THE FRENCH BANKING AND INSURANCE MARKET IN FIGURES

2015

ACPR
BANQUE DE FRANCE

Note to the reader

This annual ACPR statistical report "The French banking and insurance market in figures" has been substantially revised compared to previous years. Several reasons explain this choice.

First, the banking and insurance sector have each undergone substantial regulatory changes in recent years with the entry into force respectively of the "CRD IV package," implementing the so-called "Basel III" agreements in Europe for the first, and the so-called "Solvency II" Directive for the second. These regulatory changes were accompanied by a complete revision of data to be submitted to the supervisor by banks (since 2014) and insurance companies (from 2016, which explains why it will only be possible to exploit these data starting with the next report). This notably involved the regular supply to the ACPR of a greater amount of data, which made it possible to enrich the information provided. This wealth of data is offset by the relative complexity of the presentation, due to the multiplicity of sources, scopes of activity and entities required to submit regulatory information. We made sure to clarify these elements for maximum readability.

Second, some of the banking and insurance statistical aggregates do not necessarily post any significant annual changes. We therefore chose to limit the systematic commentary of each one of the tables and charts in favour of a more educational, more synthetic and - we hope – more readable analysis.

However, for the sake of continuity with previous editions, we have made sure that all tables and graphs presented in previous years remain accessible with updated data to satisfy readers looking for specific information that they have been used to find in this report.

We have therefore opted for a structure that meets this three-fold objective. In the first section, the reader will find a summary presentation of the banking and insurance sectors, both highlighted by a concise analysis. A second section provides a series of detailed, uncommented (and untranslated), tables and charts presenting and updating the information published in previous versions of this report, enriched with new tables and charts in the case of the banking sector (the insurance part will be enriched in the next report, for the reasons mentioned above). Finally, the third section provides a clarification of the methodologies used for the production of this report, as well as key financial concepts.

We hope that this new format will provide useful information both to readers wishing to discover a little better the French banking and insurance sectors, and to experts seeking detailed statistical series.

Enjoy your reading.

In short

On 31 December 2015, the financial assets of the French banking system totaled **EUR 7,674 billion** on a consolidated basis. At the same date, the insurance sector posted an aggregate balance sheet total at market value of **EUR 2,678 billion**.

The volume of activity in both sectors grew in 2015. Net banking income (NBI) stood at **EUR 158.5 billion**, up 7.1% compared to 2014. As regards the insurance sector, total earned premiums on life and non-life activities increased respectively from EUR 154.2 billion to **EUR 166.9 billion** (+ 8.2%) and EUR 124.6 billion to **127.3 billion** (+2.2%).

Profitability improved for both banks and insurance companies. The aggregate profit (after tax) of all credit institutions amounted to **EUR 28.3 billion** at end 2015 (EUR 18 billion in 2014), while the insurance sector posted an aggregate profit (after tax) of **EUR 12.7 billion** (EUR 10.6 billion in 2014). The return on equity (ROE) of both sectors was respectively 6.5% and 7.4%.

Deposit-taking continued at a brisk pace in 2015. Deposits collected by banks from customers (households and non-financial corporations) increased by **EUR 180 billion**, rising from EUR 2,389 billion to EUR 2,569 billion (+ 7.5%). As for life insurance, net inflows amounted to **EUR 21.8 billion** (+12% compared to 2014), bringing the corresponding stock of underwriting reserves to **1,684 billion**.

As regards the financing of the economy, the loans granted by banks to non-financial customers (households, businesses, government, etc.) amounted to **EUR 2,138 billion** at the end of 2015, up 3.6% compared to 2014 (+ EUR 75 billion) in a context where nominal French Gross Domestic Product in value terms grew by 1.9%. As for insurance companies, their investments amounted to EUR 2,041 billion on 31 December 2015; they were mainly made of bonds (66.3%), most of which were sovereign bonds, and to a lesser extent, of equities (13.4%).

In terms of solvency, the situation of banking institutions and insurance companies improved further in 2015. At 31 December 2015, all banking institutions displayed a total "Basel III" capital of **EUR 391 billion**, of which EUR 301 billion of CET1 (core capital). At this date, the so-called CET1 ratio reached **12.8%,** i.e. well above the regulatory minimum, including when adding the other buffers required by Basel III. The capital of insurance companies increased by **close to 10% in 2015**, further improving the solvency margin coverage ratios (prudential requirements in the "Solvency 1" framework).[1]

The macroeconomic environment continued to weigh on credit risk, but the stock of bad debts borne by French banks remained moderate. **The “flattening" of the yield curve** reduced banks’ intermediation margins, which eroded their net interest income and exerted a downward pressure on the profitability of certain economic models.

In the insurance sector, the persistence of **low interest rates** eroded insurers’ investment returns, which led them to further reduce the rates on life insurance contracts, to maintain, in the long run, their solvency and their ability to meet all their commitments vis-à-vis policyholders.

The ACPR ensures the financial soundness of both sectors, allowing them to better cope with the risks that affect their activities.

[1] Given that the "Solvency 2" framework will be implemented from 1 January 2016, this report is drawn up on the basis of data available in the "Solvency 1" framework.

BANKS

What is meant by "French banking system"? The data used in the bank section of this report come from various sources providing complementary perspectives. They are collected from different populations of banks and accounting scopes that refer to two main types of approaches.

A first approach considers the solo basis data of all credit institutions (CI) and finance companies (FC) located in France. This approach was followed in the previous versions of this report. Aggregating solo basis balance sheets and income statements provides a "domestic" view of the French banking system, where all transactions by entities operating in France are recorded, whether these transactions take place in France or via their branches abroad. The subsidiaries of foreign banking groups operating in France are also recorded. On the other hand, the activity of subsidiaries of French banks abroad is excluded from this approach.

Schematisation of the « domestic » vision »

		CI	FC	IF, EMI, etc
French Groups	Entities in France	Solo basis	Solo basis	x
	Branches abroad	Solo basis	Solo basis	x
	Subsidiaries abroad	x		x
Independant French entities		Solo basis	Solo basis	x
Foreign Groups	Entities abroad	x		x
	Branches in France	Solo basis		x
	Subsidiaries in France	Solo basis	Solo basis	x

Legend: in green, the selected entities, in red, the excluded entities, in grey, the absent entities.

