MEMO
NO.11

French Banks – Leaders in Sustainable Finance

FÉDÉRATION BANCAIRE FRANÇAISE

French Banks – Leaders in Sustainable Finance

Foreword

Faced with the ecological emergency, French banks are taking widespread actions to meet the challenges of the environmental transition. They are increasingly financing all their clients' transition projects by rolling out appropriate banking solutions. They are also among the world leaders in renewable energy financing and green bond arrangement.

Environmentally responsible and committed both domestically and globally, banks are taking action to achieve their 2050 net zero carbon targets. Their decarbonisation paths for the most carbon-intensive sectors are among the most ambitious in the world.

French banks are continuing to divest from the most carbon-intensive energy sectors, which now account for a very small share in their balance sheets. They are also developing financing policies that aim to help maintain and restore biodiversity.

The increased transparency requirements at European level are also intended to contribute to companies' and banks' transition to a net-zero carbon Europe by 2050.

Faced with the urgent and complex challenge of the environmental transition, French banks are demonstrating their ability to reduce their balance sheets' carbon footprint. The momentum is firmly established and the strategy of French banks remains unchanged: they will continue their long-term efforts to support the economy and their customers in the necessary decarbonisation of their activities.

Maya Atig
Chief Executive Officer of the FBF

Financing the Ecological Transition

4

French banks
in the world's top 10 green loan issuers

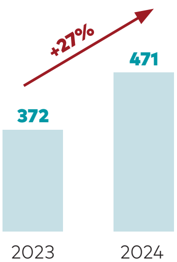
3

French banks
in the world's top 10 impact loan issuers

Source: Dealogic, 2024

Outstanding green and sustainable loans on French banks' balance sheets (€bn)

Source: FBF



N.B.: unless otherwise stated, the FBF data published in this document comes from the six largest French banks.

Driving change across the economy

Faced with the ecological emergency, French banks are stepping up financing for the transition and supporting adaptation to climate change in all economic sectors.

- **Outstanding green and sustainability-linked loans increased by 27%** year-on-year, from €372bn to €471bn in 2024.
- Of this total, **more than €140bn are loans contributing to the energy transition of the housing stock**. These loans are intended to finance purchases of new homes or thermal renovation of existing homes (including zero-interest eco-loans).
- **Banks are rolling out financial solutions** to support their customers' transition and adaptation, from energy to industry, transportation (clean vehicles and low-carbon infrastructure projects), and real estate (residential and commercial properties and public buildings).

French banks are stepping up the fight against climate change: for every €1 provided in fossil fuel production financing, €2.6 is provided for renewable energy financing and €12 for green and sustainability-linked loans.

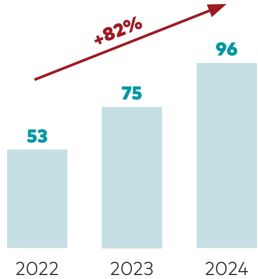
Global leaders in renewable energy financing...

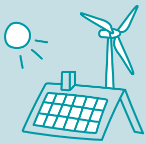
French banks are ramping up their financing of renewable energy projects.

- Outstanding financing for renewable energy projects totalled more than €96bn in 2024, **an increase of 82% over two years.**
- At the same time, exposure to hydrocarbon production **decreased by 15% in 2024** (outstanding financing of €37bn or 0.36% of their total balance sheet).
- Four French banks remain **among the top 10 global players** in the financing market for renewable energy projects, extending the lead over their counterparts across the Atlantic. *(Source: IJ Global, 2024)*

Outstanding renewable energy project financing in €bn

Source: FBF





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French banks in the world's renewable energy project financing top 10

Source: IJ Global, 2024

... and the arrangement of green bonds

French banks support their clients' transition by structuring green and sustainability-linked bond issues.

- **€102bn in green and sustainability-linked bonds** were structured on behalf of clients in 2024.
- **Four French banks** rank in the world's top 15 green and sustainability-linked bond issues. *(Source: Dealogic, 2024)*

Net-Zero Carbon Targets

More than

345

banks have signed the "Principles for Responsible Banking", i.e. 54% of the global banking sector

Source: UNEP FI, 2024

Contribution to international climate initiatives

The major French banks contribute to initiatives dedicated to combating climate change and improving how economic players manage climate risk.

