Between Brexit and the US presidential elections, 2016 and early 2017 have been marked by great uncertainty. Against this backdrop it was even more important for the Banque de France to remain an institution of trust, serving the needs of all French citizens, and guarantor of their solid currency, the euro. To achieve this, thanks to the active participation of all Banque de France staff members, we conducted our three main tasks: monetary strategy, financial stability and services to the economy.

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Our monetary strategy has helped to support the euro area’s recovery. It contributed between 0.3 and 0.5 percentage point to GDP growth. In our country, this represents around 100,000 additional jobs for the economy. We are no longer at risk from deflation and are moving towards our target of slightly positive inflation, i.e. close to 2%. Upstream of the decisions, in the Eurosystem debates, as in their implementation, the Banque de France played a decisive role thanks to the quality of its staff and their strong expertise. At the same time, we bolstered our banknote printing and processing capabilities: we opened the Nord de France Currency Management Centre, a state-of-the-art automated processing centre, created a paper mill subsidiary that will serve other central banks and decided to invest in a new printing works.

As regards financial stability, further progress was made on establishing the Banking Union thanks to the drafting by the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority) of preventive resolution plans for the main French institutions. The French banking system proved its soundness in 2016, with its average solvency ratio reaching 12.6%, or twice that of before the 2008 crisis. At the same time, we bolstered the insurance supervision framework with the implementation of Solvency II. We participated more actively in the Haut conseil de stabilité financière (HCSF – High Council for Financial Stability) thanks to our new joint Banque de France-ACPR financial
stability unit. And, although we did not wish for Brexit, we are ready to seize on any resulting opportunities for the euro area and for the Paris financial centre: the ACPR and the Autorité des marchés financiers (AMF – the French Financial Markets Authority) have simplified and sped up the authorisation procedures for institutions currently established in London.

The provision of services to the economy is mainly conducted through our branch network which is being modernised. Last year, our staff helped over 210,000 families to overcome situations of overindebtedness and we carried out many preventive actions to assist vulnerable populations. The Banque de France was entrusted with the task of providing economic and financial education to the public: our fist initiative was to launch a new information portal, mesquestionsdargent.fr, last January. We also worked closely with firms, and especially SMEs and VSEs: over 250,000 firms were assigned a credit rating in 2016 by the Banque de France; and, in autumn, we appointed 100 correspondents at the departmental level to advise VSEs.

Looking to the future, we set out our strategy in our Ambitions 2020 plan to prepare the Banque de France of the 21st century and to be an exemplary public service: a more efficient, innovative and open central bank. More efficient: while maintaining its presence in each département, the Banque de France reduced staff numbers and net expenditure in 2016. The Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements) became a subsidiary of the Bank, which will enhance synergies. More innovative: we launched a wide-reaching digital transformation project for our tools and processes headed by the chief digital officer. More open: we are investing in economic research in order to increase our contribution to discussions in France and in Europe and we are giving the research community access to our statistical data via the “Open Data Room”. Lastly, we have clarified our corporate social responsibility strategy, with numerical targets, for the benefit of society and the environment.

In a volatile world, the independence of the Banque de France is a guarantee for all our citizens; the guarantee that, mindful of long term developments and free from all pressures, we dedicate ourselves to our task: price stability and hence a solid currency; financial stability and hence the smooth financing of the economy. But this independence means that we are accountable for our results. This is the purpose of this 2016 annual report.

François Villeroy de Galhau
2016 in figures

DEdelivering our three core missions
11,690 full-time equivalent employees

95 branches

20 economic centres

78 customer service and information offices

313.5 billion euro of securities purchased by the Banque de France since the launch of the CBPP3, ABSPP, PSPP and CSPP programmes

5.6 billion euro: profit before tax and exceptional items

19 agreements signed with local education authorities on economic and financial education

168 tonnes of coins collected and sorted for the 2016 Pièces jaunes national charity campaign

3.3% reduction in energy consumption

4.6% reduction in energy-related greenhouse gas emissions
Monetary strategy in 2016

- **15.7 billion euro**: value of French corporate securities purchased since 8 June 2016 as part of money policy operations.

- **153 million euro**: total amount of France’s gold and currency reserves (EUR 139 billion in net reserves).

- **53.5 billion euro**: total foreign currency reserves.

- **85.5 billion euro**: value of France’s gold reserves.

- **2,436 tonnes**: weight of France’s gold reserves (4th largest holding in the world after the United States, Germany and Italy).

- **6.8 billion euro**: total foreign currency reserves.

- **19.5 billion coins**: in circulation.

- **2.3 billion euro**: value of France’s gold reserves.

- **2,436 tonnes**: weight of France’s gold reserves (4th largest holding in the world after the United States, Germany and Italy).

- **35 articles published**: in peer-reviewed journals.

- **19.5 billion coins**: in circulation.

- **3rd ranking among**: Eurosystem central banks for research (by number of listed publications).

- **21.5 billion euro**: average daily value of cashless payments.

- **400 million individual items**: of data accessible via the Open Data Room.
**Tasks**

Monetary policy decisions are based on in-depth economic analyses compiled using high-level research:
- expert appraisals, studies and modelling
- assessments, analyses and forecasts
- preparation of meetings (ECB, BIS, IMF, G20)
- production and dissemination of economic data

The Banque de France implements monetary policy to ensure the financing of the economy:
- forecasting of the French banking sector’s liquidity requirements
- refinancing of French banks
- securities purchases as part of the ECB’s non-standard monetary policy operations

The Banque de France’s operational activities, supervision of market infrastructures and management of foreign exchange and gold reserves make it a leading player in the financial markets:
- market operations
- piloting of the Target2 Securities settlement system

As a member of the Eurosystem, the Banque de France maintains confidence in the currency:
- note-issuing bank
- largest printer of euro banknotes
- oversight of payment instruments

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**JANUARY**
BDF-BIS symposium on “Ultra-low interest rates and the challenges for central banks”

**MARCH**
New programme to purchase euro-denominated debt securities issued by non-bank corporations

**JUNE**
Entry into force of reforms to the Paris market for negotiable debt securities

**SEPTEMBER**
Migration of the Paris financial market to Target2 Securities

**NOVEMBER**
Inauguration of the Open Data Room
Decision on the new printing works

**DECEMBER**
Creation of the Observatoire de la sécurité des moyens de paiement (Observatory for the Security of Payment Means)
Financial stability in 2016

- 199 on-site inspections: insurance firms, banks (excl. SSM inspections), business practices
- 37 inspections on behalf of the ECB as part of the Single Supervisory Mechanism (SSM)
- 1,044 ACPR employees
- 83 individuals seconded to the ECB in the framework of the SSM
- 748 authorised banks
- 774 authorised insurance firms and mutual insurers
- 12.6% core tier one capital ratio of the six main French banking groups
- 22 billion euro: average daily settlement flows processed by retail payment systems in France
- 290 billion euro: average daily settlement flows processed by Target2 (large-value payments) in France
- 2 editions of the Assessment of risks to the French financial system
- 20 seminars
- 17 research projects and studies
Tasks

The Banque de France strives to safeguard financial stability and prevent systemic risks:
• analysis of systemic risks and weaknesses in the French financial system
• contribution to the work of international committees on systemic risks and to the macroprudential framework
• coordination with the Haut Comité de stabilité financière (HCSF – High Council for Financial Stability)
• conduct of resilience tests and crisis management exercises

The Banque de France ensures the smooth operation and security of the payment systems and market infrastructures that it supervises:
• implementation of European and international standards
• monitoring of the management of credit and liquidity risk

The Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority) is responsible for supervising the financial sector:
• licensing and supervision of banks and insurers
• participant in the European Single Supervisory Mechanism
• contribution to work at the international level on the development and implementation of regulatory changes
• prevention of money laundering and terrorist financing
• provision of information to and protection of depositors

JANUARY
Implementation of Solvency II and the Single Resolution Mechanism (SRM)

MARCH
The Paris Financial Centre Resilience Group takes part in the EU Sequana crisis management exercise

APRIL

JUNE
The ACPR and AMF announce they are simplifying licensing procedures in the wake of the Brexit vote

SEPTEMBER
The Banque de France and ACPR set up a joint Financial Stability Unit
Publication of a summary report on green finance by a G20 working group that included the Banque de France

NOVEMBER
The ACPR holds a conference on “FinTechs: a challenge for regulation and supervision”
Services to the economy in 2016

- **66,700** demands sent to banks requesting they open a basic bank account
- **210,000** over-indebtedness cases effectively resolved
- **364,000** letters and telephone calls received (mostly via the ABE IS telephone platform)

- **15,000** companies participating in business surveys
- **100,000** subscribers to regional and national business surveys
- **28,662** statistical series disseminated

- **7.4** million businesses recorded in the FIBEN database (14 million information searches)
- **256,228** non-financial corporations (including SMEs) attributed a rating
- **102** VSE correspondents

- **1,048** businesses assisted by the credit mediation service (12,768 jobs saved or secured)
- **821** million searches by banks in the three payment incident and cheque registers (FCC, FICP and FNCI)
- **526** billion euro: total amount of Treasury securities sold at auction
## Tasks

**The economic services provided to individuals are aimed primarily at protecting consumers:**
- supervision of business practices
- the ABE IS website (a public service site that informs banking customers of potential risks)

**The law entrusts the Banque de France with a number of tasks aimed at preventing over-indebtedness and promoting banking inclusion:**
- right to a basic bank account
- banking and financial inclusion

**The Banque de France provides secretariat functions for the Household Debt Commissions, one of the most important tasks carried out by the branch network:**
- solutions for over-indebted individuals
- typological survey of household debt

**The Banque de France produces business surveys and statistics which provide a detailed assessment of the health of the economy:**
- national surveys
- regional surveys
- Stat Info

**Using their in-depth expertise, the Bank’s teams conduct detailed assessments of non-financial corporations:**
- monitoring of financing
- company ratings
- provision of assistance to VSEs
- credit mediation

**The Banque de France also acts as banker to the French government:**
- holding of the French Treasury's bank account
- management of government debt auctions

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### Dates and Events

- **MARCH**
  - Press conference on the fight against online financial crime (ACPR, AMF, DGCCRF, High Court of Paris)

- **APRIL**
  - Submission of a report by the ACPR to the French parliament on unclaimed life insurance policies

- **JULY**
  - The Macron Law entrusts the Banque de France with the task of monitoring corporate financing