The data collected on this "domestic" scope provides a very detailed view of deposit taking and loan granting in France, but must be supplemented by what is known as a consolidated approach that eliminates the groups' internal operations and records 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[2] (branches and subsidiaries), for all statuses (CI, FC, but also investment firms (IF), electronic money institutions (EMI), etc.).

This approach provides a more "international" view of the activity. As part of this approach, the solo basis data of all other entities present in France are also included in the aggregations, where possible,[3] in order to ensure the sample's completeness.

Schematisation of the « international » view

		CI	FC	IF, EMI, etc
French Groups	Entities in France	Consolidated basis		
	Branches abroad			
	Subsidiaries abroad			
Independant French entities		Solo basis	Solo basis	x
Foreign Groups	Entities abroad	x		x
	Branches in France	Solo basis		x
	Subsidiaries in France	Solo or sub-consolidated basis		

Legend: cf. previous table.

Three subpopulations are distinguished in the tables and charts using this second approach: (i) the six major French banking groups,[4] (ii) the other banking groups submitting consolidated data,[5] and (iii) the entities submitting solo basis data.[6]

What is the size of the French banking system and what are the main components of its balance sheet?

At 31 December 2015, total bank assets on a consolidated basis held by French banks, in France and abroad, amounted to EUR 7,674 billion. 83% of these assets were concentrated in the six largest French banking groups.

[2] According to IFRS standards (FINREP statements).

[3] That is to say when the data collected on a solo basis provides 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 solo basis and aggregating them with the data on a consolidated basis is a good approximation as, for these entities, the risk of double-counting is very limited and their activity abroad (not captured) is very small.

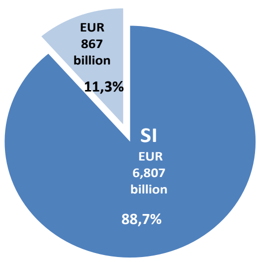
[4] In alphabetical order: BNP Paribas, BPCE, Crédit Agricole group, Crédit Mutuel, La Banque Postale and Société Générale.

[5] This includes 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.

Since 4 November 2014, date on which 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, directly under the authority of the ECB, are known as "significant institutions" (SI). At end-December 2015, France counted 13 SI groups totaling EUR 6,807 billion of assets on a consolidated basis, i.e. 88.7% of the French banking system.

Weight of « SI » banking groups in the French banking system



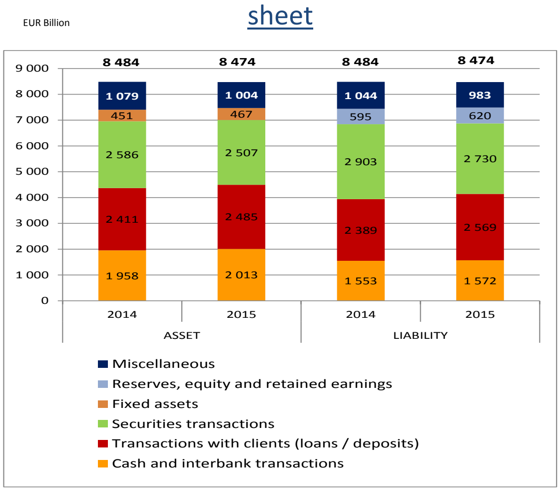
« International view » - consolidated data

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

The end-2015 aggregation of solo basis bank balance sheets corresponds to a total of EUR 8,474 billion of assets.

The figure given by this measure is higher than that obtained on a consolidated basis in particular due to the non-elimination of intra-group flows. It provides a "domestic view" of its main components and, in particular, transactions with customers.[7] At end-2015, all credit institutions operating in France took EUR 2,569 billion in deposits from customers and extended EUR 2,485 billion in loans. These amounts were respectively up EUR 180 and EUR 74 billion compared to end-2014. The rest of the balance sheet consists mainly of interbank transactions and securities transactions. These amounted to EUR 2,507 billion on the assets side (purchases of securities for investment purposes or market activities, securities lending, etc.) and 2,730 billion on the liabilities side (financing via securities issuance, market activity, securities borrowing, etc.).

Structure of the aggregate solo basis balance sheet



« Domestic view » - solo basis data

What are the deposits collected from customers made up of?

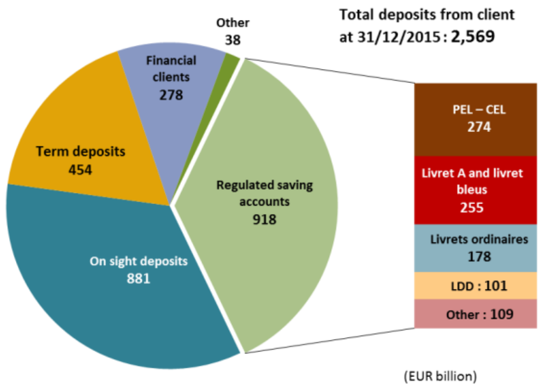
In 2015, the deposits collected from customers increased sharply, rising by EUR 180 billion compared to end 2014. At 31 December 2015, the total outstanding of EUR 2,569 billion consisted mainly of regulated savings accounts to the tune of EUR 918 billion (including in particular[8] PELs, CELs, A passbooks, LDD passbooks, etc.), current accounts to the tune of EUR 881 billion, and fixed term deposits to the tune of EUR 454 billion.

[7] Transactions which are, by construction, little affected by the potential problem of double counting of intra-group flows between banking entities of the same group.

[8] PEL, CEL, livret A and LDD passbooks are specifically French financial products which are not comparable to internationally known products. PEL acronym of Plan d'épargne logement and CEL acronym of "Compte épargne logement" correspond roughly to term deposit products remunerated at a legally fixed interest rate which could give right (under conditions) to get home loans at reduced interest rates. Livret A and LDD ("Livret de développement durable) may be roughly compared to remunerated (according to legally fixed interest rates) sight deposits guaranteed by French Government.

Current accounts recorded the largest annual increase, climbing by EUR 128 billion. Outstanding PELs and CELs increased by EUR 23 billion in 2015. The A and blue passbooks[9] posted net outflows of EUR 7.3 billion, probably related to the decline in their rate of return (which dropped from 1% to 0.75% on 1 August 2015). The parallel increase, mentioned above, of outstanding ordinary accounts seems to confirm the wait and see character of savings attitudes, heightened by the context of very low inflation.