- In September 2019, they signed the UNEP FI* **Principles for Responsible Banking**, which set out a framework for a sustainable banking industry.
- They follow the best practices of the **Net-Zero Banking Alliance (NZBA)** launched in April 2021 by UNEP FI. The NZBA is a global group of banks committed to aligning their loan and investment portfolios with net-zero emissions by 2050.

Since September 2019, the FBF has adhered to the UNEP FI's Principles for Responsible Banking.

Recognition of ESG actions

When it comes to corporate sustainability, the ESG actions of French banks are widely recognised by leading external third parties.

- Sustainalytics has put the major French banks in the **30% of banks with the lowest ESG risks.**
- MSCI **has assigned an AAA or AA rating** to the major French banks, which positions them as leaders.
- The CDP (formerly the Carbon Disclosure Project) has assigned French banks scores between A and B, **i.e. above the global average for the financial sector.**

* UNEP FI - United Nations Environment Programme Finance Initiative

Decarbonisation of loan portfolios

French banks are taking action to adopt ambitious decarbonisation targets and transparent results.

- They are actively working on:
  - > **aligning the greenhouse gas emissions generated by their proprietary lending and investment activities** with a path to net-zero emissions by 2050;
  - > publishing **carbon reduction target pathways** and implementing associated action plans for the highest-emitting sectors;
  - > **disclosing on an annual basis their portfolio's carbon footprint** by sector, their progress and the associated action plans.
- As of the end of 2024, French banks have fully entered the **phase of implementing these pathways** and focusing on the efforts to decarbonise their portfolios.

The objectives of French banks have been developed primarily based on the best practices published by the Net Zero Banking Alliance (NZBA) since 2021 and the framework of the CSRD.

The Institute for Sustainable Finance, of which the FBF is a member, coordinates the Paris Financial Centre's action on sustainable finance to achieve the energy transition and the transformation of the economy.

Transparency of climate data

French banks disclose information on compliance with their climate objectives to the public. Regulations reinforce these transparency obligations.

- **Each year, the ACPR and AMF assess** the climate objectives of Paris Financial Centre players.
- Banks publish information on their portfolios' climate risks in accordance with **European prudential regulations** incorporating ESG criteria (ESG Pillar 3).
- Starting in 2025, banks' transition plans are included in sustainability reports in accordance with the **CSRD** (Corporate Sustainability Reporting Directive).

Divesting from the Most Carbon-Intensive Energies

0.02%

Weight of thermal coal in French banks' total balance sheets

Source: FBF, 2024 data

...although thermal coal still accounts for 27% of global energy consumption and 45% of global electricity and heat generation, and its production increased by 2% in one year

Source: IEA, 2023 data

Residual exposure to thermal coal

French banks have been pioneers in divesting from the most carbon-intensive energies, starting with the coal sector.

- In 2011, they were among the first to take a position on thermal coal.
- In 2019, the French banking sector was the first in the world to **collectively commit to completely exiting the thermal coal sector** by 2030 (for activities in OECD countries) and 2040 (for the rest of the world).
- French banks no **longer finance any new coal-fired power plant projects or thermal coal mines.**
- They do not enter into business relationships with customers whose share of electricity generated from coal exceeds a set threshold (25%-30% depending on the bank).
- Banks' exposure to the thermal coal sector is now residual: €2bn, **i.e. 0.02% of their total balance sheets** (and 0.05% of financing).

No French bank is in the top 10 in the 2024 global fossil fuel financing market (loans and bond issuance structuring).

Source: Bloomberg, 2024

French banks are pioneers in the exit from fossil fuels and, as a result, are not economically dependent on the hydrocarbon sector.

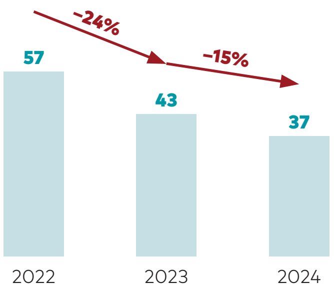
Hydrocarbons account for a very small part of bank balance sheets

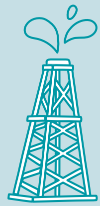
French banks continue to reduce their exposure to the hydrocarbon production sector.