- **SEPTEMBER**
  - Appointment of a VSE correspondent in each département

- **OCTOBER**
  - Report by the Observatoire de l’inclusion bancaire (Observatory for Banking Inclusion)
  - Award of the Banque de France microcredit prizes

- **NOVEMBER/DECEMBER**
  - Adoption of legal measures designed to simplify the handling of household over-indebtedness cases
  - New report compiled on first-time applicants to Household Debt Commissions as part of the annual typological survey of over-indebtedness

MISSIONS AND TRANSFORMATION STRATEGY

1 Monetary strategy

Informing monetary policy decisions
Compiling and distributing high-quality information and data
Implementing monetary policy thanks to our market expertise
Maintaining confidence in the currency

2 Financial stability

Guaranteeing the soundness of the financial sector and protecting savers
Ensuring the smooth operation of payment and market infrastructures
Safeguarding the stability of the financial system as a whole

3 Services to the economy

The Banque de France protects and informs individuals
Maintaining a strong expertise on companies and providing them with support services
Providing financial services to the government

4 Transformation strategy

Ambitions 2020 focuses primarily on the Banque de France’s core missions
Ambitions 2020 also includes aspirations for the women and men working at the Banque de France
Ambitions 2020 aims to raise the Banque de France’s profile by making it more efficient, more innovative and more visible
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Monetary strategy
As a member of the Eurosystem, the Banque de France plays a key role in monetary strategy
preparing and implementing monetary policy decisions
issuing banknotes and maintaining the quality of currency in circulation

The Banque de France is a member of the Eurosystem, and its mandate – as defined under the Treaty on the Functioning of the European Union – is “to maintain price stability” and, “without prejudice to the objective of price stability, [to] support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union”. The Governor of the Banque de France is a member of the Governing Council of the ECB, which is the body responsible for determining Eurosystem monetary policy.

Informing monetary policy decisions

Monetary policy decisions are taken on the basis of a detailed assessment of the economy, compiled using high-quality research.

The Banque de France’s analysis and research activities include:
• economic expertise, scientific analysis, research workshops, contributions to debate on academic economic thought and policy-maker doctrine;
• the publication of comprehensive, carefully reasoned assessments and forecasts;
• help in the decision-making of Banque de France and Eurosystem authorities, and in the preparation of external meetings (notably those of the ECB Governing Council, BIS, IMF and G20).

The outstanding quality of this work has helped to cement the Banque de France’s reputation for research in financial and monetary stability,

Key figures for 2016

3rd ranking among Eurosystem central banks for research (by number of listed publications); ranked in the top 1% of global institutions for the quality and quantity of research
35 articles published in peer-reviewed international journals
157 research seminars
750 individuals trained by IBFI
20 editions of Rue de la Banque
37 working papers published
FAREWELL SYMPOSIUM, 12 JANUARY 2016

To mark the departure of Christian Noyer, Governor of the Banque de France from 2003 to 2015 and Chairman of the Bank for International Settlements (BIS) from 2009 to 2015, the Banque de France and BIS organised a symposium on 12 January 2016 on the theme of “Ultra-low interest rates and the challenges for central banks”.

The event brought together some 200 leading figures, including central bank governors, eminent academics, and heads of international financial institutions and organisations such as Christine Lagarde, Managing Director of the International Monetary Fund (IMF). It was split into two sessions, each of which was followed by a general discussion: the first was entitled “Beyond the zero lower bound: lessons for monetary policy?”, and the second “Legacy for business models and financial stability”. The welcome address was given by François Villeroy de Galhau, the current Governor of the Banque de France.

The symposium was an opportunity to address one of the principal sources of concern, namely the potential collateral damage caused by ultra-low interest rates, including the misallocation of resources and the emergence of bubbles in a context of persistently low inflation.

The Governor also took the opportunity to stress that central banks should not be “the only game in town”, and more specifically that monetary and macroprudential policies should not be the only tools used in the economic field. He underlined the need for structural reforms, which he said are the only means of raising potential growth, and reiterated that aggregate demand policies cannot be regarded as a sufficient substitute.

In his keynote speech, Christian Noyer highlighted the inherent difficulties in achieving price stability, and singled out three important challenges: finding the optimal calibration for non-standard policy tools, the challenges linked to rigidities in the economy, and mitigating the risks to financial stability posed by low interest rates and non-standard monetary policy.

Looking back at the inflation-targeting regime that prevailed before the crisis, and which was closely associated with the “Great Moderation” (when inflation was low and production stable), Christian Noyer stressed that this period of sustained growth and low volatility, considered normal at the time, was in fact exceptional from a historical perspective.
and has increased its influence in the national and international economic debate. In addition to its own research capabilities, the Banque de France maintains close ties with the academic community: it supports external research through its Foundation for Research, and has set up partnerships with the Toulouse School of Economics (TSE), Paris School of Economics (PSE), Aix-Marseille School of Economics (AMSE) and Sciences Po Paris.

**Compiling and distributing high-quality information and data**

The Banque de France has a long history of helping in the production of national statistics, and contributes to the compilation of European and international data. It collects, analyses and distributes millions of statistics on topics such as monetary developments, financing and investment, the provision of credit, the balance of payments, and corporate financing. These datasets have now been opened up to external researchers via the Bank’s Open Data Room.

**LAUNCH OF THE OPEN DATA ROOM**

On 3 November 2016, before an audience of researchers and academics, François Villeroy de Galhau inaugurated the Banque de France’s Open Data Room (ODR), which is located in the Directorate General Statistics. The facility provides access to 400 million individual lines of data, notably on financial institutions and companies, and offers a level of granularity that is unprecedented in Europe. All information is strictly anonymised to protect confidentiality.

Researchers can search and exploit the data free of charge, in a special room equipped with the software and processing capacity needed to handle such large volumes of information. Bank experts are also on hand to help users access the statistics.

The Governor hopes this new tool, destined for both French and international researchers, “will significantly improve our understanding, assessment and forecasting of financial developments, which, as the recent crisis has shown, are crucial for the real economy, in other words for employment and growth”.

The ECB recently tasked the Banque de France with developing and managing a new statistical reporting exercise, designed to gather daily money-market transactional data from the Eurosystem’s 53 largest banks. The data collection and verification platform was delivered in April 2016, and by the end of the year it had processed some
7 million individual transactions, providing a detailed insight into the money market.

Implementing monetary policy thanks to our market expertise

Providing banks with liquidity, the main source of financing for the economy

Through its strong market presence and relationships with financial institutions, the Banque de France plays a key role in implementing the decisions of the ECB Governing Council on interest rates and on the refinancing of the banking system. It takes part in securities purchase programmes and carries out refinancing operations for banks based in France. It also manages the compulsory reserve system for the French banking industry and anticipates the sector’s central bank money needs.

Using its expertise and knowledge of monetary policy transmission mechanisms, the Banque de France contributes actively to analyses and discussions on the operational framework for refinancing operations

A NEW SECURITIES PURCHASE PROGRAMME

The Eurosystem has been pursuing a non-standard monetary policy for a number of years. As part of this strategy, in March 2016, it launched a new securities purchase programme to complement its existing Asset Purchase Programme (APP), and announced it would raise its combined securities purchases to EUR 80 billion a month from EUR 60 billion up to March 2017, then reduce them again to EUR 60 billion a month up to December 2017.

The new purchase programme, known as CSPP (Corporate Sector Purchase Programme), consists in the purchase of investment-grade euro-denominated debt securities issued by non-bank corporations established in the euro area.

By directly helping to improve financing conditions for euro area corporates, the CSPP reinforces the pass-through of monetary policy decisions to the real economy. Like the other non-standard measures implemented by the Eurosystem, it also aims to bring inflation back up to levels below, but close to 2% over the medium term. The Banque de France is charged with purchasing French corporate securities, which represent about 30% of the entire European market. The purchases began on 8 June 2016, and by 31 December had reached a total of EUR 15.7 billion.

The securities are mainly bought in the secondary market, but the Banque de France can also subscribe in part to new issues in the primary market, although only those by private corporations.

Particular attention is paid to the credit quality of the purchased securities: in order to be eligible, issuing companies must qualify as “investment grade”, which corresponds to a credit rating of BBB– or above.

Key figures for 2016

313.5 billion euro of securities purchased by the Banque de France since the launch of the CBPP3, ABSPP, PSPP and CSPP programmes
and eligible collateral (assets pledged as guarantees). It supported the launch of ESNI,1 which was a major step forward for Paris’ financial centre, and proposed and carried out trial reverse auctions.

**Market operations: knowledge and expertise**

The Banque de France carries out market transactions on its own behalf and on behalf of the ECB, while also producing market analyses for Eurosystem decision-makers. It operates in the markets for the management of its foreign currency reserves, but also as part of the services it provides to its institutional clients – including the management of cash accounts, custody of securities and gold, and securities investment services.

The Banque de France is responsible for supervising the Paris market for negotiable debt securities (titres de créances négociables – TCNs), which is the third largest commercial paper market in the world, the second largest in Europe and the largest in the euro area. The Paris TCN market provides access to competitive and diversified financing opportunities, in euro and other currencies, in the form of commercial paper and medium-term notes. It forms a vast ecosystem comprising high-quality investors, issuers, arrangers, as well as issuing and paying agents, and is underpinned by robust post-market infrastructures (settlement-delivery). The market also offers a high degree of transparency, thanks to the oversight of the Banque de France which ensures that all issuers comply with issuance rules.

Created in 1985, the market was completely modernised in 2016 under the aegis of the Paris Marketplace 2020 Committee, which is jointly led by the French Treasury and Paris Europlace. The reform were piloted by the Banque de France in collaboration with market participants, and came into force on 1 June 2016 (see box).

1 ESNI (Euro Secured Notes Issuer) is a securitisation vehicle open to French and European banks, which allows participants to refinance loans to non-financial corporations – in particular to SMEs and mid-tier companies – that meet the eligibility criteria for Eurosystem refinancing operations. The financial instruments issued can be used as high-quality collateral by market participants, and as a type of investment vehicle for investors. The Banque de France facilitates the day-to-day functioning of the system by regularly assessing the quality of the underlying loans and maintaining ESNI’s cash accounts.
REFORM OF THE MARKET FOR NEGOTIABLE DEBT SECURITIES

A more legible market:
• merger of negotiable debt paper with maturities of up to one year into a new category called “titres négociables à court terme” under French law;
• alignment of the legal term for securities with maturities of more than one year: “titres négociables à moyen terme”;  
• creation of two new trade names for French commercial paper – Negotiable European Commercial Paper (NEU CP) and Negotiable European Medium Term Note (NEU MTN) – to clearly convey the nature of the instrument, and reflect the presence of European participants in the market.