Breakdown of deposits collected from clients

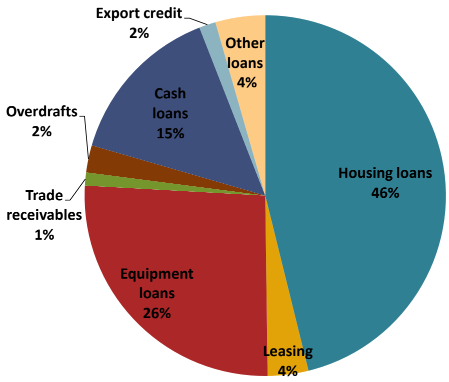


« Domestic view » - solo basis data

What players and activities are financed by French credit institutions?

As mentioned above, in the "domestic view", the aggregate outstanding loans to customers of all credit institutions operating in France amounted to EUR 2,485 billion at 31 December 2015, of which EUR 2,228 billion extended in France, the remaining EUR 257 billion being extended abroad via their branches. The bulk of these loans concerns non-financial customers in France with EUR 2,138 billion at end-2015, up EUR 75 billion (+ 3.6%) compared to end-2014.

Loans to clients by type of loan

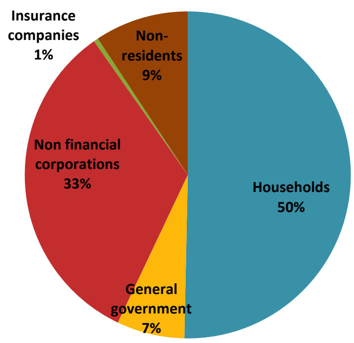


« Domestic view » - solo basis

Out of the entire activity conducted in France by credit institutions, housing loans are the main type of loans (46%), followed by equipment loans (26%) and cash loans (15%).

As regards the main categories of borrowers, households in France recorded EUR 1,076 billion of loans at end-2015 (+ 3.9% compared to end-2014), non-financial corporations (NFCs) EUR 710 billion (+ 4.9%) and general government EUR 144 billion (-4.4%).[10]

Loans to clients by category of agents



« Domestic view » - solo basis data

Off-balance sheet commitments vis-à-vis customers (financing and guarantees), which

[9] The blue passbook ("livret bleu") is exactly similar to a A passbook with the exception that it can only be marketed only by Crédit Mutuel Group.

[10] In 2015, the French general government relied on debt financing by issuing debt securities, in particular long-term ones, rather than bank financing.

contribute to the financing of the economy, rose by EUR 94.9 billion in 2015 (+ 6.3%).

Commitments on derivatives decreased by 11.6% to stand at EUR 72,687 billion. These notional amounts, recorded on the off-balance sheet, are an indicator of the volume of activity without proportionally reflecting the risks incurred.

Off-balance sheet commitments

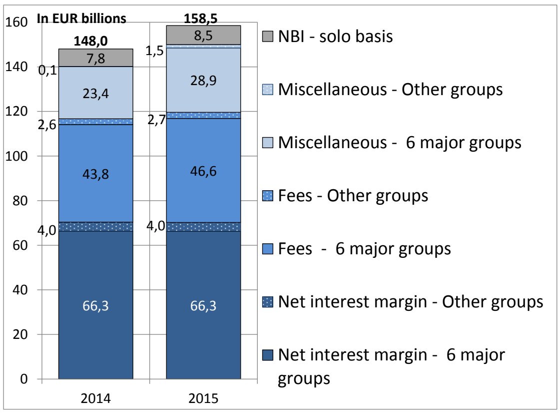
In EUR billions	2013	2014	2015	2015/2014 variation In amounts
FINANCING COMMITMENTS in favour of:				
- credit institutions	152,1	164,6	178,3	13,63
- clients	718,6	742,2	840,6	98,43
GUARANTEE COMMITMENTS in favour of:				
- credit institutions	437,9	447,6	392,5	-55,16
- clients	678,0	760,2	756,6	-3,54

« Domestic view » - solo basis data

What is the profitability of the French banking system?

At the consolidated level, i.e. considering the "international view" of the French banking system, net banking income (NBI) stood at EUR 158.5 billion at end-December 2015, up 7.1% compared to 2014. It consists of the net interest margin (banks' investment income minus the interest they have paid) and fees charged for their services. The NBI of the six major French banking groups amounted to EUR 141.8 billion, or 89.5% of the sector's total.

Breakdown of net banking income (NBI)



« International view » - consolidated data

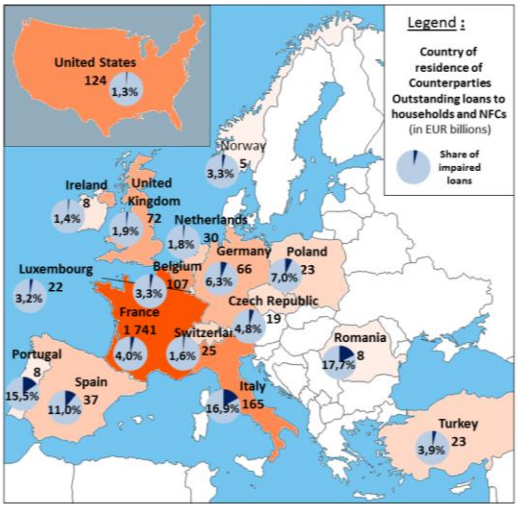
In the current context of lastingly low rates (resulting in a "flattening" of the yield curve) banks' interest margin narrowed and dropped from 53% to 47% of their total NBI between 2012 and 2015, in favour of alternative sources of income.

The consolidated gross operating income (GOI) stood at EUR 47.8 billion at end-2015, up 11.9% from 2014. The sector's consolidated profit (after tax) at 31 December 2015 reached EUR 28.3 billion. As a ratio of total consolidated assets, this level of income yields a return on assets (ROA) of 0.37%, a level higher than that recorded in recent years. The return on equity (ROE) stood at 6.5%, up since 2012 when it was at 2.9%.

What is the activity of the French banking system at the international level?

French banking groups conduct a large share of their business abroad, whether through subsidiaries or branches. Outside France, for their lending activity to households and non-financial corporations (NFCs), they are particularly active in neighbouring European countries and the United States.