- The hydrocarbon production sector accounts for €37bn on the balance sheets of the major banks, i.e. **0.36% of their total balance sheets** and 0.86% of financing (outstanding loans and customer receivables).
- Banks' exposure to the hydrocarbon production sector **decreased by 15% in 2024.**
- Given that hydrocarbons account for a very small part of French banks' balance sheets, **they are not economically dependent** on the sector.

Balance sheet exposure to hydrocarbons in €bn

Source: FBF





0.36%

of bank balance sheets exposed to fossil fuel production...

Source: FBF, 2024 data

... while the oil and gas sectors still account for 52% of global energy consumption, and production increased 2% in one year

Source: IEA, 2023 data

Taking Action to Protect Biodiversity

55%

of global GDP
is moderately or highly dependent on nature

Source: PwC, 2023

Participation in global initiatives

The major French banks contribute to various initiatives aimed at preserving and restoring biodiversity and natural resources.

- Specific objectives are being developed by banks to combat degradation and restore natural capital as part of the **Act4Nature International** initiative.
- Banks have adopted the **Equator Principles**, which involve taking ESG criteria into account when financing projects, including biodiversity issues.
- Other international projects aim to develop **methodological frameworks related to biodiversity:** IPBES, TNFD, IAPB* etc.

The FBF participates in the United Nations Biodiversity Conferences: COP15 in 2022, which culminated in the Kunming-Montréal agreement, and COP16 in 2023 in Colombia.

Protecting the oceans

French banks invest in actions to preserve and protect the oceans, specifically by:

- incorporating environmental criteria into financing policies for **sectors with a high impact on the oceans**;
- signing the **Poseidon Principles** and committing to finance the **decarbonisation of the maritime fleet and transport**;
- participating in awareness-raising actions (reducing use of plastics, coastal clean-ups, etc.), and financing of coastal and marine biodiversity protection projects…

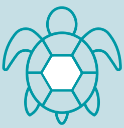
* IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services), TNFD (Taskforce on Nature-related Financial Disclosures), IAPB (International Advisory Panel on Biodiversity Credits)

The banking sector contributes to the financial industry's work, particularly in terms of the National Biodiversity Strategy, which implements the Kunming-Montréal agreement in France.

Reducing the footprint of human activities

Banks are proactively supporting their customers in reducing the impact of their activities on biodiversity by:

- financing projects by companies and local authorities that aim to **restore and preserve natural spaces**;
- considering the impacts of certain projects on biodiversity and natural ecosystems when **analysing credit risk**;
- measuring the **biodiversity impacts** of funded infrastructure projects;
- not financing projects on **highly biodiverse sites**, in particular Key Biodiversity Areas as classified by the IUCN (International Union for Conservation of Nature).



73%

of vertebrate populations have disappeared in 50 years

Source: WWF, 2024

Nature-based products and services

Banks are developing innovative financing solutions that respect natural ecosystems.

- Products include **specific biodiversity objectives:** *green bonds, sustainability-linked loans, etc.*
- Investment solutions are **dedicated to natural capital.**
- Public/private financing promotes **agroecology and agroforestry** in emerging countries.

Banking Solutions to Finance the Transition

€234 bn

in outstanding loans for the energy transition of the retail real estate portfolio: 10 times more than the share of regulated savings that banks must allocate to the transition (€22.8bn)

Source: Banque de France, 2023

Further reading at lesclesdelabanque.com

"Climate" guides on financing solutions and financial aid

Products for the business transition

Banks offer competitive business financing solutions to encourage their ecological transition. The rollout of these offers is part of each banking network's sustainable strategy.

