EUR 293 billion, down slightly by 1.4% year on year. Direct business volumes on the other hand increased by 1.5% from EUR 239.3 billion to EUR 242.9 billion at end-2017. Total underwriting income for the sector also rose from EUR 12 billion in 2016 to EUR 13.3 billion in 2017, driven by both a marked improvement in financial income and a claims and functioning expenses growth rate which was kept under control. Overall, net income and profitability (return on equity) in the sector remained stable at EUR 11.6 billion and 6.5% respectively.

I29. Simplified income statement by business sector

	Life		Non-life		Total	
(EUR billions)	2016	2017	2016	2017	2016	2017
Earned premiums	169,2	158,7	127,9	134,3	297,1	293,0
o/w ceded premiums	22,9	10,8	23,0	25,7	45,9	36,5
Claims expenses, allocation to reserves and profit sharing	201,8	202,1	99,8	103,9	301,7	306,1
- o/w expenses and cedde provisions	21,2	9,4	17,1	19,1	38,3	28,5
- o/w profit sharing	39,6	39,0	0,6	0,7	40,2	39,8
Net investment income	56,7	67,4	5,6	5,7	62,3	73,1
Acquisition and administration costs (-)	15,8	16,1	27,4	27,9	43,3	44,1
Reinsurance balance (-)	-0,6	-0,4	-1,9	-2,2	2,5	2,6
Underwriting income	**7,6**	**7,5**	**4,4**	**5,9**	**12,0**	**13,3**
Investment income net of non-underwriting income					4,2	4,3
Other non-underwriting items					-4,7	-6,1
Net income					11,6	11,6
Profitability (ROE)					6,7%	6,5%

ENS data.

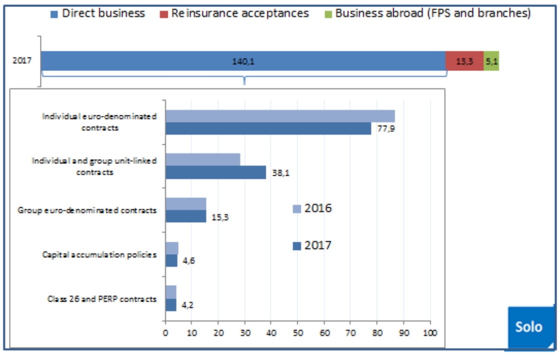
However, this overall activity reflects divergent performances from the two major insurance business lines – life and non-life. Non-life business, which comprises commitments that are temporary by nature such as property damage or casualty (including bodily injury insurance) insurance, bounced back in 2017 with growth of around 5% across all earned premiums and underwriting income that returned to 2015 levels. Conversely, life business, which involves savings-type commitments that depend on the life span of the policyholder (supplementary pensions, etc.), slowed again in 2017, confirming the decline that began the previous year. This slowdown was due to a virtual stagnation in life insurance premiums collected via direct business (up 0.5%) and a return-to-trend for life reinsurance business after two exceptional years. However, underwriting income from life business remained stable thanks to growth in financial income.

An atypical life insurance premium flow in 2017

Total life insurance premiums collected in 2017 can be broken down into direct business (EUR 140.1 billion), reinsurance acceptances (EUR 13.3 billion) and premiums collected abroad (EUR 5.1 billion) The downturn in premiums from reinsurance acceptances, after two years of growth, reflects a return to normality following two significant market transactions carried out in 2015 and 2016.

While unit-linked products continued to expand markedly in 2017 to account for almost 30% of collected premiums, the majority of premiums still stemmed from (euro-denominated) products with profit participation (around 60% of life business revenue). Premiums from capital accumulation policies and occupational retirement products (Class 26 and PERP[17] contracts) remained relatively unchanged at around 6%.

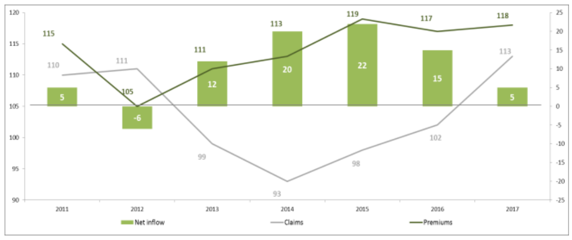
I30. Life insurance revenue (gross earned premiums) in EUR billions



ENS data.

For the subset of insurers subject to weekly reporting of life insurance transactions on redeemable products, the decline in premiums collected from (euro-denominated) products with profit participation that began in August 2016 continued during the year. This decline, in conjunction with an increase in policy redemptions, meant that euro-denominated products posted net outflows of EUR 19.4 billion. This was more than offset by net positive inflows of over EUR 24.4 billion from unit-linked savings products. Overall, total net flows from redeemable products slumped significantly compared with 2016 but remained positive at EUR 5 billion. Nevertheless, this is the lowest reported value in the last five years.