French banks' main countries of operation

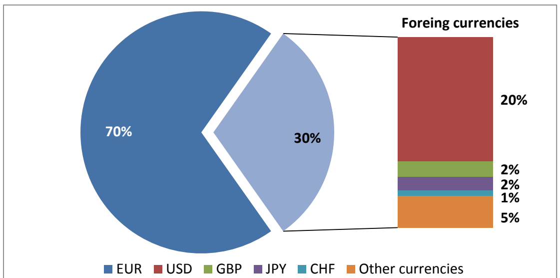


« International view » - Consolidated data

The internationalisation of banking business is also reflected on the balance sheet by the presence of a large number of assets denominated in foreign currencies.

While the euro is the main currency for 70% of assets of the major French banking groups, the US dollar still represents 20% of assets. The British pound, the yen and the Swiss franc occupy a more limited, albeit non negligible, place on the balance sheet of large institutions.

Share of foreign currencies on the assets side of the balance sheet of major French banking groups



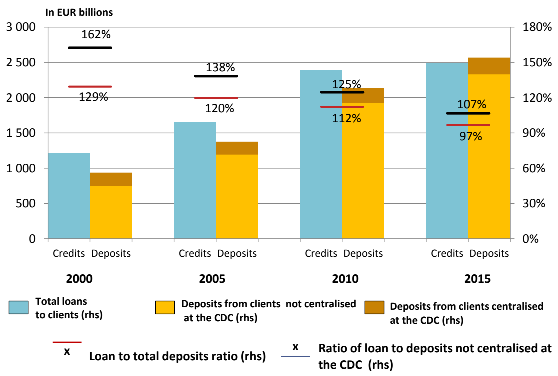
Source : consolidated remittances by credit institutions at 31/12/2015

« International view » - consolidated data

What is the liquidity situation of French banking institutions?

For the first time in 2015, total deposits collected from customers exceeded outstanding loans extended to them. At end-December 2015, the loans to deposits ratio reached 97%. However, part of the deposits collected under regulated savings accounts are centralised with the Caisse des Dépôts 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 such deposits with the CDC, the loans to deposits ratio stood at 107%, on a steady downward trend for many years. This reflects a greater backing of loans to deposits and a smaller recourse to refinancing via the markets.

Loans to deposits ratios



« Domestic view » - solo basis data

In the framework of the implementation of the new regulation designed to better manage liquidity risk, banks must hold stocks of high quality liquid assets (HQLA) that can be transferred easily and quickly. At end-December 2015, all French banks held, at the consolidated level, a total outstanding amount of level 1 HQLA (i.e. extremely liquid) to the tune of EUR 846 billion (11% of the balance sheet), of which EUR 387 billion deposited in their accounts at the central bank.

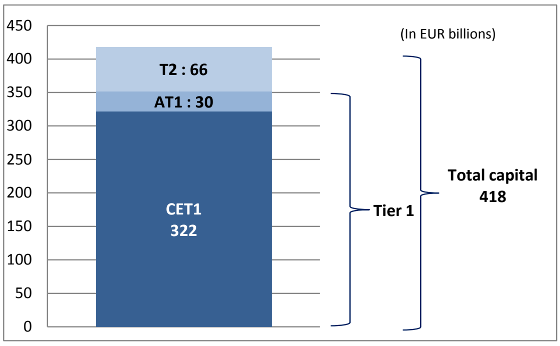
What is the solvency situation of French banking institutions?

The provisions of the international Basel III agreements implemented in Europe *via* the "CRD IV package," have imposed a stricter definition of prudential capital that constitutes the ability of institutions to absorb losses. The higher quality capital for absorbing losses is known as Common Equity Tier 1

(CET1), the total amount of CET1, which consists mainly of equities and membership shares issued by institutions, reached EUR 322 billion at end-December 2015 for the entire French banking sector, at the consolidated level.

Two other categories of capital, "Additional Tier 1" (AT1) and "Tier 2" (T2), complete the total capital which amounts to EUR 418 billion, compared to EUR 384 billion at end-2014.

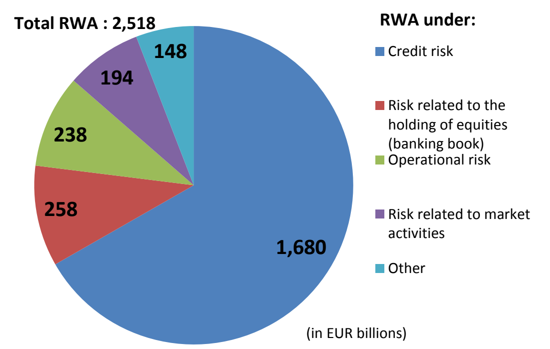
Breakdown of Basel III capital



« International view » - consolidated data

This capital built up by banking institutions is to be compared with the minimum capital requirements imposed by regulations, which depend 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 2,518 billion at 31 December 2015 (when they amounted to EUR 2,302 billion in 2012), the credit risk representing 67%.

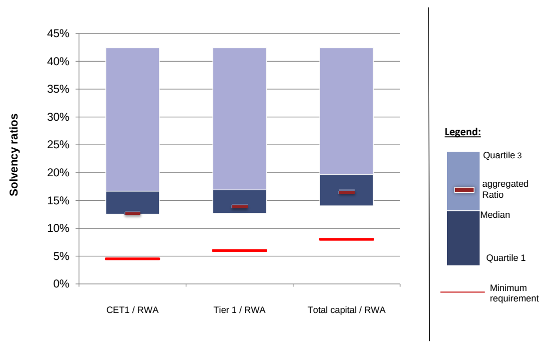
Breakdown of RWA



« International view » - consolidated data

At the level of each bank, the different categories of capital 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 + AT1) must cover at least 6% of RWA. Finally, total capital (i.e. CET1 + AT1 + T2) must be greater than 8% of RWA.

Distribution of solvency ratios



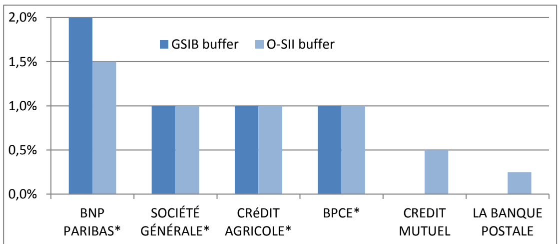
« International view » - consolidated data

As regards the minimum average ratio for ordinary shares and equivalent items (so-called CET1), the weighted average of the French banking sector is 12.8%, which is above the regulatory requirements.