A simpler, more accessible market:
• a single regulatory text;
• information memorandums can now be drafted in a language commonly used in financial matters, other than French;
• opening up of the market to a larger number of issuers:
  – broader acceptance of the local accounting standards of countries in the European Economic Area and of those that the European Commission recognises as equivalent to European standards;
  – opening up of the list of credit rating agencies accepted for market access to all of the agencies registered with the European Securities and Markets Authority (ESMA), subject to certain requirements.

Management of foreign currency reserves: a key factor for ensuring confidence in the currency

The Banque de France is responsible for managing France’s foreign currency reserves as well as a portion of those held by the ECB. Its role in handling gold and currencies makes it an important player in international markets.

Key figures at 31 December 2016

153 billion euro: total amount of France’s gold and foreign currency reserves, including SDRs (EUR 139 billion net of forex liabilities)

2,435.8 tonnes: weight of France’s gold reserves (4th largest holding in the world, after the United States, Germany and Italy)

53.5 billion euro: total foreign currency reserves (net of forex liabilities, including SDRs)

85.5 billion euro: value of France’s gold reserves
Towards greater market integration

Migration to T2S

The migration of Paris’s financial centre to Target2 Securities (T2S)\(^2\) on 12 September 2016 was a landmark event for the entire French securities industry. Euroclear central securities depositories (CSDs) in France, Belgium and the Netherlands all began operating on the platform without any difficulties, and by the end of this stage, T2S had reached about 40% of the total transaction volume expected after full migration in 2017.

The success of the transition was down to intensive preparations on the part of the Paris financial community, with significant input from teams at the Banque de France.

The next wave was the migration of Clearstream (Germany) on 6 February 2017. The entire project is being piloted by the Banque de France, the Bundesbank, Banca d’Italia and Banco de España, in close collaboration with the ECB.

Maintaining confidence in the currency

The Banque de France issues euro banknotes and puts them into circulation in France, sorts them on a regular basis, and puts good quality notes back into circulation while withdrawing counterfeits and notes unfit for use.

It also monitors banknote sorting activities carried out by private operators (see Appendix 3: “The recirculation of euro banknotes and coins by private operators in 2016”).

In addition, the Bank is responsible for distributing euro coins on behalf of the French government and collecting those returned from circulation.\(^3\) Through these activities, it guarantees consumers a complete choice of means of payment.

Growth in net banknote issuance in France

\begin{align*}
\text{(in billions of banknotes)}
\end{align*}

\begin{center}
\begin{tikzpicture}
\begin{axis}[
    width=\textwidth,
    xmin=2002, xmax=2016,
    ymin=0, ymax=6,
    xlabel=Year,
    ylabel=Number of Banknotes (billions),
    ytick={0,1,2,3,4,5,6},
    legend pos=north west,
]

% Add your data points here
\addplot coordinates {
};

\end{axis}
\end{tikzpicture}
\end{center}

Source: European Central Bank.

Note: Net issuance is gross issuance (new banknotes) minus banknotes withdrawn from circulation.

2 Target2 Securities (T2S) is a new platform developed by the Eurosystem which offers centralised delivery-versus-payment settlement in central bank funds across all European securities markets.
Flows of banknotes at Banque de France and IEDOM counters
(in billions of banknotes)

Source: European Central Bank.
Note: Flow statistics cover all banknotes in circulation.

OPENING OF THE CEFINOFO

The first of the new-generation cash management centres, the Nord de France cash management centre or Cefinof for short, was inaugurated near Lille on 28 April 2016. It was gradually opened up to cash-in-transit companies, and by October 2016 was fully operational.

Cefinof is the most highly automated centre of its kind in the Eurosystem, both in terms of transport and storage: it incorporates conveyor lines, self-guided vehicles, automated parcel loading systems and robots, and is expected to handle some 300 million banknotes per year.

Covering 6,000 square metres, the new premises have been designed to strict security standards, with upstream flow monitors, resilient, blast-proof building structures, complete video surveillance and state-of-the-art threat detection systems.
The leading manufacturer of euro banknotes

The Banque de France manufactures a large share of the Eurosystem’s euro banknotes as well as the notes issued in the French overseas territories and in the African monetary unions. Production takes place at the Europafi paper mill in Vic-le-Comte, which is a subsidiary of the Bank (see box), and at the printing works in Chamalières.

The Banque de France is one of the nine manufacturers selected to produce the new-series €50 banknote (Euro Series 2 or ES2). It has been tasked with delivering 1 billion new notes, representing 15.5% of the total volume manufactured in the Eurosystem (see box).

EUROPAFI

In October 2015, the Banque de France split off its paper mill into a separate subsidiary called Europafi. In parallel, it signed a strategic and industrial partnership with five Eurosystem central banks owning their own printing works, under which it will supply at least 40% of their paper needs. The move will make Europafi the largest public-sector paper manufacturer in the euro area, with a production capacity of up to 5,000 tonnes per year.

By end-2016 Europafi will employ a total of 248 staff. The project to modernise its production facilities is scheduled to be completed in 2017, and is expected to make Europafi a leading player in the European cash industry.

Highlights

Decision to discontinue production of the €500 banknote

On 4 May 2016, the ECB Governing Council decided to stop producing the €500 banknote due to concerns that it could facilitate illicit activities. Issuance of the note will be stopped towards the end of 2018. Beyond this date, the €500 banknote will remain legal tender and will still be accepted as a means of payment. It will also be possible to exchange it at euro area national banks for an unlimited period of time.

Key figures for 2016

- 2.28 billion new banknotes manufactured and distributed
- 1 new denomination launched: the Euro Series 2 €50 banknote
- 120 billion euro: value of all the banknotes issued by the Banque de France since the introduction of the euro
- 20.7 billion euro banknotes distributed between 2001 and 31 December 2016
- 17% increase in the number of €50 banknotes issued by the Banque de France (versus 2015)
- 6.8 billion banknotes distributed by Banque de France counters
- 19.5 billion coins in circulation
LAUNCH OF THE NEW €50 BANKNOTE ON 4 APRIL 2017

The renewal of the old series of euro banknotes continued in 2016 with preparations for the launch of the €50, the fourth in the new Europa range. In France, the €50 is the third most commonly used note after the €20 and the €10, accounting for 20% of banknotes returned to and distributed by the Banque de France. Throughout the year, the Banque de France helped cash cycle professionals to adapt France’s 60,000 ATMs to handle the new note. It also incorporated the €50 into its authentication training courses, and put together several hundred thousand information leaflets, ready for distribution to the general public. Banque de France branches were also gradually stocked with the new notes, so that they were ready to distribute them to banks and ATMs across the country as of 4 April 2017.

TRAINING IN BANKNOTE AUTHENTICATION

The Banque de France plays an active role in the fight against counterfeiting. In 2016, it trained some 26,000 professionals who handle cash (including bank staff, shop workers and tradespeople) in how to authenticate banknotes and recognise their security features. The Bank also provides access to an e-learning tool on its website where users can find out how to recognise notes and test their knowledge. The Banque de France smartphone app explains how to identify genuine banknotes using the Feel-Look-Tilt method; a second app, called “Genuine or Fake?” allows users to check banknotes visually, using their smartphone camera.

Feel-Look-Tilt method for checking whether a banknote is genuine
1. Feel
2. Look
3. Tilt
Supervision of means of payment

Properly functioning payment systems and safe, reliable means of payment are essential for the health of the overall economy: they help to shore up public confidence in the currency and facilitate the implementation of monetary policy. The Banque de France has a broad remit with respect to the oversight of payment systems and cashless payment instruments. It notably carries out secretariat functions for the new Observatoire de la sécurité des moyens de paiement (the Observatory for the Security of Payment Means), a coordinating body combining representatives of public authorities and of suppliers and users of cashless payment instruments, notably payment cards.

The Bank helps to foster the development of the payments market by encouraging the emergence of innovative solutions that are safer, easy to use and transferable across Europe. As part of this role, it coordinated the migration to pan-European payment instruments (SEPA – Single Euro Payments Area).

In conjunction with other payment industry players, the Banque de France helps to define strict security requirements for each means of payment in use, while at the same time ensuring these constraints are economically viable and proportionate to the level of risk posed.

WORK OF THE NATIONAL CASHLESS PAYMENTS COMMITTEE

The Comité national des paiements scripturaux (CNPS – National Cashless Payments Committee) has replaced the Comité national SEPA (National Committee for the Single Euro Payments Area). It met for the first time in April 2016. The CNPS brings together representatives of public authorities and of suppliers and users of cashless payment instruments. It is chaired by the Banque de France, with the role of vice-chair entrusted to the French Association of Corporate Treasurers (AFTE) and the French Banking Association (FBF). The CNPS is tasked with coordinating the implementation of the national payment means strategy set out by the Minister of Finance in October 2015. In this way it helps to foster the development of safe, reliable payment solutions that meet the needs of end-users.

The committee completed the first phase of its work in November 2016. Part of this involved conducting a survey of some 1,000 companies in the summer of 2016, along with various other studies, to better identify the needs of French users and set the main objectives for 2017: accelerating and facilitating credit transfers; and increasing the range of small transactions that can be paid for by card, or with any other instrument that offers a safe, reliable alternative to cheques.

CREATION OF THE OBSERVATORY FOR THE SECURITY OF PAYMENT MEANS

Increasing the safety of cashless payment instruments is one of the four focuses of the national payments strategy set out by the Minister of Finance and of the Public Accounts in October 2015. As part of this objective, the mandate of the former Observatoire de la sécurité des cartes de paiement (Observatory for Payment Card Security) has been extended to cover all forms of cashless payments. The body is responsible for overseeing and organising consultations on the industry, with the aim of identifying and mitigating threats to payment security.

The national payments strategy sets out four priorities for the new observatory, which was set up under the Sapin II Law1 of 9 December 2016:

1. standardisation of the collection of statistics on payment fraud;
2. organisation of discussions to find ways of deploying enhanced authentication solutions for non-card payment instruments;
3. maintenance of a technology watch to identify new, innovative payment services and solutions;
4. cooperation between industry participants in the event of a suspected fraud.