I31. Life insurance net inflow from euro-denominated and unit-linked contracts (insurers subject to weekly reporting)



Weekly compiled life insurance transaction data.

A recovery in non-life business in 2017

Following the decline observed in 2016, non-life business picked up again in 2017 with growth in earned premiums of roughly over 5%. Underwriting income in 2017 for the non-life sector returned to 2015 levels, with stable financial income and related costs, with the notable exception of the natural disaster insurance segment.

Premiums collected on non-life insurance contracts were mainly earned via direct business (EUR 102.8 billion out of EUR 134.3 billion), part of which was generated by activities carried out abroad under EU passporting rights through the freedom to provide services (FPS) and freedom of establishment (FE). These activities have expanded significantly over the last two years. After falling back in 2016, premiums from reinsurance acceptances also returned to 2015 levels, amounting to EUR 22.9 billion.

Half of the premiums earned via direct business were generated by casualty insurance products, followed by motor insurance (20.6%) and property insurance (16.7%).

[17] *Plan d'Épargne Retraite Populaire* (PERP – long-term pensions savings plans).

I32. Non-life insurance revenue (gross earned premiums) in EUR billions

2016 amounts in EUR billions	Direct business	Reinsurance	Business abroad
All business	102,8	21,7	9,7
	Direct business		
	Amount	%	
Casualty insurance	*51,7*	*50,3%*	
Motor insurance	*21,2*	*20,7%*	
Property insurance	*17,2*	*16,7%*	
Miscellaneous	*4,9*	*4,8%*	
Liability insurance	*2,8*	*2,7%*	
Construction insurance	*1,6*	*1,5%*	
Natural disaster insurance	*0,8*	*0,8%*	
Surety and credit insurance	*0,6*	*0,6%*	
Transport insurance	*2,0*	*1,9%*	

ENS data.

Within the category of casualty (bodily injury) insurance, a little over 70% of earned premiums corresponded to "healthcare expenses" products and 53% of policies are now held under group contracts, up three percentage points since 2015.[18] Mutual insurers continue to account for a major proportion of this business and had a market share of 37% in 2017. Their share has nonetheless declined, from 41% in 2015, with life and mixed insurers in particular taking up the slack (23% market share in 2017).

FPS-FE business carried out in France in 2016[19]

Business carried out in France by foreign undertakings under EU passporting rights through the freedom to provide services (FPS) and freedom of establishment (FE) had picked up at end-2016 after a sharp decline in 2015, accounting for EUR 16.6 billion in premiums, up 31.8%. In 2016, business carried out in France by (non-French) European Economic Area insurers captured a market share of 5.5% of all premiums collected in the country.

I33. Share of foreign business carried out in France in 2016 under EU passporting rights (FPS-FE)

2016			
Gross premiums earned (before reinsurance) in EUR billions	Life business	Non-life business	Total
Premiums collected by insurers authorised in France	179,0	116,4	295,4
o/w premiums collected in France	173,1	109,5	282,5
Premiums collected in France by foreign undertakings via FPS and branches *(a)*	7,6	9,0	16,6
Total premiums collected in France *(b)*	180,7	118,4	299,1
Share of foreign FPS-FE business in French domestic business in 2016 (a/b)	4,2%	7,6%	5,5%

Solvency II individual company data.

Non-life business performed through FPS-FE grew significantly in 2016 to account for 7.6% of all business carried out in France. By contrast, FPS-FE life business declined steadily from 2014 and made up 4.2% of the premiums collected in France at end-2016.

In the life insurance sector, 10% of all premiums from unit-linked contracts in France (a total of EUR 32.5 billion) are collected through FPS-FE by foreign undertakings, particularly insurance undertakings located in Luxembourg, which account for 82% of this premium inflow.

The market for non-life insurance premiums collected through FPS-FE is dominated by insurers from the United Kingdom and Germany, with shares of 50% and 23% respectively, and concentrated on fire and other property insurance and liability insurance. Premiums collected for these lines of business amounted to EUR 2.6 billion and EUR 1.8 billion, accounting for 11% and 21% of domestic markets worth EUR 22.6 billion and EUR 8.2 billion, respectively.

[18] Following the *Accord National Interprofessionnel* (ANI – a national cross-industry agreement).

[19] Data from EEA supervisors available with a time lag of one year.

