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## Paris Banking Job Cuts Reflect Wilting Ambitions

By Fabio Benedetti-Valentini - Jan 20, 2012

[Societe Generale SA \(GLE\)](#) architects are putting finishing touches on a spanking new, highway-straddling building in La Defense, Paris's financial district, designed to house more than 3,000 markets employees.

The final construction phase of the 250 million-euro (\$321 million), 43,000 square-meter, (462,848 square-foot) glass-front structure, called "Basalte," coincides with the bank's talks with unions on the deepest job cuts at its corporate- and investment banking unit.

Conceived in 2008 as a showcase trading-floor facility, the building -- set to be completed this year -- forms a grim backdrop for job cuts by Societe Generale, [BNP Paribas SA \(BNP\)](#) and [Credit Agricole SA \(ACA\)](#), showing how the European debt crisis is eating into once-ambitious plans of French banks. Paris-based lenders, which weathered the 2007 subprime crisis with smaller writedowns than their U.S. rivals and expanded, are now beating a retreat as the regional crisis enters its third year.

"Societe Generale's job cuts are a symbol" of the broader malaise in the French banking world, said Olivier Godechot, a sociologist at the Paris-based National Center for Scientific Research, or [CNRS](#), specializing in finance. "Its job cuts are particularly striking because Societe Generale is the leading and most innovative bank on the Paris marketplace."

### Paris Gloom

[France's](#) top three corporate-and-investment banking, or CIB, units, with combined global sales of 25 billion euros in 2010, are cutting 1,800 jobs at home. Although a fraction of the more than 200,000 job losses announced by financial firms globally in 2011, the cuts, about 10 percent of the three bank's total CIB staff in France, are the biggest for the business in the country.

The reductions add to the economic gloom in France, where the [unemployment rate](#) is just shy of 10 percent. The banks' plans, including scaling back corporate businesses such as aircraft financing, are diminishing any ambition of Paris narrowing the gap with [London](#) as a major financial center.

"Paris was the center for project finance as well as [aircraft](#) and shipping lending, and that proved very fragile," said Sofiane Aboura, a professor at Paris Dauphine University. "It will be

hard for Paris to win back any business leadership it loses because London offers legal and fiscal advantages for corporate and investment banking.”

## Shrinking Operations

France's top three CIB units employed just over 16,000 people in the country before their job-cutting announcements, said Thierry Iochem, an analyst at eFinancialCareers in Paris. [Barclays Capital \(BARC\)](#) alone employs about 14,000 people in London, making it probably the City's largest investment-banking employer, estimated [Ian Gordon](#), an analyst at Investec Bank Plc.

French President [Nicolas Sarkozy](#), who faces a two-round election in April and May, has been pushing companies not to cut jobs in France -- something the banks have struggled with as European writedowns eroded profit.

Societe Generale [fell](#) 13.5 cents, or 0.7 percent, to 19.96 euros by 10:04 a.m. in Paris trading, bringing the decline in the past year to 57 percent. BNP Paribas slid 18.5 cents to 34.52 euros, while Credit Agricole [dropped](#) 14 cents to 4.70 euros.

Saphia Gaouaoui, a spokeswoman at Societe Generale in Paris, declined to comment, as did [Credit Agricole](#) CIB's spokeswoman Anne Robert and BNP Paribas's Julia Boyce.

Europe's sovereign debt crisis is threatening French banks' revenue from trading and corporate financing. At the end of September, French banks, the most exposed to public and private debt from the euro-zone's periphery, had taken about 5.4 billion euros of losses on Greek sovereign bonds.

## Second Round

Third-quarter net income for BNP Paribas, France's biggest bank, fell 72 percent on Greek write-offs and losses from selling European [government bonds](#). Societe Generale's profit slid 31 percent, hurt by a Greek writedown and lower trading revenue.

The two banks in September began a program to trim about 300 billion euros in assets by 2013, cutting dollar-funded activities such as aircraft lending and export finance as [Europe's](#) debt woes squeezed funding.

“French banks are giving up businesses where they were leaders worldwide,” said Gael de Roquefeuil, founder of Paris-based finance headhunting firm ROCPartners. “If the banking business climate remains depressed, there's a strong risk of a second round of jobs cuts after the presidential elections.”

## Shot in Foot

Societe Generale, Paris's biggest CIB employer, began talks with unions in the fall on plans

unveiled Jan. 4 to cut 880 of the unit's jobs, or about 14 percent of the business's workforce in France. The cuts may include 189 markets-related positions. France's second-largest bank had about 6,400 CIB employees in the country as of September.

The bank, which is also shedding 700 jobs abroad, held its French CIB workforce stable after the 2007 subprime crisis roiled markets, and even added mergers and acquisitions bankers. In 2008, when it suffered the biggest trading loss in banking history on unauthorized transactions by [Jerome Kerviel](#), Societe Generale boosted its French CIB staff by 7 percent.

The CIB unit is Societe Generale's [earnings backbone](#), accounting for about 43 percent of the bank's sales between 2000 and 2011, according to an internal memo obtained by Bloomberg News last week. In August, Societe Generale scrapped its 6 billion-euro profit target for 2012.

"We wonder whether CIB isn't being liquidated in pieces and whether we aren't shooting ourselves in the foot," said Michel Marchet, a CGT union representative at the bank.

### An Adjustment?

To be sure, the bank has left intact its equity derivatives business -- which according to a report this month by JPMorgan Cazenove is the world's second largest by sales behind New York-based [Goldman Sachs Group Inc. \(GS\)](#)

For its part, BNP Paribas SA, France's largest bank, in November said it will shrink its CIB staff globally by more than 6 percent, with 373 job cuts at home. The bank increased its CIB unit's global staff with its Fortis acquisition in 2009. BNP Paribas employs about 21,000 people at its CIB unit worldwide, 40 percent more than in 2007, according to its website.

Credit Agricole's CIB division is cutting 550 jobs in France and 1,200 abroad as it closes its equity-derivatives and commodity-trading activities. France's third-largest bank by market value is closing operations in 21 countries. The bank is also eliminating 600 consumer-finance positions worldwide.

Paris's CIB jobs, which fell after the 1998 Asian crisis, the 2000 technology bubble and the 2007 subprime crisis, haven't had such a severe reduction since most of the French capital's brokers lost their jobs in the early 90s, CNRS's Godechot said.

"Every time there are strong job reductions, the question remains: is it a durable correction or just an adjustment?" he asked.

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