1 Law No. 2016-1691 on transparency, the fight against corruption and the modernisation of the economy.

Highlights

4 April 2016
First meeting of the National Cashless Payments Committee (CNPS).

10 December 2016
Creation of the Observatory for the Security of Payment Means (OSMP).

Key figures for 2016

- 56 million: average daily number of cashless payments
- 21.5 billion euro: average daily value of cashless payments
- 58% share of bank card payments in total number of transactions, compared to 30% for direct debits and transfers and 11% for cheques
Financial stability

controls
infrastructure

bans
insurers

diagnosis

supervision

diagnosis

surveillance
protected of depositors

ACPR

prevention

systemic risk
markets

fight against money laundering
The Banque de France ensures the stability of the financial system through its three-pronged mission:

- Supervision of the financial sector
- Oversight of payment systems and infrastructures
- Prevention of systemic risks

Financial stability is a vast field which relies on the skills and expertise of various teams across the Banque de France and the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority). It encompasses activities ranging from the conduct of monetary policy operations and oversight of financial market infrastructures and payment systems, to the supervision of the financial health of banks and insurers.

Guaranteeing the soundness of the financial sector and protecting savers

The ACPR is responsible for issuing licences and authorisations (see box on the simplified, fast-track licensing procedure introduced after the Brexit vote), and for monitoring the finances and operating conditions of banks and insurers on an ongoing basis. It plays a key role in implementing the bank resolution regime (Law of 26 July 2013). With regard to credit institutions, its tasks are now conducted partly within the framework of the Single Supervisory Mechanism (SSM) or the Single Resolution Mechanism (SRM).

Simplification and acceleration of licensing procedures in the wake of the Brexit vote

Following the vote by the British people on 23 June 2016 to leave the European Union, the ACPR and the Autorité des marchés financiers (AMF – the French Financial Markets Authority) have decided to increase the attractiveness of Paris’ financial centre, in a bid to encourage the relocation of activities currently being carried out in London. As part of this effort, the two authorities recently announced they were simplifying and accelerating licensing procedures for insurers, investment firms, and payment and e-money institutions already registered in the United Kingdom, to allow them to carry out activities previously performed via French subsidiaries, or in their country of origin.
Establishment of the Banking Union

Work on the implementation of the Single Supervisory Mechanism continued in 2016. The ACPR drafted resolution plans for the significant French banks which are part of the Banking Union, and took part in the first supervisory college meetings convened in the final quarter of the year to validate these documents. In parallel, the ACPR contributed actively to the work of the Single Resolution Board on the preparation and treatment of bank resolutions. It also helped in the implementation of the Single Resolution Fund.

On-site inspections of the banking sector

- 37 inspections on behalf of the ECB (as part of the SSM): around a dozen inspections took the form of a review of internal models, while the others focused on issues relating to governance, cybersecurity and credit risk.
- 34 inspections on behalf of the ACPR: these centred on the prevention of money laundering and the enforcement of the Law on the separation and regulation of banking activities.

Ongoing supervision of the banking sector

Significant institutions are supervised directly by the ECB and are inspected by joint supervisory teams comprising staff from the ECB itself and from the national supervisory authority. All other credit institutions are supervised by the national authorities, under the coordination of the ECB.

Implementation of regulatory changes in the insurance sector

The new Solvency II supervisory regime came into effect on 1 January 2016. It completely modernises the prudential regulation of the insurance sector by introducing a risk-based approach to supervision. In France, all insurance companies have now successfully made the transition to

Key figures for 2016

- **199** on-site inspections of banks and insurers as part of the ACPR’s national prudential oversight (i.e. excluding inspections on behalf of the ECB) and supervision of business practices
- **37** inspections on behalf of the ECB as part of the SSM
the new regime, and in 2017 they should continue to assimilate the new rules, placing a particular focus on data quality.

Contributions to international projects

In the banking sector, the ongoing and on-site supervision teams were regularly asked to provide expertise to working groups set up by the ECB (credit, market and liquidity risk control methods, prudential internal models, information systems, accounting controls, etc.), the European Banking Authority or the Basel Committee.

International work on systemic insurance groups focused on defining the identification criteria for systemic entities, developing the rule for calculating additional capital requirements and the resolution strategies to be implemented by supervisors.

Prevention of money laundering

In addition to supervising financial institutions via the ACPR, the Banque de France contributes directly to the fight against money laundering and terrorist financing by applying the required checks and controls to its own financial operations (see chapter on “Governance”).

Ensuring the smooth operation of payment and market infrastructures

Any malfunctioning within payment and securities settlement systems is likely to have a significant impact on the stability of the financial system. Participants are therefore subject to prudential supervision, and all payment systems and instruments are subject to oversight. The Banque de France has a broad remit with respect to the oversight of financial market infrastructures (payment systems, clearing systems and financial instrument settlement systems).

It ensures that financial market infrastructures comply with the European Market Infrastructure Regulation (EMIR), i.e. the application at the European level of the Principles for Financial Market Infrastructure, published in April 2012 by the Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO). This regulation focuses on the management of credit and liquidity risk by infrastructures, as well as on the need for central counterparties (CCPs).

Key figures for 2016

- €22 billion euro: average daily settlement flows processed by retail payment systems in France
- €290 billion euro: average daily settlement flows processed by Target2 (large-value payment system) in France
CREATION OF A JOINT FINANCIAL STABILITY UNIT BY THE BANQUE DE FRANCE AND ACPR

The scale of the risks linked to financial stability has prompted determined efforts, in the wake of the crisis, to build a safer financial system capable of fostering growth in France and the euro area. As part of this goal, the Banque de France and ACPR are taking steps to increase their influence in the field of financial stability and regulation. They also help to prepare national macroprudential policy decisions through their role on the Haut conseil de stabilité financière (HCSF – High Council for Financial Stability).

With this objective in mind, the Banque de France and ACPR recently created a joint Financial Stability Unit to consolidate the work of the various departments dealing with stability issues.

The aim is to increase the Banque de France’s efficiency in the field of financial stability, to ensure greater coordination in the preparation of France’s positions in international negotiations, and to unlock synergies in all key regulatory focus areas. The unit’s mission is to develop joint analyses that can be used, inter alia, to enhance the half-yearly Assessment of risks to the French financial system. By conducting coordinated analyses of issues relating to systemic institutions, as well as providing insight into interactions between micro and macroprudential policy objectives, the Financial Stability Unit provides expertise that can be used to improve tools for risk prevention.


Safeguarding the stability of the financial system as a whole

The financial system plays a key role in the functioning of the economy, its long-term performance and its ability to create sustainable conditions for wealth and employment. Its stability, defined as its ability to efficiently allocate resources and withstand

Highlights

January 2016
Implementation of Solvency II and the Single Resolution Mechanism (SRM)
shocks, is therefore crucial. The Banque de France has long-standing responsibilities in the area of financial stability, which it exercises as part of its role to ensure the smooth functioning of payment systems and in its capacity as lender of last resort. Over the past few years, it has developed expertise in analysing systemic risk, its determinants and its transmission mechanisms. The Law of 26 July 2013 on the Separation and Regulation of Banking Activities entrusted it with an explicit financial stability mandate which it carries out in cooperation with the Haut Conseil de stabilité financière (HCSF – High Council for Financial Stability), of which it is a key member.

The Banque de France contributes to the discussions and work conducted to ensure financial stability.

- It actively participates in work carried out at the international level (by the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the Financial Stability Board (FSB), the Committee on the Global Financial System and the European Systemic Risk Board) aimed at reducing risks to financial stability by creating an increasingly harmonised regulatory framework.
- It responds to European Commission consultations prior to the drafting of European financial regulations.
- It prepares (within the FSB and its working groups) the decisions and initiatives of the ECB aimed at helping the euro area to recover from recession while limiting macro-financial imbalances.
- Through the HCSF, it proposes national macroprudential policy measures and puts them into effect where necessary. Moreover, the Bank creates the instruments that will be necessary to enact the HCSF’s decisions (systemic risk buffer, countercyclical capital buffer, instruments to prevent real estate risk, etc.).

**Assessment of risks linked to the commercial real estate sector**

The Banque de France took part in an assessment of the risks posed by recent trends in the commercial real estate market. Prices and volumes of investment in the sector have reached exceptionally high levels, raising concerns as to whether these are sustainable over the medium term. Current low interest rates...
In April 2016, the Banque de France published the 20th edition of its Financial Stability Review, which focused on the digitalisation of financial services.

The digital transformation is affecting a vast range of financial activities, including payments, the management and storage of information, asset management, the provision of investment advice, and lending. New players are emerging to compete with traditional incumbents and offer innovative modes of delivery for financial services.

While digitalisation has undoubtedly delivered benefits, especially in terms of information and the quality of execution, the involvement of non-financial players in regulated financial activities poses a number of risks for financial stability. Chief among these is the threat to transaction security, alongside the risk of cybercrime, money laundering and terrorist financing. There could also be an increase in two more traditional threats to the financial system: credit and liquidity risk. As a result, the new financial services and players that are emerging to transform the industry landscape all need to be properly regulated. As regulatory and supervisory authorities, the Banque de France and ACPR play a lead role in this mission and shall be responsible for ensuring that the same rules apply to all activities, regardless of the players involved.


Key figures for 2016

- 25 research studies and articles published in academic journals
- 20 seminars and events (13 organised in collaboration with the ACPR)
- 2 editions of the Assessment of risks to the French financial system published in July and December 2016
coupled with volatile returns on other asset classes mean French commercial property is viewed as a safe-haven asset. This is in turn fuelling a steady rise in prices, despite the decline in rental yields. In order to evaluate the risk to financial stability of a sharp downward correction in commercial property prices, the HCSF asked the Banque de France, the ACPR and the AMF to test the resilience of banks, insurers and asset managers to different price shock scenarios.

**Regular testing of resilience to climate change risks**

The Banque de France’s financial stability mandate requires that it assess the financial risks linked to climate change along with their potential consequences for financial stability, and that it ensure that these threats are properly taken into account at both a micro and macroprudential level. To this end, the Bank and the ACPR contributed to the report submitted by the French government to Parliament on the implementation of regular stress tests that are representative of the risks associated with climate change”, as specified in Title V of Article 173 of the Law on energy transition for green growth.4

**Green finance**

The Banque de France participated in the G20 working group on green finance, which published its summary report5 in September 2016. It monitors and encourages efforts by the Paris financial sector to develop safe and efficient instruments to finance the energy transition, following the example of green bonds.

**Financial centre resilience**

The Banque de France carries out regular crisis management exercises with financial centre participants (banks, market infrastructures, regulators, etc.) to test the resilience of the markets, the cash cycle, payment instruments and communications. One of the most extensive and high-profile of these tests was the EU Sequana exercise (see box), which was conducted in coordination with public authorities and in full view of the media.