I34. Proportion of foreign business carried out in France in 2016 under EU passporting rights (FPS-FE) – major business lines

Business line	*Gross premiums earned and collected in France (before reinsurance) by insurers authorised in France*	Premiums collected in France by foreign undertakings via FPS and branches	*Share of foreign FPS-FE business in French domestic business in 2016*
Index-based and unit-linked insurance	*28,76*	**3,27**	10%
Fire and other property insurance	*19,98*	**2,60**	11%
Insurance with profit sharing	*99,23*	**2,05**	2%
Liability insurance	*6,48*	**1,77**	21%
Life insurance	*23,47*	**1,11**	5%
Marine, aviation and transport insurance	*1,04*	**0,65**	39%
Credit and surety insurance	*1,05*	**0,63**	37%

Solvency II individual company data.

A robust solvency position reinforced in 2017

Under Solvency II standards, own funds are classified in accordance with their potential to be called up to absorb losses. In 2017, 90% of insurers' own funds were classified under the most robust category, unrestricted tier 1. For non-life insurers, this category accounted for 95% of own funds.

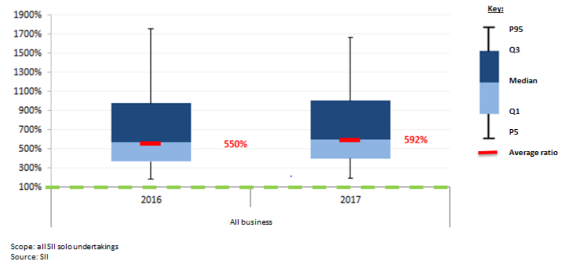
I35. Own funds of insurers subject to Solvency II

EUR billions	All business	Life and mixed insurers	Non-life insurers
Total Own Funds	353	235	118
o/w unrestricted tier 1	317	205	112
o/w restricted tier 1	12	10	2
o/w tier 2	22	19	4
o/w tier 3	2	2	0

Solvency II individual company data.

The Solvency II standards define a minimum capital requirement (MCR). Any insurance undertaking that fails to meet this requirement must submit a realistic short-term funding plan. If this plan is considered inadequate by the supervisory authority or is not implemented, their authorisation to operate can be withdrawn. All insurers must therefore constantly ensure that their MCR coverage ratio is always in excess of 100% (i.e. the amount of their eligible own funds must exceed their MCR level). In 2017, the overall MCR coverage ratio for insurance undertakings remained at a very high level (592%, up 22 percentage points on 2016), although as the distribution shows, there are major disparities between the various players.

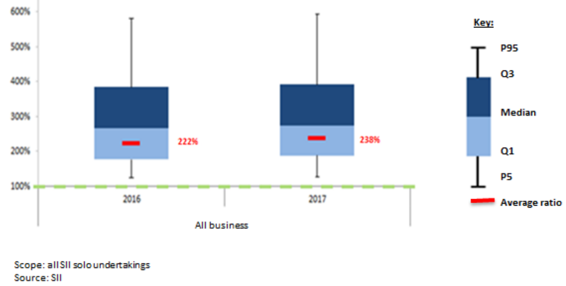
I36. MCR coverage ratio of insurers subject to Solvency II



Solvency II individual company data.

The solvency capital requirement (SCR) corresponds to the amount of own funds necessary to absorb any loss provoked by an exceptional shock based on an analysis of the risks to which the insurer is exposed. The SCR coverage ratio must exceed 100% and is calculated by taking into account the transitionnal measures and adjustments for volatility, prescribed by the Solvency 2 standards.

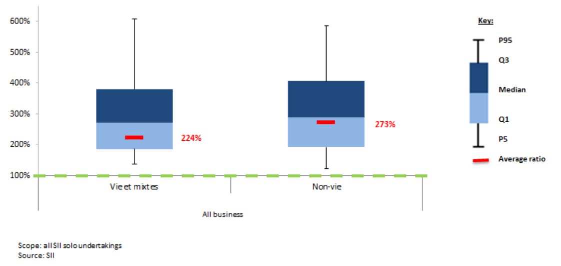
I37. SCR coverage ratio of insurers subject to Solvency II



Solvency II individual company data.

The average SCR coverage ratio of insurers increased from 222% in 2016 to 238% in 2017, mainly due to an improvement in the SCR coverage ratio of life and mixed insurance undertakings (up 19 percentage points compared with 2016). The coverage ratio of non-life insurers also rose year on year by five percentage points.

I38. SCR coverage by type of insurer subject to Solvency II in 2017



Solvency II individual company data.

Under Solvency II standards, the SCR must also be calculated at group level. In this instance too, the coverage ratio increased compared with 2016, from 196% to 210% at end-2017, although as the dispersion shows, the gap between groups has tended to widen.