- **Bank solutions** are generally structured around:
  - > **diagnostic tools** that can be based on a global CSR questionnaire aimed at identifying and targeting companies' needs, and on a carbon assessment;
  - > **green loans** dedicated to financing ecological transition projects;
  - > **green leasing offers** to finance renewable energy projects;
  - > **impact loans** linked to sustainability objectives *(sustainability linked-loans)* the rate of which varies according to the company's non-financial performance;
  - > **positive impact investments** *(green bonds, social bonds)* or SRI-certified investments accessible to SMEs.
- **Voluntary standards** - *Green Bond Principles* of the International Capital Market Association (ICMA), *Principles* of the Loan Market Association (LMA), *European Green Bond* (EuGB) - make it possible to qualify sustainable finance products (bonds and loans).

Together with the many professionals involved, the Banque de France is developing a climate indicator for companies based on their consideration of climate change issues.

Loans for private individuals' green projects

All bank loans can by nature finance household transition projects.

- **Traditional bank loans** are the basis of solutions to responsibly finance energy renovation projects in homes or the purchase of green equipment by households.
- In addition to traditional loans, banks offer a range of **specific "green" loans**, developed by each network, including for energy savings, renovations and green mobility...
- They also distribute **regulated loans** dedicated to energy-efficient home improvement or renovation work: zero-interest eco-loans, home savings loans (granted if the customer has built up savings in a home savings plan), loans on own resources backed by an LDDS (Livret de développement durable et solidaire) savings account, and the Avance Rénovation loan for low-income households.

Further reading at fbf.fr

IFOP study on financing energy renovation works

(FBF/ASF publication)

Financial savings to drive the transition

Banks offer "green" financial savings and investment products to encourage savers to help finance the ecological transition.

- Public labels (SRI, Greenfin) make it possible to identify **socially responsible investment products,** in particular by excluding funds that invest in companies exploiting fossil fuels.
- The SRI and Greenfin labels were updated in 2024 and 2025 **to meet investors' higher expectations in terms of sustainable finance** and comply with the requirements of the European framework.

Since August 2022, financial advisors have been required to collect their clients' sustainability preferences before offering them any financial investment (pursuant to the delegated acts of the Markets in Financial Instruments (MiFID 2) and Insurance Distribution (IDD) directives).

More Stringent Sustainable Finance Rules

A European framework to accelerate the transition

EU regulations aim to support the European economy's transition to net zero by 2050. The regulatory framework has been strengthened in several ways:

- **common language to determine sustainable activities**
  > The Taxonomy Regulation establishes a classification system for environmentally sustainable activities.

- **transparency requirements applicable to businesses**
  > The Sustainable Finance Disclosure Regulation (SFDR) requires companies in the financial services sector to publish sustainability-related disclosures.
  > The Corporate Sustainability Reporting Directive (CSRD) requires companies to publish information on their impacts, risks and opportunities related to sustainability issues.
  > The "Pillar 3" reporting under the Capital Requirement Regulation (CRR) requires banks to publish information on their exposures to climate and ESG risks.

The revised CRD and CRR of 31 May 2024 on banks' capital requirements further incorporate ESG risks into their risk management systems. Emphasis is placed on credit institutions' exposure to environmental transition risk.

As part of the European project to streamline disclosures (Omnibus proposal of February 2025), the French banking sector proposes that extra-financial reporting should focus on what is really essential to accelerate the environmental transition.

- **provision of ESG data**
  - > The European Single Access Point (ESAP) legislation provides for the establishment of a platform by 2027 centralising all corporate financial and non-financial data.
  - > The ESG rating regulation aims to increase the transparency of ESG rating providers' methodologies and prevent conflicts of interest.

- **tools for sustainable product design**
  - > The amended Benchmark Regulation introduces "low-carbon" benchmarks and strengthens the transparency requirements of benchmarks in terms of sustainability.
  - > The European Green Bond (EuGB) label regulation governs issuers' use of the term "European Green Bond".

- **compliance and advisory rules**
  - > The Corporate Sustainability Due Diligence Directive (CS3D) establishes a duty of care for many companies, in relation to their activities and those of their subsidiaries, in order to identify and limit their negative social and environmental impacts.
  - > The implementing texts of MiFID 2 (Markets in Financial Instruments Directive) require that sustainability criteria be taken into account in product governance and in investment advice to clients.

Further reading at fbf.fr

Simplification – Cutting the red tape

(FBF's views and proposals, February 2025)

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