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4 https://www.legifrance.gouv.fr/eli/loi/2015/8/17/DEVX1413992L/jo#JORFTEXTA000031044390

THE EU SEQUANA SEINE FLOOD EXERCISE

On 7 and 8 March 2016, the Paris Resilience Group\(^1\) took part in the first crisis management exercise involving a simulation of a major flood of the River Seine in the Île-de-France region (EU Sequana). Organised in conjunction with the Paris préfecture de Police (Police Authority), this broad-reaching operation allowed participants to test their coordination and communication capabilities, with a focus on the following areas:

- the cash cycle: ability of cash operators to replenish ATMs with banknotes in the face of severe traffic disruption in Paris (identification of ATMs that should be earmarked for priority delivery to avoid a banknote shortage, and suggestions as to back-up locations that can be called on to supply sufficient notes);

- the liquidity of the banking system: test involving a fictitious bank facing operational difficulties that pose a threat to its ability to settle interbank transactions;

- communication: simulation of media pressure throughout the exercise.

Thanks to the strong involvement of all stakeholders, the exercise proved a resounding success. It provided an opportunity to test the sector’s ability to continue performing its public interest functions (notably the provision of cash) in the event of a severe crisis.

The drill also confirmed the resilience of the system, which was subsequently put to the test in real life when the Seine and its tributaries burst their banks in June 2016.

Services to the economy

- business surveys
- VSE correspondents
- expertise
- diffusion
- individuals
- companies
- monitoring
- banking inclusion
- mediation
- right to an account
- over-indebtedness
- consumer protection
- rating
- assessment
- support
- monitoring
The Banque de France provides a wide range of economic services to the community

consumer protection, access to banking services, processing of household over-indebtedness cases

business surveys, economic analysis, company monitoring, publication of statistics

The Banque de France protects and informs individuals

Protecting consumers of financial services

The secrétariat général de l’Autorité de contrôle prudentiel et de résolution (SGACPR – the French Prudential Supervision and Resolution Authority General Secretariat) is responsible for supervising business practices in the banking and insurance sectors. This supervision extends to intermediaries of the two sectors and covers all stages in the marketing and distribution of products and services, from advertising through to contract execution.

Its relevant powers are:

• on-site or remote supervision;

• administrative enforcement measures;

• referral to the Sanctions Committee for disciplinary procedures;

• publication of the ACPR’s position on specific regulations;

• best practice recommendations.

The SGACPR cooperates with the Autorité des marchés financiers (AMF – the French Financial Markets Authority), within a joint unit, as well as with the government bodies in charge of competition, consumer affairs and fraud control.

The ACPR and the Banque de France network have been working together for several years in the field of customer protection. A project has been launched to set up regional control centres. This enhanced collaboration will improve the supervision of practices across the country.

Unclaimed life insurance policies: report to parliament

In the insurance sector, on 29 April 2016, the ACPR submitted a report to the French parliament on unclaimed life insurance policies and on the actions it had taken to get insurers to pay beneficiaries.

The ACPR’s specific action plan aimed at 28 insurers produced significant effects. While the stock of unclaimed policies can be estimated at roughly EUR 5.4 billion, the sums deposited in fine at the Caisse des dépôts et consignations were reduced due to intense searches conducted by the insurers.
Parliament welcomed “the extent and effectiveness of the ACPR’s actions to ensure that insurers complied with their obligations” and commissioned a second report, this time on the measures taken by insurers for the liquidation of supplementary pension policies.

Preventing internet fraud

An increasing number of internet frauds have been reported, which has led the ACPR to regularly alert the public as to the nature of the frauds that have come to its attention. In 2016, eight press releases on this subject were issued. A press conference was organised and the information widely relayed (see highlights). Educational messages are also regularly published for the general public on the Assurance Banque Épargne Info Service (ABE IS) website. The ACPR also works to obtain the closure of illegal domain names or sites.

Preventing and dealing with over-indebtedness

The management of major payment incident registers: a risk prevention tool

The French parliament has charged the Banque de France with managing several registers aimed at preventing over-indebtedness and making payment instruments more secure.

- The Central Cheque Register (FCC) lists all payment incidents relating


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**Highlights**

31 March 2016
The ACPR, AMF, DGCCRF and Paris High Court hold a joint press conference on the fight against online financial crime.

29 April 2016
Submission of a report by the ACPR to the French parliament on unclaimed life insurance policies and the steps taken to get insurers to pay beneficiaries.

**Key figures for 2016**

<table>
<thead>
<tr>
<th>Letters and calls received (mostly via the ABE IS telephone platform)</th>
<th>Sanctions imposed on insurance intermediaries</th>
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<tbody>
<tr>
<td>363,856</td>
<td>• On 16 April 2016, for inadequate training of employees who did not have enough professional experience when recruited</td>
</tr>
<tr>
<td>2</td>
<td>• On 22 December 2016, for lack of training, failings in the remote provision of pre-contractual information, and breaches of advisory duty by health and welfare insurance intermediaries</td>
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to cheques and bank cards, with a view to combating the issue of bad cheques and the misuse of bank cards.

- The National Database of Household Credit Repayment Incidents (FICP) records payment incidents related to loans granted to individuals for non-professional purposes as well as information on measures taken to resolve over-indebtedness.

- The National Register of Irregular Cheques (FNCI) compiles and disseminates data to retailers and service providers seeking to verify the validity of cheques (details on stopped cheques, lost or stolen cheques, cheques drawn on closed accounts).

2016 was marked by several legislative changes, notably the introduction of an obligation for lending institutions to check the FICP before granting a real estate loan.

The provision by the Banque de France of secretariat functions for the departmental Household Debt Commissions

As part of the task entrusted by the government to the Banque de France, the Bank’s branches provide secretariat functions for the departmental Household Debt Commissions. These collegiate administrative bodies work under the supervision of the courts to draw up and propose solutions for individuals facing serious financial problems.

New legislation to simplify the over-indebtedness procedure and make it more effective

Major legislative changes came into force on 1 July 2016, such as the reduction of the legal duration of debt resolution measures from eight to seven years in order to provide faster solutions to people in financial difficulty, and the introduction of provisions to help households keep their home.

The year 2016 was also marked by several other legislative changes which will take effect on 1 January 2018 and in which the Banque de France was strongly involved.

- Adoption of Act No. 2016-1691 of 9 December 2016, which simplifies and speeds up the debt resolution procedure by reserving out-of-court settlements for cases where the debtor owns a property. It also improves its efficiency by addressing the cause of the majority of the failures currently observed in this type of settlement.

- Adoption of Act No. 2016-1547 of 18 November 2016, which speeds up the implementation of debt resolution measures by enabling the commissions to directly impose debt cancellation plans without prior approval by the district court. It simultaneously increases the involvement of magistrates in the event of a dispute by extending the
time allowed for appealing against and contesting a decision.

A faster and more efficient procedure thanks to increased use of digital technology
The Banque de France is increasingly digitising its exchanges with external partners. In 2016, it set up a household debt portal which will progressively be accessible to all parties involved in the debt resolution procedure.

The new portal is divided into two sections:

- the “commissioners’ portal” enables commission participants to examine cases under review;
- the “creditors’ portal”, which entered the test phase in December 2016, will be rolled out to new “test” creditors in the first quarter of 2017 and will give users the option of transferring files in digital format.

In compliance with Article L331-12 of the Consumer Code, each Household Debt Commission produces an annual report on its activities, specifying the number of cases handled, the measures taken or recommended, the types of debt in question, and any difficulties encountered (see Appendix 4: “Summary of the Household Debt Commissions’ activity reports for 2016”).

Each year, the Banque de France also conducts a typological survey on household over-indebtedness. The latest edition, concerning 2016, was published at the end of January 2017. Similarly, in 2016, a specific survey on first-time applicants was conducted (see box).

Main results of the 2016 survey on household over-indebtedness

- 370 cases for every 100,000 inhabitants aged 15 and over (national average)
- 82% of measures taken by the commissions were long-term solutions
- 210,000 cases of household over-indebtedness resolved and closed
- 42,334 euro: average amount of debt per individual, up 2.6% compared with 2015
- 66.1% of individuals affected live alone and are in precarious employment
- 51.2% share of debt related to consumption and current expenses

The Bank’s action in favour of banking and financial inclusion
The Banque de France works constantly to promote banking inclusion, improving access to suitable banking services for people in financial difficulty while ensuring best practices are implemented by credit institutions.

The Bank is notably responsible for implementing the legal “right to an account” procedure, which was set up in 1984 for individuals and organisations that have been refused a bank account. Under the system, applicants can ask the Banque de France to designate a high street credit institution to provide them with basic banking services, free of charge.

7 https://particuliers.banque-france.fr/surendettement/etudes-sur-le-surendettement
HOUSEHOLD OVER-INDEBTEDNESS: ANALYSIS OF FIRST-TIME APPLICANTS

In order to facilitate the understanding of over-indebtedness, the annual typological survey was extended to include a section focusing on first-time applicants. This second survey uses a decile approach that better illustrates the diversity of individual situations (in 2015, one in two first-time applicants had financial debt of less than EUR 13,200 – which is therefore the median – much lower than the average level of financial debt for this group, which is EUR 36,200). It also highlights the fall in the share of consumer credit in overall financial debt following the entry into force of the Lagarde Act, and provides an insight into the steady decrease in the number of cases submitted over the past three years.

Number of first-time over-indebtedness applications submitted between 2013 and 2015 (% and number)

![Graph showing the number of first-time over-indebtedness applications submitted between 2013 and 2015.]

Source: Banque de France.
Note: Submitted cases declared to be eligible or ineligible by Household Debt Commissions.

Key figures for 2016

- 66,700 demands sent to banks requesting they open a basic bank account
- 100% increase in number of demands sent to banks between 2009 and 2016
- 85% of basic bank accounts opened were for individuals

The Observatory for Banking Inclusion, set up by the Law on the separation and regulation of banking activities of 26 July 2013, is “responsible for collecting information on access to banking services for individuals not acting for professional reasons on the use that these persons make of these banking services and on the initiatives taken by the credit institutions in this area”. Under the chairmanship of the Governor of the Banque de France, it brings together representatives of public bodies, credit institutions and associations involved in the fight against poverty and exclusion.

The report of the Observatory for Banking Inclusion for 2015 highlights a number of important points.