Key figures for the French insurance sector

I39. Key figures for the French insurance sector

(EUR billions or %) Operations (ENS data)	2016	2017	Change In %
Direct business gross earned premiums	**239,3**	**242,9**	**1,5%**
o/w Life premiums	*139,3*	*140,1*	*0,6%*
o/w Non-life premiums	*100,0*	*102,8*	*2,8%*
Combined ratio (non-life)	*98%*	*97%*	*-1pp*
Underwriting income	**12,0**	**13,3**	**10,8%**
Net income	**11,6**	**11,6**	**0,0%**
Return on Equity (%)	**6,7%**	**6,5%**	**-0.2pp**
Solvency II prudential balance sheet			
Total assets	**2 737,6**	**2 823,0**	**3,1%**
Investments	*2 484,6*	*2 561,8*	*3,1%*
o/w investments in unit-linked contracts	*316,1*	*361,9*	*14,5%*
Technical provisions	**2 175,6**	**2 227,1**	*2,4%*
o/w technical provisions in unit-linked contracts	**306,0**	**350,5**	*14,5%*
Solvency			
Total equity capital	**329,3**	**353,3**	**7,3%**
o/w share of unrestricted tier 1 equity capital	*89,1%*	*89,7%*	*+0.6pp*
Solvency ratio (SCR coverage ratio)	**222%**	**238%**	**+16pp**

Note: these figures are also available in greater detail in the tables and charts found in the French version of this report.

European comparisons

The total aggregate balance sheet value for the entire European Union insurance sector amounted to EUR 11,280 billion in 2017.

The three largest countries in terms of balance sheet value (the United Kingdom, France and Germany) accounted for more than two-thirds of the market at European Union level.

I40. Aggregate Solvency II balance sheet for the insurance sector in Europe at 31 Dec. 2017

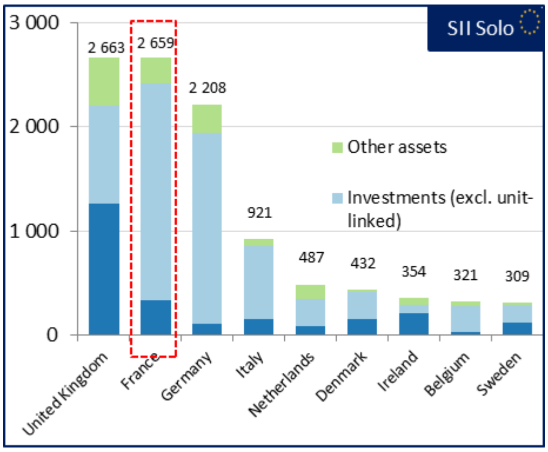
Assets in EUR billions	European Union
Investments excl. unit-linked contracts	**7 039**
o/w Shares in investment funds	*1 319*
o/w Real estate	*128*
o/w Shares	*276*
o/w Structured or guaranteed securities	*151*
o/w Corporate bonds	*2 055*
o/w Sovereign bonds	*2 187*
o/w Other investments	*923*
Investments in unit-linked contracts	**2 728**
Cash and deposits	**323**
Other assets	**1 190**
Total assets	**11 280**

Liabilities in EUR billions	European Union
Subordinated debt	**106**
Non-life technical provisions	**741**
o/w Non-life excl. healthcare	*656*
o/w Non-SLT healthcare	*85*
Life (excl. healthcare) technical provisions	**5 223**
o/w Life excl. healthcare	*4 818*
o/w SLT healthcare	*405*
Unit-linked technical provisions	**2 834**
Other liabilities	**902**
Net asset	**1 474**
Total liabilities	**11 280**

Solvency II individual company data from relevant national supervisors and EIOPA.

As with the total aggregate balance sheet value, the French insurance sector also ranked second in terms of investments in 2017, almost equal with the United Kingdom. The structure of those investments differs however between the United Kingdom and France, and more generally between Anglo-Saxon countries (the United Kingdom and Ireland) and countries on the continent. More than 50% of the investments of the United Kingdom and Ireland is in unit-linked products, whereas the investment profile of continental countries more closely reflects that of France, with around 20% in unit-linked investments.

