

■ Market segment dynamics

The sector of financial services mainly comprises banks and insurance companies, but also investment funds.

The banking sector generates sales (NBI: Net Banking Income) of approximately 100 billion euros and employs approximately 400,000 people in roughly 900 credit institutions(1).

The French banking sector is in full growth, with the NBI growing by approximately 7% in 2006.

The market situation is made more favorable by the firmness of housing loans and the exceptional performance of the financial markets.

Business banking and asset management activities, which were relatively poorly developed in France, are driving this growth, and French banks have now proven that they can also succeed in these fields.

The insurance market, in turn, represents sales of 198 billion euros(2) and employs more than 200,000 people in roughly 600 companies.

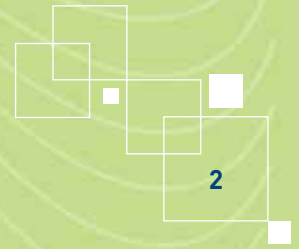
2006 was a record year, with an increase of 12.8% compared to 2005. The French insurance market is not typical since the mutual insurance companies dominate, and pension funds are less developed than in neighboring countries. The ageing of the population and the uncertainties regarding future financing of retirement pensions, however, favor the development of pension funds. Currently, 12% of technology investments of European venture capital funds are made in France, which ranks the country third behind the United Kingdom (34.5%) and Germany (17%).

France has worldwide leaders in the field of financial services: BNP Paribas, Société Générale and Crédit Agricole-LCL are among the 20 largest banks in the world, and Axa is the second largest insurance company in Europe.

■ France's attractiveness

France occupies a first-rate position in attracting international financial activities because of its many advantages.

The presence of large French and international players (BNP, Société Générale, Axa, Allianz, HSBC, Generali, ING, Citigroup, Swiss Life, etc.) clearly shows the attractiveness of France insofar as this sector is concerned. Several legislative measures have marked the deregulation of the financial markets and have enabled the development of foreign banks on French territory: the Banking Act of 1984, the elimination of the credit squeeze (1985), the end of exchange control (1990), the implementation of the European single market in banking matters (1993) followed by investment services (1996), and finally, the introduction of the euro (1999). More recently, the new European regulatory measure (implementation of International Financial Reporting Standards, the authorization of remuneration of current accounts) and French regulatory measures (Financial Security Act, launch of retirement savings products, PERP (Popular Retirement Savings Plan), PERCO (Collective Retirement Investment Plan) and PERE (Corporate Retirement Savings Plan)



continue to provide the country with a very favorable framework for the development of the activities of banks, insurance companies, and investment funds.

In addition, France still offers a significant growth potential in several fields, as opposed to the Anglo-Saxon countries, where the financial service market is already very mature. Business banking, asset management, real-estate loans or consumer credits as well as pension fund activities therefore benefit from existing potential in the French market and are experiencing significant growth.

France also serves as an entry into the euro zone. The euro is the 2nd reserve currency after the dollar, totaling approximately 20% of the amount held by central banks.

The importance of Paris as a stock exchange, integrated into a European system, is obviously also an undisputable advantage for financial service activities. Euronext (created in 2000 through the merger of the stock exchanges of Amsterdam, Brussels and Paris, then expanded in 2002 by merging with the Portuguese stock exchange) is the leading stock exchange in Europe in terms of volumes traded, and is ranked second in terms of market capitalization. The merger with the New York Stock Exchange, announced for May 2007, will lift Euronext into the number one position of stock exchanges worldwide.

At Euronext, Paris Europlace represents one of the major financial centers. The "Financial Industry Technologies and Innovation" cluster, which is currently being established, will bring together private companies, banks and insurance companies, research centers, universities and professional organizations, including the French Banking Federation; it will enable optimization of the French advantages and, in particular, the advantages offered by Paris in the financial sector.

■ International players in France

- With a net banking income of 27.9 billion euros in 2006, BNP Paribas is the largest French banking company, ranked 16th among the largest companies in the world, and 1st among the largest French companies according to Forbes. BNP Paribas is a leader in all fields of banking (retail banking, investment banking, asset management, financing, etc). It is one of the French banks with the largest international presence. Present in more than 85 countries, BNP Paribas has 138,000 employees, including 80,000 in Europe (56 000 in France), 15,100 in North America, and 5 200 in Asia.
- Established in 1831 in Trieste, Generali was one of the very first insurance companies to go international. Today, the company has 58,000 employees in 45 countries and generates sales of 62.8 billion euros (2005). In France, the first agency opened in Bordeaux in 1832. Ever since, the company has grown continuously and operates in France through several companies (Generali Assurances, Prudence Vie, Europ Assistance, etc.). With its presence throughout France and a staff of 8,400 employees, the Italian group of companies generates turnover of 13.39 billion euros in France, and manages 42.2 billion euros of assets, which makes it the second largest general insurance company in France.

(1) Source: Xerfi

(2)Source: FFSA Fédération française de sociétés d'assurance (French Federation of Insurance Companies).