- Approximately 3 million bank customers can be considered to be financially vulnerable.
- Access to bank accounts is very widespread but there is still room for improvement (96.6% of adults had a bank account in 2014 according to the World Bank, better than the OECD average). Passbook accounts and payment cards with systematic authorisation are among the solutions used to provide vulnerable segments of the population with certain basic banking services.
- Personal microcredit (EUR 165 million in outstanding loans at end-2015) and professional microcredit (around EUR 1 billion in outstanding loans), supported by specialised associations, are means of providing financially vulnerable populations with access to credit without causing over-indebtedness.
- Professional microcredit (EUR 165 million in outstanding loans at end-2015) and personal microcredit (around EUR 1 billion in outstanding loans) are among the solutions used to provide vulnerable segments of the population with certain basic banking services.
- The monthly nationwide business survey provides statistical and survey data for a detailed analysis of the economic situation.
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The monthly nationwide business survey data for a detailed analysis of the economic situation.

Business surveys:
- summarises the work done on monitoring and analysing business conditions, and provides an assessment of the French economy to the ECB, public authorities and any other interested parties;
- is conducted through the Bank’s branch network across a broad panel of business managers;
- covers manufacturing, market services, construction (activity levels and outlook) and retail trade, and includes turnover indices.

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- Access to bank accounts is very widespread but there is still room for improvement (96.6% of adults had a bank account in 2014 according to the World Bank, better than the OECD average). Passbook accounts and payment cards with systematic authorisation are among the solutions used to provide vulnerable segments of the population with certain basic banking services.
- Personal microcredit (EUR 165 million in outstanding loans at end-2015) and professional microcredit (around EUR 1 billion in outstanding loans), supported by specialised associations, are means of providing financially vulnerable populations with access to credit without causing over-indebtedness.
- Professional microcredit (EUR 165 million in outstanding loans at end-2015) and personal microcredit (around EUR 1 billion in outstanding loans) are among the solutions used to provide vulnerable segments of the population with certain basic banking services.
- The monthly nationwide business survey provides statistical and survey data for a detailed analysis of the economic situation.
- Business surveys bring together representatives of public bodies, credit institutions and associations involved in the fight against poverty and exclusion.

The monthly nationwide business survey data for a detailed analysis of the economic situation.

Business surveys:
- summarises the work done on monitoring and analysing business conditions, and provides an assessment of the French economy to the ECB, public authorities and any other interested parties;
- is conducted through the Bank’s branch network across a broad panel of business managers;
- covers manufacturing, market services, construction (activity levels and outlook) and retail trade, and includes turnover indices.
The Banque de France also carries out and publishes quarterly surveys on wholesale trade and public works, as well as on the financial situation in manufacturing. Summaries for each region are published on the Bank’s website.8

In 2016, the business surveys were made more comprehensive with the inclusion of 300 new service companies in the panel of respondents.

Other statistics produced by the Banque de France

The Banque de France has developed a system for collecting monetary, financial, balance of payments and corporate financing statistics, which helps to provide a detailed picture of the economic situation, inform economic analysis and forecasts, and support Eurosystem monetary policy decisions (see chapter on “Monetary strategy”). The statistics are available to researchers and economic decision-makers on the Banque de France’s website as well as via an Open Data Room.

In 2016, the Banque de France shortened the publication deadline for the monthly balance of payments (from 15 to 12 days on average) and its dissemination policy is now in line with the best international standards: it now publishes its data faster than any other major euro area country and faster than the United States. Above all, it provides the public, media and government with simultaneous access to data on trade in goods (established by restating customs data), services and financial flows.

8 https://www.banque-france.fr/statistiques/tendances-regionales
These initiatives are part of a multi-year approach aimed at collecting and publishing more diverse information within a shorter timeframe, and improving the measurement of France’s international competitiveness and business climate.

Company ratings: a reference for prudential or monetary policy needs

The Banque de France has Eurosystem In-House Credit Assessment System (ICAS) status and is a recognised External Credit Assessment Institution (ECAI). Accordingly, its rating can be used:

- within the Eurosystem, to assess the quality of assets pledged as collateral for bank refinancing operations;
- by credit institutions, to assess the quality of their credit commitments and determine their regulatory capital requirements.

The rating also provides business leaders with an external analysis of their credit quality and enables them to identify the determining factors in said analysis. This improves dialogue between banks and companies by offering a shared, recognised point of reference.

The Banque de France applies an “expert assessment” approach based on an individual and in-depth analysis of the financial and non-financial situation of the companies or groups. It rates more

**The Banque de France Rating System**

A composite indicator made up of two elements:

- the turnover rating, which is only awarded if there are recent figures available showing significant turnover, and ranges from A (turnover of EUR 750 million or more) to M (turnover of less than EUR 100,000);
- the credit rating, which is an assessment of solvency risk. In descending order of quality, the ratings are 3++, 3+, 3, 4+, 4, 5+, 5, 6, 7, 8, 9 or P. A rating of 0 is awarded if there are no recent accounting documents available, as well as no unfavourable information. Ratings 7 to 9 are awarded in the case of payment incidents, while a P rating is given to companies in insolvency proceedings (turnaround procedure or liquidation).

**Key figures for 2016**

- 7.4 million businesses recorded in the FIBEN database at 31 December 2016
- 14 million FIBEN searches
- 256,228 non-financial corporations (mainly SMEs) rated on the basis of their individual or consolidated financial statements. The rating threshold is set at EUR 750,000 of turnover
- 60% of companies rated as “eligible for refinancing” (ratings 3++ to 4), of which 96% have a turnover of less than EUR 50 million
non-financial companies on the basis of their financial statements than any other central bank within the Eurosystem. The rating threshold is set at EUR 750,000 of turnover.9

A new Banque de France task: monitoring the financing of companies

Pursuant to Article 169 of the Law of 6 August 2015 on economic growth, activity and equal opportunities (known as the Macron Law), Order No. 2016-1022 of 27 July 2016 extends the main tasks of the Banque de France to include the monitoring of corporate financing.

To fulfil this mandate, the Banque de France is authorised to request access to any documents and information it deems necessary. Tax officials are also authorised to contribute to the task by communicating any relevant information in their possession.

This extension of the Banque de France’s missions has increased the Bank’s knowledge of outstanding loans, which it has centralised since 1947, as well as its awareness of corporate financing methods for the purposes of statistical monitoring and financial risk supervision.

Credit mediation: engaging in dialogue to help save jobs

The Banque de France’s branch directors act as credit mediators in their respective départements, facilitating dialogue between companies and credit institutions and identifying solutions for companies that are struggling to get financing.

Since the service was launched in November 2008, over 51,000 companies have applied for credit mediation, of which 78% were admitted to the procedure. More than 21,000 businesses have been able to obtain financing after an initial rejection, helping to save or secure over 390,000 jobs.

From monitoring to supporting VSEs

Since 2011, the Banque de France has monitored the bank financing of very small enterprises on a quarterly basis (with a sample of 2,500 VSEs surveyed). In September 2016, it decided to step up its support for small businesses by creating a network of local VSE correspondents across all of France’s départements (metropolitan France and overseas). These contacts are tasked with meeting VSE managers, identifying their needs and referring them to the professional bodies best able to tackle their needs. They provide help with issues such as starting

Key credit mediation figures for 2016

- 2,780 applications received (down 7%), of which 68% were admitted to the procedure (70% in 2015)
- 1,048 companies received financing as a result of mediation (1,102 in 2015)
- 12,768 jobs saved or secured (18,379 in 2015)
- 64% success rate (61% in 2015)

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9 For very small enterprises with turnover of less than EUR 750,000 and for all companies for which the Banque de France does not have up-to-date financial documentation, a rating is assigned on the basis of information gathered from company registers and from the database of trade bill payment incidents (CIPE), without any financial or qualitative analysis.
and growing a business, obtaining funding, planning the transfer of a business, and preventing and resolving difficulties. As stressed by the Governor, François Villeroy de Galhau, “all VSEs will be welcome, including those whose business is expanding and who need information tailored to their growth and size”.

This free service is provided to managers of companies with fewer than ten employees whose turnover or balance sheet total is less than EUR 2 million. These tradesmen, retailers, hoteliers, restaurant owners, self-employed persons, construction professionals, etc. make up a total of 3.6 million VSEs, producing 20% of France’s value added and accounting for 20% of private sector employment.

The Banque de France’s VSE correspondents have built up an extensive network of contacts including consular chambers, approved management centres, financing bodies (traditional financing and crowdfunding) credit guarantee and insurance bodies, employers’ federations, chartered accountants, public administrations, and associations providing help to companies. In 2016, 22 partnership agreements were signed with these bodies and further contracts are expected in 2017.

Key figures for 2016

96 VSE correspondents in metropolitan France

6 VSE correspondents in the overseas départements (Guadeloupe, French Guiana, Réunion, Martinique, Mayotte, Saint Pierre and Miquelon)

1,463 representatives of professional organisations met
The Banque de France intends to help VSE managers find their way and, alongside its partners, is actively committed to achieving this objective.

In addition to appointing VSE correspondents, it has developed an online financial assessment tool, OPALE (see box above).

### Providing financial services to the government

Under an agreement signed with the French government, the Banque de France is responsible for managing the Treasury’s accounts. As part of this service, it provides the Treasury with a full range of cash management tools, as well as a computer system allowing it to carry out all its banking transactions (in particular the payment of public sector wages and the collection of taxes).

Given the legal constraints applicable (notably the prohibition of government overdrafts), the volumes processed, and the amount and sensitivity of the transactions involved, the service has been extensively modernised in recent years to keep pace with new technology and provide a broader range of banking transactions, both in euro and foreign currencies: these include cheques, direct debits, transfers, bank cards, settlement of securities transactions, interest calculations, cash management.

Every month, the Banque de France organises several auctions of Treasury securities (OATs, Treasury bills).

10 Debt auctions are carried out using the “Dutch auction” principle, also known as “multiple price and sealed price auction”. Before each auction, the Agence France Trésor (AFT) announces the amount it wishes to borrow. Then each primary dealer in government securities makes its bid by indicating the amount it wishes to buy and the price at which it is ready to buy.
Cities where regional head offices are located are indicated in capitals (e.g. LILLE).

In addition to these permanent sites, the Banque de France is also present in metropolitan France through 78 customer service and information offices.
Transformation strategy
Our Ambitions 2020 strategic plan

2016 was marked by the launch of the Banque de France’s Ambitions 2020 strategic plan, described by the Governor as a clear commitment to action. The plan aims to create the conditions for the Bank to better serve its country, and strengthen its position both in France and Europe.