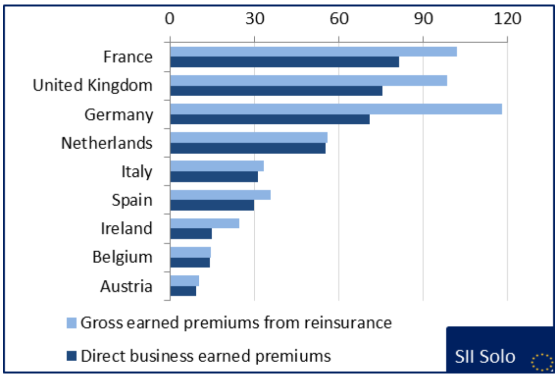
I41. Total assets of insurers in major European countries at 31 Dec. 2017 (EUR billions)



Solvency II individual company data from relevant national supervisors and EIOPA.

In terms of activity, at EUR 81 billion, France reported the highest total non-life (excluding healthcare) premiums earned via direct business by authorised insurance undertakings in Europe, overtaking the United Kingdom in 2017.

I42. Non-life premiums of European insurers at 31 Dec. 2017 (EUR billions)



Solvency II individual company data from relevant national supervisors and EIOPA.

Lastly, in terms of solvency, the SCR coverage ratio of insurance undertakings authorised in France (234%) is comparable to the average solvency ratio for all insurers in the EU (238%).

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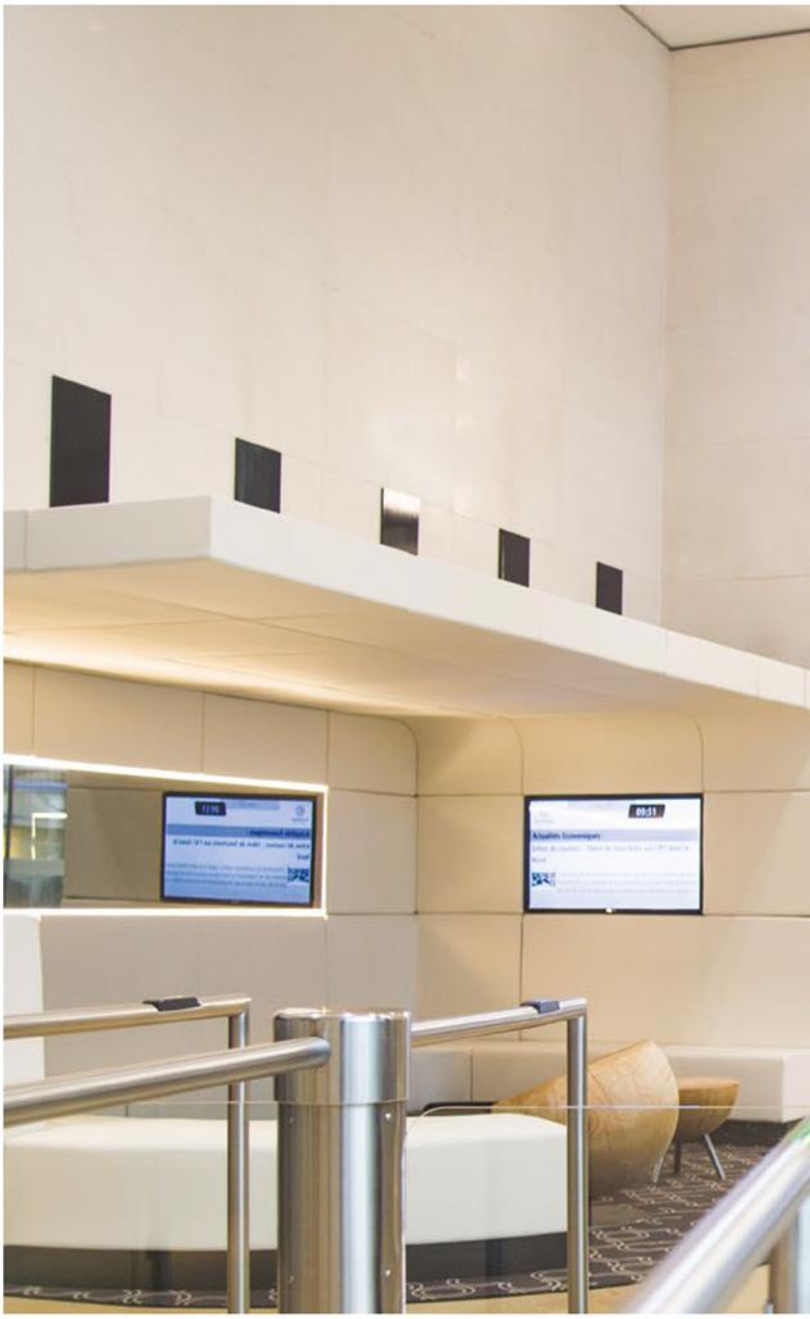

4, place de Budapest
CS 92459
75436 Paris Cedex 09
https://acpr.banque-france.fr