What are the systemic banks in France and what additional requirements are applied to them?

"Systemic" banks are banks which by their size, the interconnectedness of their activity, their complexity and / or their non-substitutability pose a risk of serious disruption to the entire banking system in case of default. A precise methodology for identifying systemic banks at the international level has been implemented by the Financial Stability Board (FSB), leading to the annual publication of a list of Global systemically important banks (G-SIB). In November 2015, thirty banking groups were identified as G-SIB, including four French banks: BNP Paribas, Crédit Agricole, Société Générale and BPCE.

Additional capital requirements due to systemic importance



Note to the reader :
For each group, the chart shows, in a year of full implmentation (2019), the buffer for Other sysemically Instiitution (O-SII) and, if applicable, the buffer for Global systemically important bank (GSIB). The buffer for O-SII may not ecxceed 2%. When a group is both GSIB and O-SII (indicated by a *), only the highest of the two buffers applies. The application of these buffers is gradual up until 2019.

At the European level, the European Banking Authority has issued guidelines to help Member States identify their domestic systemically important banks, known as "other systemically important institutions" (O-SII). In France, there are six, including the 4 G-SIB plus Crédit Mutuel and La Banque Postale. The "six major French banking groups," for which a large number of statistical series are available in the tables and charts section of this report, are the six French O-SII.

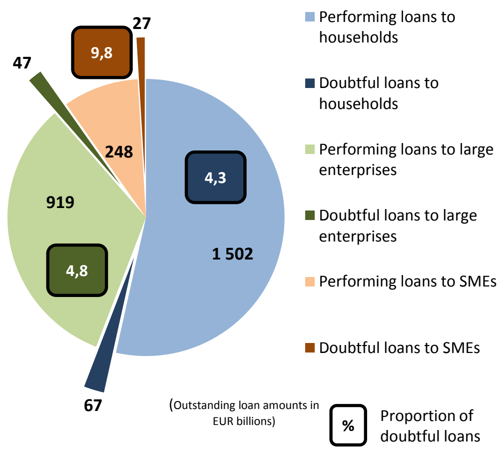
In order to ensure a greater capacity to absorb losses for these key institutions of the banking system, additional individualised capital requirements have been put in place and have therefore raised the minimum CET1 ratio accordingly.

What is the level of credit risk incurred by French banks?

When loan repayments remain unpaid for a certain period, the loans are deemed "doubtful" and banks may not recover the full outstanding loan amount. This affects their profit and possibly reduces their capital and their overall financial soundness.

These doubtful loans are closely monitored both by banks and by the supervisory authority, which is responsible for guaranteeing the soundness of all banks and ultimately financial stability. At end-December 2015, for all countries, the outstanding amounts of doubtful loans to households and NFCs reached EUR 140 billion, representing 4.3% of outstanding loans to households, 4.8% for large enterprises and 9.8% for SMEs. These figures were respectively 4.4%, 5.1% and 10.3% in 2014. This improvement is due to an increase in outstanding loans with no increase in the volume of doubtful loans. For all counterparties, the rate is 4% for outstandings held in France in 2015 (see above map page 7).

Outstanding amounts of doubtful and performing loans



« International view » - Consolidated data

In addition, the ACPR pays particular attention to how these institutions provisions these doubtful claims.

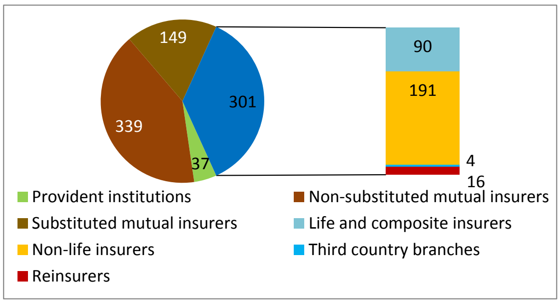
INSURANCE

Composition of the insurance sector in France

This report on the situation of the insurance market in France in 2015 is based on annual records submitted by insurance companies to the Autorité de Contrôle Prudentiel et de Résolution. The data presented are obtained by aggregating all companies authorised to deliver insurance in France.[11] Where appropriate, a distinction is made according to the legal form and the text governing these companies.

The "life and composite insurers", "non-life insurers" and "reinsurers" are all three governed by the Insurance Code. At 31 December 2015, there were respectively 90, 191 and 16. 4 foreign branches are to be added to these figures.

Authorised insurers in France



The 37 "provident institutions" are governed by the Social Security Code. Finally, mutual insurers governed by Book II of the Mutual Insurance Code complete this overview of insurers. At end-2015, there were 488 of which 149 "substituted", i.e., having fully transferred their commitments to another mutual insurer known as the "substituent." In this report, the term "insurers" refers to these five types of players.

The consolidation that the French insurance sector has been witnessing for many years was confirmed in 2015. The total number of companies fell from 909 to 826, i.e. a decrease of 9%, mainly due to the reduction in the number of mutual insurers.

What are the aggregated balance sheet components of the insurance sector?

The aggregated balance sheet of the entire French insurance market is mainly composed of: - on the liabilities side, technical reserves representing the commitments of insurance companies vis-à-vis policyholders and – on the assets side, investments, whose implementation will enable insurance companies to meet their commitments.

