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PRESS RELEASE

March 2020 – March 2021 : Results of one year of banks' commitments to businesses

As the Covid-19 crisis gripped the country and companies were forced to shutter their businesses, French banks teamed up with state bodies on 25 March 2020 to set up the government-backed loan scheme. By 19 March this year, €135.9 billion in these loans had been granted by banks to 669,883 businesses—at cost. Introduced as an emergency measure to provide much-needed liquidity, the scheme has been adjusted to meet the needs of different sectors of the economy and track the progress of the pandemic. One year on, banks keep doing all they can for their customers, continuing to provide support and helping to build the post-Covid recovery.

French banks have played a leading role in rolling out both sweeping and individual solutions to help offset the massive economic fallout from the pandemic and give business and corporate customers the support they need to weather the storm.

Deferred payments on business loans, initially granted in early March 2020 for a six-month period, have been extended for up to 12 months for tourism businesses. Moratoria had been granted on more than 2 million business loans for a total loan amount of €254 billion by the end of June 2020, the highest share of loan payment holidays in Europe, according to the European Banking Authority (EBA). As of January 2021, bank networks continue to grant moratoria or deferred payments on an individual basis to companies or businesses still impacted by ongoing restrictions. And this is not the only solution available as other measures can be used in particular circumstances.

Government-backed loans were the ideal tool to help companies through the crisis that enveloped businesses forced to shut their doors or facing hardship as business slowed. As the public health situation changes, this facility has been fine-tuned to help allay the impact on individual sectors of the economy:

- The seasonal government-backed loan specifically targets tourism;
- When it comes to repaying the facility, banks in France have undertaken to accept any application to defer repayment of the capital for a further year. In other words, the term is extended by one year during which the borrower pays only the interest and the cost of the state guarantee. The total loan term is capped at 6 years.

Under the law defining the scheme, after a 12-month moratorium on repayment of the principal, borrowers are asked to decide between the available repayment options. The bulk of these government-backed loans were agreed between April and July 2020. A number of trends (which may change) emerge from the early indicators covering more than 430,000 loans where borrowers have chosen their repayment option (by agreement or stated intention):

- Precaution dominates: around half of companies have kept the entire government-backed loan amount in their account; the majority have opted to push out repayment as far as possible and 55% have applied to defer repayment of the capital for an additional year;
- The state-guaranteed scheme is flexible enough to accommodate business needs;
- Drilling down into the information available as at 26 March 2021 (which may change as companies choose their options over the next few weeks):
 - Around 12% will repay the loan starting in 2021;
 - 5% will repay between 2022 and 2023;
 - 9% will repay between 2024 and 2025;
 - 74% have opted for the longest possible term (2026).

French local banks are also at the forefront of the economic recovery plan, actively involved in proposals to provide equity loans under the France Relance plan, structured jointly with government and investors. They will be available in April. SMEs and mid-caps weakened by the pandemic can draw on the facility to build back their balance sheet to invest and grow.

Our people are here for the country's businesses, ready to help in all our branches across the country as we emerge from the grip of the pandemic.

For Philippe Brassac, Chairman of the FBF: *"French banks have stood ready since coronavirus hit to help all our customers through the crisis. The government-backed loan scheme demonstrated our ability to combine a sweeping support package with individualised solutions. This same dual approach will guide repayment choices. We want to offer the best options for individual customers within a common framework. Trust is key. Businesses can count on banks to help them through to the end of the pandemic and to make the recovery happen."*

CONTACTS

Benoît Danton: +33 06 73 48 80 40 – bdanton@fbf.fr
Jenny Sensiau: +33 06 31 06 60 39 – jsensiau@fbf.fr
FBFservicedepresse@fbf.fr
[@FBFFrance](#)