Ambitions 2020 consolidates and gives fresh impetus to the transformations already underway, as well as setting out new measures to keep pace with increasingly rapid changes in our environment. In all, it comprises 59 concrete actions that are already being rolled out, each under the supervision of a “sponsor” and with regular progress monitoring by the Executive Board.

Overview of the Ambitions 2020 strategic plan

MONETARY STRATEGY
We want to increase confidence in the euro and inform the economic debate.

FINANCIAL STABILITY
In the wake of the financial crisis, we want to create a safer financial system capable of supporting economic growth in France and the euro area.

SERVICES TO THE ECONOMY
We want to work as closely as possible with economic agents on the ground and be recognised as an exemplary public service provider.

MORE EFFICIENT
We want to deliver the best possible service at the best possible cost.

MORE INNOVATIVE
We want to keep pace with our rapidly changing environment.

MORE VISIBLE
We want to engage more with the community and give the general public the full benefit of our expertise.

Ambitions for all our core missions

Ambitions for our staff

Ambitions to raise the profile of the Banque de France
### 10 key targets

<table>
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<th>Our staff</th>
<th>Our performance</th>
<th>Our influence</th>
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| **1** At least 1,000 new recruitments by end-2020, and 500 block-release contracts | **5** Around EUR 1 billion in investment over five years, including EUR 400 million for Ambitions 2020 and the branch network modernisation | **8** Steady increases in:
  - the Banque de France’s visibility
  - levels of customer satisfaction |
| **2** 200 new professionals/managers recruited from within the Bank by end-2020, with the aim of raising the proportion of staff in professional and higher categories to 35% | **6** Ensure all our pension commitments are fully covered in 2020, thanks to a strong financial performance | **9** Increase in the number of people benefiting from economic and financial education |
| **3** 9,800 FTE (full-time equivalent) staff by end-2020 | **7** 10% reduction in the net expenditure of our activities | **10** Ensure confidence in the euro in France is at least in line with the European average, and always greater than 60% |

**4** Increase in staff confidence in the Banque de France’s future to more than the 50% indicated in the 2014 BVA survey

**5** Increase in staff confidence in the Banque de France’s future to more than the 50% indicated in the 2014 BVA survey

**6** Ensure all our pension commitments are fully covered in 2020, thanks to a strong financial performance

**7** 10% reduction in the net expenditure of our activities

**8** Steady increases in:
  - the Banque de France’s visibility
  - levels of customer satisfaction

**9** Increase in the number of people benefiting from economic and financial education

**10** Ensure confidence in the euro in France is at least in line with the European average, and always greater than 60%

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**Ambitions 2020 focuses primarily on the Banque de France’s core missions**

**Monetary strategy**

To increase confidence in the euro and inform the economic debate, the Banque de France strives to play a lead role in the definition and implementation of monetary policy within the European federal system.

The Bank has built up recognised expertise in market operations, the management of foreign currency reserves, the piloting of projects and the oversight of market infrastructures. As a core contributor to the ECB’s asset purchase programmes, it proposes monetary policy operations that are adapted to conditions in the market with the aim of facilitating the financing of the real economy.
The Banque de France is continuing to enhance its competitiveness in all areas of the banknote industry, from manufacture right through to issuance. Capitalising on its status as the Eurosystem’s only publicly owned printer and the only national central bank to have its own paper mill, the Bank aims to improve the efficiency and reliability of the entire cash cycle. It has already launched various projects to boost the performance of its industrial apparatus, notably a large-scale plan, begun in 2016, to transfer the printing works in Chamalières to the site in Vic-le-Comte. The move will allow the Banque de France to cement its position as the Eurosystem’s leading banknote manufacturer.

Work is also continuing on the modernisation of the branch network, with the grouping together of banknote sorting activities at those sites handling the highest volumes. The project involves the installation of standardised sorting equipment and the streamlining of internal logistics, and has already led to a complete overhaul of operations at the branches in Amiens, Avignon, Brest, Caen and Rennes.

In the autumn of 2016, the Banque de France began moves to open up its data to the public, with the inauguration of an Open Data Room for external researchers. It also launched “Webstat 2016”, the new version of its Webstat portal which provides access to some

PARIS-LA COURNEUVE: START OF CONSTRUCTION ON THE SECOND CASH MANAGEMENT CENTRE ON 10 JUNE 2016

Located on a four hectare site in La Courneuve (Seine-Saint-Denis), the new centre will take over the cash activities currently carried out at the Banque de France’s headquarters in central Paris, as well as those of the four institutional cash centres in the Île-de-France region. Once opened, it will handle more than a billion banknotes per year, or close to a quarter of the total annual volume processed by the Banque de France.

The offices, which are currently undergoing renovation, will also house the Seine-Saint-Denis branch of the Banque de France, together with the directorate responsible for piloting all national cash cycle activities.

Delivery of the new premises is scheduled for the first quarter of 2018. The site will then open up gradually for business, and should be fully operational by the start of 2019. Designed to high architectural and security standards, and with French Haute qualité environnementale (HQE – High Environmental Quality) environmental certification, the buildings will ultimately house around 350 staff.
30,000 aggregated series in an updated and easy-to-use format. The next stage will be the creation of a vast multi-disciplinary and multiformat data repository (Data Lake), which will allow the Bank to offer a flexible data processing service.

The Banque de France uses the research produced by its economists to contribute to the public debate, and to prepare decisions ahead of Eurosystem Governing Council meetings and other international forums.

As a member of the Eurosystem, it collaborates with other euro area central banks on the design and implementation of shared systems for use in monetary policy operations. Following on from the Target2 settlement-delivery system (Trans-European Automated Real-time Gross settlement Express Transfer system) and Target2 Securities, it has begun using a new integrated tool, which it shares with the Banco de España, for the management of foreign currency reserves (MAPS – Market Activities Processing System).

**Financial stability**

The Banque de France’s goal is to build a sounder financial system capable of supporting growth in France and the euro area. As part of this, it seeks to maximise its influence in the field of financial stability and regulation by bolstering its forecasting capabilities and efficiency. The Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority), which is attached to the Banque de France, has become a driving force within the European Union for the formulation of proposals and initiatives. It shares its experiences with other EU members through the Single Supervision Mechanism (SSM), as well as conducting missions in non-EU countries to provide expertise in on-site supervision.

The ACPR is the French national supervisory body responsible for overseeing the euro area’s largest banks. It operates as an integrated supervisory authority, which means

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**ADAPTING FINANCIAL REGULATION/SUPERVISION TO THE DIGITAL REVOLUTION: THE FINTECH INNOVATION UNIT**

In response to the proliferation of start-ups in the financial sector (FinTechs), notably in payments, crowdfunding, advisory services and insurance, and moves by incumbent players to incorporate digital technology into their business, the ACPR decided to devote greater resources to the challenges of digital finance with the creation in June 2016 of a FinTech Innovation Unit.

The unit seeks to cooperate with innovators at an early stage in their projects, to ensure that all regulatory issues are rapidly taken into account and speed up the process for obtaining a licence. In 2016, the FinTech Innovation Unit met with around a hundred FinTechs, incumbents and other stakeholders in the FinTech ecosystem.

In conjunction with the Autorité des marchés financiers (AMF – the French Financial Markets Authority), the unit has set up a FinTech Forum, a consultative body on the regulation of innovation, comprising public authorities, FinTechs, banks, insurers and experts. The forum is currently working on the notion of regulatory proportionality, that is how to calibrate the regulatory framework at just the right level so that it protects the interests of consumers without stifling innovation.
it is attached to the central bank, as well as having responsibility for the prudential oversight of both banks and insurers, and for the monitoring of business practices (prevention of money laundering, protection of customers, including via the creation of regional units in the branch network).

The Banque de France has been assigned a new, central role in the oversight of cashless payment systems: it chairs the newly created National Cashless Payments Committee and helps to run the new Observatory for the Security of Payment Means (see chapter on “Monetary strategy”).

**Provision of services to the economy**

The Banque de France strives to work as closely as possible with economic agents on the ground and to achieve recognition as an exemplary public service provider. In line with this goal, it is developing new and efficient services targeted at businesses (dedicated correspondents to advise very small enterprises or VSEs, online financial diagnostics tool), individuals (launch of web portals, improvement of customer contact, creation of an appointment service for over-indebted individuals) and local authorities. It is also committed to strengthening its position as banker to the government.

The network modernisation plan, which is already underway, will bring the Banque de France up to speed with changes in technology and in the country. It will also ensure that the Bank maintains a visible and durable presence in all of France’s 13 regions, alongside social and educational services and key local decision-makers. Under the plan, the Banque de France is investing continuously in new digital technology to improve access to its services and optimise the handling of over-indebtedness and business files.

In 2016, the Banque de France was given responsibility by the Minister of Finance for steering France’s financial education strategy. In keeping with this mandate, it has launched numerous initiatives to educate the general public, including training courses for teachers and social workers, and the creation of the “Citéco” and “Mes questions d’argent” web portals, which provide access to useful resources and documents (see chapter on “Corporate social responsibility”).

The gradual tie-up of the Banque de France and the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements), which began with the creation of the euro area in 2002, reached a new milestone in January 2017 with the conversion of the overseas banknote issuer into a wholly-owned subsidiary. The move will unlock even greater synergies between the two entities in the services they provide to the overseas economies.

**Key figure for 2016**

3.5 million queries from the general public
The Law of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy transformed the *Institut d’émission des départements d’outre-mer* (IEDOM – the French note-issuing bank for the overseas départements) into a wholly-owned subsidiary of the Banque de France, with effect as of 1 January 2017.

Prior to this decision, the IEDOM was a state-owned body and, for historical reasons, was still largely controlled by the *Agence Française de Développement* (AFD – French Development Agency). However, following the introduction of the euro, the IEDOM began joining up its operations with the Banque de France. Its missions remain unchanged and consist primarily in the provision of central bank functions to the French overseas départements and collectivities, under the aegis of the Banque de France.

**Ambitions 2020**
also includes aspirations for the women and men working at the Banque de France

A large part of the strategic priorities in **Ambitions 2020** is concerned with adapting our human resources to meet the challenges of the transformation plan.

**A revised management model**

Managers are encouraged to take on greater responsibilities via an annual evaluation system, the decentralisation of certain HR decisions and a variable remuneration scheme.