Aggregated insurance balance sheet

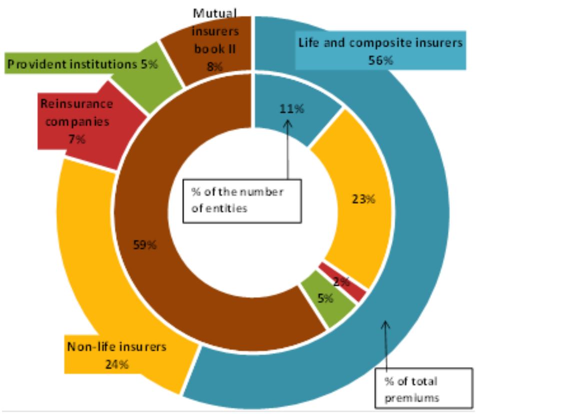
Assets	2014	2015
Reinsurance balance	120	116
Investments excl. unit-linked contracts	1 775	1 851
Unit-linked investments	266	290
Other assets	142	149
Total assets	**2 303**	**2 407**
Liabilities	**2014**	**2015**
Equity capital	157	172
Reserves excl. unit-linked contracts	1 645	1 696
Reserves incl. unit-linked contracts	268	291
Other liabilities	233	247
Total liabilities	**2 303**	**2 407**
Unrealised gains	278	271
Balance sheet at market value	**2 581**	**2 678**

The aggregated balance sheet total of the entire insurance sector reflects a 4.5% year-on-year growth rate and stood at EUR 2,407 billion at 31 December 2015. Adding unrealised capital gains (gains recorded on

[11] It should be noted that transactions carried out in France by foreign entities under the "freedom to provide services" (FPS) are not taken into account. Conversely, by construction, while the activity of French insurance groups operating abroad *via* their branches is taken into account, that of their subsidiaries is not.

balance sheet assets, not realised by a sale, representing 10% of the balance sheet total) provides a measure of the balance sheet at market value, the total of which amounted to EUR 2,678 billion.

Share of players in total premiums and in the number of entities authorised in France

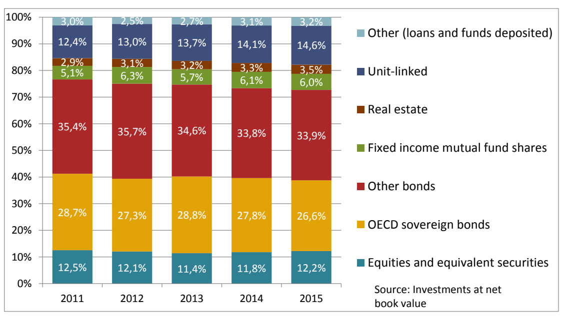


Despite the still relatively large number of authorised organisations, the insurance sector in France is very concentrated. For example, the 90 life and composite insurers represent only 11% of insurers in France but account for 56% of the EUR 294.2 billion of earned premiums. Conversely, the 488 mutual insurers represent 59% of authorised entities and account for only 8% of premiums.

How are the funds of insurers invested?

The allocation of assets, subject to the regulation of "regulated commitments" until 31 December 2015, is now determined by the prudent person principle which came into force with Solvency II.

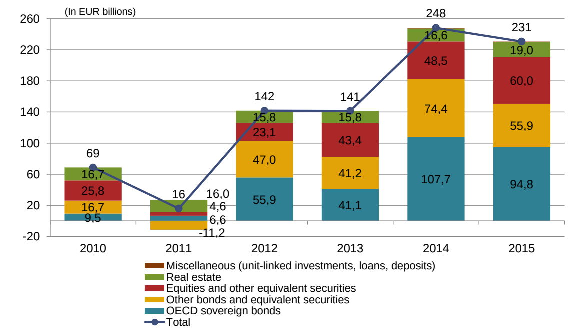
Investments at net book value



We have thus gone from a regulation that limits the eligible assets to a freedom of investment, constrained by a capital charge representative of the risk on assets. At end-2015, 66.3% of the EUR 2,041 billion of assets were bonds and other fixed income securities. This share has nevertheless declined since 2012 when it accounted for 68% of the portfolio.

Equities also made up a significant share (13.4%) of insurers' assets. Real estate represents 3.5% of investments. These securities generated unrealised capital gains, with a positive, albeit reversible impact on the solvency of insurance companies.

Unrealised capital gains or losses



What stands out from insurers' activity in 2015?

"Life" insurance includes the commitments of insurers that depend on the human life span. It includes the collection of household investment in the form of savings contracts but also temporary death insurance and guarantees related to supplementary pensions (see chart on the distribution of premiums). "Non life" insurance includes all other commitments of insurers, including the risks linked to property damage or casualty.

Earned premiums in life insurance amounted to EUR 166.9 billion in 2015,[12] up sharply

[12] In this report, the term "premium" includes the premiums under the insurance code and the contributions under the mutual insurance code and the social security code.

compared to 2014 (+ 8.2%), generating a technical result of EUR 8.0 billion.

Simplified income statement by activity

(In EUR billions)	Life		Non-life		Total	
	2014	2015	2014	2015	2014	2015
Earned premiums	154,2	166,9	124,6	127,3	278,8	294,2
Claims expenses, allocation to reserves and earnings sharing	199,8	207,3	95,7	97,8	295,5	305,1
Net investment income	65,3	63,2	6,2	6,3	71,4	69,5
Acquisition and administration costs	14,7	15,1	25,4	26,4	40,0	41,5
Reinsurance balance	-1,3	-0,3	4,5	3,5	3,2	3,2
Underwriting income	**6,3**	**8,0**	**5,2**	**5,9**	**11,5**	**13,9**
Investment income net of non-underwriting income					4,6	4,8
Other non-underwriting items					-5,5	-6,0
Net income					10,6	12,7
Profitability (net income / equity capital)					6,7%	7,4%

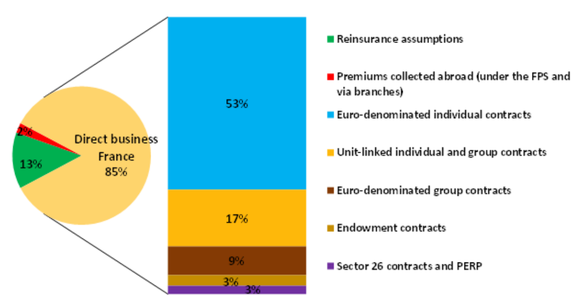
Earned premiums in non-life insurance (comparable to "turnover") reached EUR 127.3 billion at end-2015, up 2.2% compared to 2014. The technical result of the non life insurance business amounted to EUR 5.9 billion, up 13% from 2014. After taking into account the non-technical items, the net income of the insurance sector (life and non-life) came to EUR 12.7 billion in 2015, i.e. EUR 2.1 billion more than in 2014, generating a return on equity of 7.4%.

Premiums collected by « life » insurers

The term "premium" covers payments made by policyholders. Of the EUR 166.9 billion in gross premiums collected by life insurers, EUR 3.9 billion (2%) came from abroad *via* the activity under the freedom to provide services (FPS) or by branches of French insurers, and EUR 21.9 billion (13%) were accepted in reinsurance.[13]

The remaining EUR 141.0 billion make up the "direct business in France," i.e. the liabilities that remain directly covered by the insurers that have incurred these liabilities with the policyholders. The majority of premiums collected on direct business in France (EUR 87.8 billion, or 53% of the total) were on "individual contracts in euros," i.e. individually subscribed contracts with a guarantee of the insurer on the capital paid by the policyholder.

Breakdown of life insurance earned premiums (turnover)

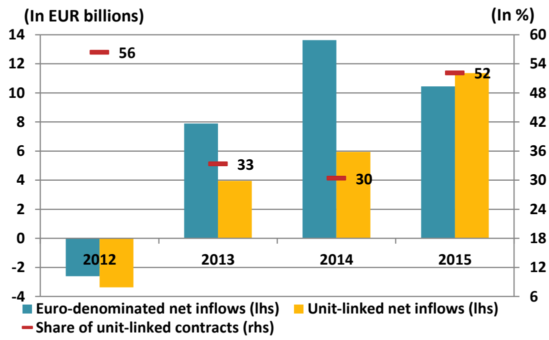


Individual unit-linked contracts (UL), where the policyholder primarily bears the investment risk,[14] generated EUR 28.9 billion in gross premiums in 2015 (17% of the total).

How did life insurance net inflows change in 2015 ?

Life insurance net inflows (i.e. after deducting benefits on claims and policy redemptions) amounted to EUR 21.8 billion in 2015.

Unit-linked and euro-denominated life insurance net inflows



Data from ACPR's life-insurance survey

[13] Assumption in reinsurance is the process by which a reinsurer (or insurer) agrees to cover part of the risk borne by a primary insurer. We talk of ceded premiums to describe the reverse operation.

[14] In return for a higher average expected yield served on euro-denominated contracts. Some unit-linked contracts, however, offer minimum guarantees, in particular in case of death.

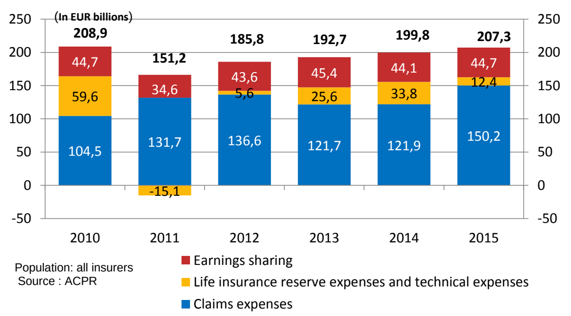
They are 12% higher than those in 2014, which had reached EUR 19.5 billion. In 2015, unit-linked contracts displayed buoyant growth, capturing 52% of net inflows (EUR 11.4 billion and +91%) while they represent only 17.3% of technical reserves. In 2015, net inflows on euro-denominated contracts fell by 23%.

This novel situation can be explained by the search for more profitable investments by investors in a context of low interest rates (and therefore of lower yields on euro-denominated contracts). It is adapted to a situation where every euro collected on a euro-denominated contract is reinvested in bonds whose yield is close to zero, thus reducing the ability of insurers to generate yields in the future.

A persistently low interest rate environment that creates challenges for life insurance

The persistence of the current low interest rate environment leads to a gradual and inevitable erosion of investment returns recorded on the assets side of insurers' balance sheet, as insurers have to replace old securities having reached maturity by securities of the same type (sovereign bonds for instance) issued recently at much lower rates.

Payments made to policyholders (life insurance)

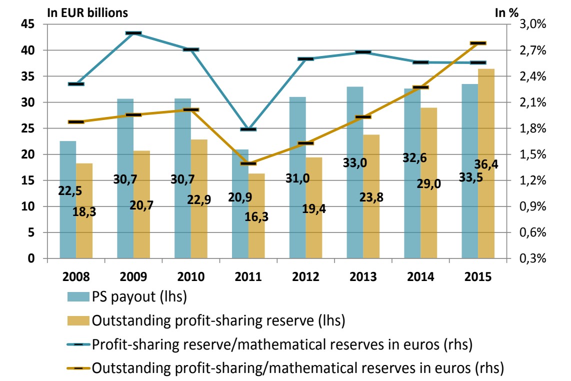


Payments (policy redemptions and other benefits, and remuneration of existing contracts) made in favour of life insurance policyholders totaled EUR 207.3 billion in 2015, of which EUR 44.7 billion under earnings sharing. This is defined as the sum of technical interest and profit sharing (PS) linked to contracts,[15] and the allocation (net of reversals) to the profit sharing reserve. Profit sharing is the essential part of the remuneration paid to policyholders (75% of the earnings sharing, against 60% in 2011).

Life insurance companies have the option of not fulfilling their statutory profit-sharing requirement immediately; they may wait up to eight years to make the payout.

Instead of distributing the amount immediately, the insurer may record it in an account known as the profit-sharing reserve (PSR). This makes it possible to pay out a "smoothed" return over the medium term.

PS linked to contracts and PSR



In 2015, this reserve continued its recovery started in 2012, while the profit sharing amount was stable, given the increasing level of technical provisions and investments facing (with an average return that has been gradually declining over the medium term but was stable in 2015).[16]

[15] Investment of insurance premiums produces income referred to as technical and financial profit. Profit-sharing is a legal obligation, which requires insurers to pay policyholders a portion of the return on investments, over and above the minimum interest provided for when taking out the contract (referred to as "technical interest"), either immediately or at a later date.

16 See ACPR « La situation des principaux organismes d'assurance en 2015 » (Analyses et Synthèses No.72).

So far, the insurance industry has managed to adapt to this unfavorable low interest rate environment. However, the ACPR maintains a strong vigilance and calls for a moderation of rates paid out on life insurance contracts in order not to jeopardise the long-term solvency of insurers. Meanwhile, following the development of unit-linked contracts and "Euro-croissance" contracts, which replaced the "diversified"[17] contracts in 2014, the ACPR reminds insurers of their obligations to provide consumers with information on these products.

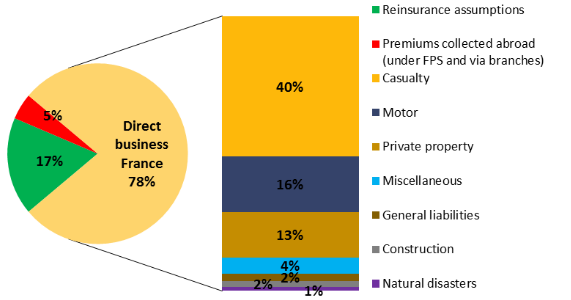
Premiums collected by non-life insurers

As in the case of life insurance, the gross premiums collected by non-life insurers come in part from the activities of foreign branches and under the freedom to provide services (5% of total non-life premiums) and from reinsurance assumptions (17%). The EUR 99.0 billion of direct business account for 78% of the EUR 127.3 billion of total gross premiums collected by non-life insurers. A very significant share (EUR 50.5 billion) concerns casualty insurance,[18] of which EUR 36.6 billion under healthcare expenses. Motor insurance (EUR 20.1 billion) and property insurance (EUR 16.4 billion) rank second and third by order of importance.

17 The "euro-croissance" contracts, created in 2014, are an illustration of this type of contract. They are a halfway option in terms of risk and expected profitability for the investor between euro contracts and unit-linked contracts.

[18] More commonly known as "supplementary health cover".

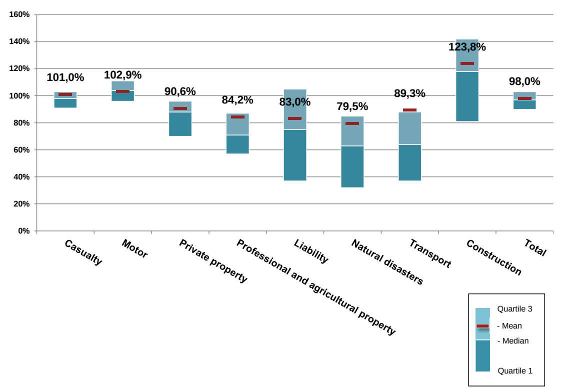
Breakdown of the gross inflows in non-life insurance (turnover)



A slight decline in the loss ratio in 2015

The loss ratio, which applies to non-life business, is the ratio between the cost of known claims and premiums earned for the same insurance contract or sector.[19] When measured by year of occurrence (i.e., after adjusting for the time lags between receipts and disbursements), it provides a good measure of the loss of insurers.

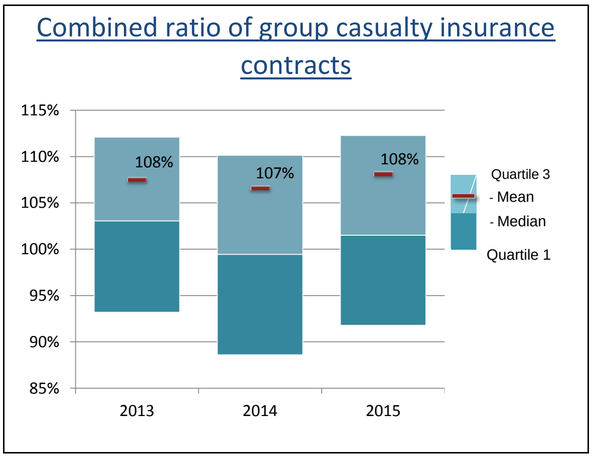
Combined ratios by sector in 2015



The ratio of claims to premiums of the entire sector thus fell from 83% to 81% between 2014 and 2015, reflecting a slight decrease (improvement) of the overall loss ratio. If we add the management costs inherent to the business of insurers, we obtain the combined ratio, which measures the technical profitability of the lines of business.

[19] This term refers to the categories of activities that may be carried out by insurers once they have been authorised.

The overall combined ratio for the entire sector stood at 98.0% in 2015, slightly lower than in 2013 and 2014 (98.8%). In reality, this aggregate masks a significant diversity in the level of profitability of the different sectors.[20] Thus, casualty insurance (both individual and group), motor insurance and especially construction insurance posted a technical loss in 2015. The insurers that carry out several of these activities balance their accounts *via* other more profitable lines of business.



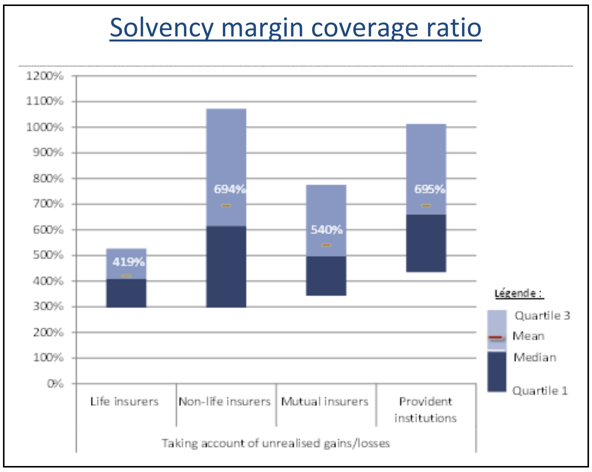
What are the visible or foreseeable consequences of ANI for the insurance sector?

The law on the national inter-professional agreement (ANI), passed in June 2013, provides for the generalisation of complementary health cover for the employees of all companies. The latter must negotiate group contracts with insurers and offer them to their employees. The premiums collected on group contracts continued to increase slightly (+ 3% between 2014 and 2015).

The ACPR exercises its vigilance in the face of the development of this activity to the detriment of its profitability. Indeed, the combined ratio (i.e. the sum of the cost of claims to the insurer and management fees incurred, over net earned premiums) of group casualty insurance contracts stands at around 108% over the last three years. Thus, payments to policyholders and management costs substantially exceed premiums, which forces insurers to offset this technical loss by financial incomes to maintain their overall profitability.

An improved solvency in 2015

Measured for the last time within the Solvency I framework, the solvency margin coverage ratio, i.e. the ratio of insurers' own funds to the minimum solvency margin requirement (prudential requirement), improved in 2015. Taking into account unrealised capital gains and losses, and given an increase in own funds close to 10%, the median ratio stood at 408% for life and composite insurers, 615% for non-life insurers, 496% for mutual insurers, and 662% for provident institutions (after respectively 420%, 581% and 491% in 2014).



[20] See ACPR « Éléments d'analyse des cycles en assurance non-vie » Analyses et Synthèses No. 64

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