The Bank is also seeking to recruit candidates with higher qualifications, and is encouraging staff to acquire additional skills and diplomas to enhance their careers.

The transformation plan should allow the Bank to replace only part of the headcount lost through natural attrition without impacting or reducing any of its core activities. This will of course mean placing a strong emphasis on reorganising its human resources, notably via three core axes: mobility, adaptability and internal promotions.

- Increasing staff mobility is crucial in order to successfully transform an organisation such as the Banque de France, where staff turnover and

**PROFESSIONAL CERTIFICATION IN STATISTICS**

One of the Bank’s goals is to encourage professional training for its staff. As part of this, the Directorate General Statistics has developed an ambitious statistics course in conjunction with Ensae-Ensai Formation Continue (a French centre for lifelong learning in finance and economics), offering all staff a chance to update and perfect their skills. Twenty data analysts and fourteen data scientists received professional certification in 2016 or are expected to do so in the first half of 2017. The training programme is to be expanded further in the coming months.
external recruitment are traditionally low. Encouraging mobility forms an essential part of any company’s talent management strategy; however, in the Bank’s case, it also fits with its policy of opening up more to the outside world, as it incorporates opportunities for external transfers (notably within the ESCB – European System of Central Banks).

- In parallel with this strategy, major efforts are being made to encourage adaptability: staff at the head office or in the network branches who change jobs and/or assignment will be provided with ongoing training.

- The growing need for more qualified profiles together with a reduction in recruitments has made it even more important to use internal promotion to fill positions in professional and higher categories.

The new agreement on the long-term management of jobs and skills, signed in 2016, is designed to provide greater visibility over the roles that will be needed in the future. This will allow the Bank to identify the training courses and job conversions it needs to prioritise leading up to 2020, to ensure it has the right skills to cover its needs.

**Headcount**

At 31 December 2016, the Banque de France had 11,690 full-time equivalent (FTE) employees, of which 85% were tenured staff and 15% contract staff.

Some 49% of staff work at the Bank’s head offices or at the ACPR, while 43% work in the branch network and 8% at the banknote manufacturing sites.

In 2016, total headcount declined by 4.7%, or by 579 FTEs. The reduction was largely a result of the Bank’s demographic structure, as 36% of the workforce are aged 55 and above. A total of 715 staff took retirement.
in 2016 and more than 2,800 are expected to follow suit between now and 2020. By the end of 2020, headcount is expected to have fallen by 20% relative to 2015, to a total of 9,800 FTEs.

**Ambitions 2020 aims to raise the Banque de France’s profile by making it more efficient, more innovative and more visible**

**A more efficient Bank**

Providing the best possible service at the best possible cost means boosting productivity and controlling overheads; as a consequence, by end-2020, the Banque de France is targeting a 10% cut in the net expenditure of its activities relative to 2015. In 2016, net expenditure fell by 2.15% year-on-year, which is fully in line with this goal. Efforts are also being made to simplify working methods, while also placing greater emphasis on the customer experience and on levels of satisfaction. In addition, the Banque de France is strengthening its management of risk, with a particular focus on cyber-risk and the threat of money laundering and terrorist financing in its banking and financial activities.

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**Key figures for 2016**

- 8% working at banknote manufacturing sites
- 10% reduction in headcount over the past 10 years
- 2.15% reduction in net expenditure of activities
A more innovative Bank

To keep pace with its rapidly changing environment, the Banque de France is investing heavily to improve its positioning in all areas of innovation.

The digital transformation is being piloted by a new cross-business Chief Digital Officer, whose job it is to disseminate a digital culture and ensure that the right tools are rolled out in a responsible manner.

The Bank’s digital strategy can be broken down into four main focuses: the digitalisation of business processes; improved cross-disciplinary data sharing and exploitation; the development of new, more collaborative usages; and the development of innovations.

A more visible Bank

The Banque de France’s ambition is to open itself up and engage more with the general public, to allow them to take better advantage of its expertise. The new website is targeted more directly at the main categories of user (businesses and individuals), as well as providing easier access to publications and teaching resources, along with a range of online subscriptions (to research publications, alerts).

THE BANQUE DE FRANCE LABORATORY

The Banque de France Laboratory is scheduled to open in the first half of 2017. Designed as a test centre where the directorates can analyse innovations in their field, the facility will allow them to assess the opportunities and risks posed by new technologies and gauge their future implications for the Bank. Innovators such as FinTechs and start-ups will also be invited to help conduct experiments.

ECO NOTEPAD
(ECONOMICS BLOG)

At the end of 2016 the Banque de France launched an economics blog, known as Eco Notepad, which is accessible from the homepage of its new official website.¹ The blog consists of a series of short, explanatory analyses or posts drafted by Banque de France economists. Its aim is to showcase the Bank’s research and expertise, and to shed light on the economic, financial and monetary debate.

¹ https://blocnotesdeleco.banque-france.fr/en
THE IT CENTRES IN NOISIEL AND SERRIS

In September 2016, the Governor inaugurated the newly renovated Marne la Vallée IT Centre at the administrative premises in Noisiel, marking the completion of the Bank’s project to equip itself with state-of-the-art, scalable and environmentally friendly technology.

With its other site at Serris, the Banque de France now has two major data centres, which together form the bedrock for its services to the national and European economies. The Bank is also taking steps to develop a large-scale IT hosting service targeted at central banks and public authorities, and has already begun discussions with its first potential clients.

Following its launch in 2016, Ambitions 2020 has now entered its first year of implementation in 2017, and many of the planned actions have already been rolled out. The transformation is designed to speed up the creation of a Banque de France for the 21st century, with the ultimate goal of making it an exemplary public service provider.

Key figures for 2016

- 2 Green IT centres
- 6,500 servers (o/w 4,500 virtual servers)
- 6 petabytes of data
Governance

branch network
executive bodies
risk management
audit committee
control bodies
operational management
regions
governor
executive committee
Governance

Executive bodies

Governor and Deputy Governors

The Banque de France is managed by its Governor and two Deputy Governors. The Governor chairs the General Council and prepares and implements its decisions. The Governor and the Deputy Governors are appointed by decree by the Council of Ministers for a six-year term, which may be renewed once. François Villeroy de Galhau was appointed Governor of the Banque de France as of 1 November 2015, by Decree of 30 September 2015.11

The Governor is also Chairman of the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority), the Comité de la médiation bancaire (Banking Mediation Committee), the Observatoire de la sécurité des moyens de paiement (Observatory for the Security of Payment Means), the Observatoire de l’épargne réglementée (Observatory for Regulated Savings) and the Observatoire de l’inclusion bancaire (Observatory for Banking Inclusion). He is a member of the ECB Governing Council and the Haut conseil de stabilité financière (HCSF – High Council for Financial Stability).

The Executive Committee

The Executive Committee is at the heart of the operational functioning of the Banque de France. Chaired by the Governor, the Executive Committee is composed of the Deputy Governors, the Directors General, the Deputy Secretary General and the Legal Affairs Director. The Director General of the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements) and of the Institut d’émission d’outre-mer (IEOM – the French overseas note-issuing bank) is also a member of the Executive Committee.

Operational management bodies

Two bodies play a crucial role in the conduct of investment policies and market operations: the Assets-Liabilities Committee and the Risk Committee. The Assets-Liabilities Committee, chaired by the Governor, advises the latter on the Bank’s portfolio investment strategy (both for euro and foreign currency denominated portfolios). The Risk Committee, chaired by a Deputy Governor, sets out the risk framework under which market operations are conducted for the Bank’s portfolios as a whole.

Three other committees are placed under the authority of the Secretary General: the IT Strategy Group, the Real Estate Strategy Group, and the Procurement Strategy Group.

11 Article 13 of the Constitution provides that henceforth the power of appointment of the President of the Republic shall be exercised after public consultation with the relevant standing committee in each assembly. Under organic Law No. 01602010837 of 23 July 2010, the nomination procedure for the Governor of the Banque de France is subject to this procedure.
**The branch network and the network’s executive committee**

The Banque de France branch network is organised around 13 regional directorates. The Banque de France network currently has 95 departmental branches (including 13 regional head offices), to which are linked 20 economic centres and 4 household debt centres. Services related to currency management are carried out in 51 of these establishments and 3 specialised centres (see map of Banque de France sites in chapter on “Services to the economy”). In order to facilitate user access to the public services provided by the Banque de France (household debt, access to payment incident databases, loan incidents, right to a bank account), 78 customer service and information offices have been opened in towns where the Banque de France does not operate permanent units.

Placed under the authority of the Director General of Services to the Economy and of the Network, the regional managers and the directors of the business areas and projects (cash management, companies and individuals) make up the executive committee of the network responsible for making its strategic choices.

### Decision-making and control bodies

#### The General Council

The General Council performs the main functions of a board of directors. It decides on issues relating to the management of the activities that do not fall within the remit of the European System of Central Banks (ESCB).

At 24 March 2016 the General Council was made up of the Governor, the Deputy Governors, and Philippe Aubéger, Agnès Benassy-Quéré, Catherine Barthélémy, François Calvarin, Élizabeth Ducottet, Michel Felce, the Banque de France staff representative, Marianne Laigneau, and Bernard Delas, the ACPR’s Vice-Chairman.

The meetings of the General Council are attended by a censor, Corso Bavagnoli, appointed by the Minister for the Economy, or his alternate, Antoine Saintoyant.

In 2016, the General Council met eight times.
Members of the Executive Committee
(at 1 March 2017)

1 Denis Beau
   Director General
   Financial Stability and Market Operations

2 Gilles Vaysset
   Director General
   Services to the Economy and of the Network

3 Marc-Olivier Strauss-Kahn
   Director General
   Economics and International Relations Directorate

4 Jacques Fournier
   Director General
   Statistics

5 Frédéric Peyret
   Director General
   Human Resources

6 Édouard Fernandez-Bollo
   Secretary General
   ACPR

7 Nathalie Aufauvre
   Secretary General

8 Érick Lacourrège
   Director General
   Banknote Manufacturing

9 Hervé Gonsard
   Director General
   IEDOM and IEOM

10 Didier Elbaum
    Comptroller General

11 Michel Cardona
    Deputy Secretary General
    Committee Secretary

12 Jacques Milleret
    Director
    Legal Affairs
The Audit Committee

The Audit Committee is charged with keeping the General Council informed about issues relating to financial reporting, external and internal auditing, internal control and risk management. It was informed in this respect of the conclusions of the external auditors’ work related to 2016.

The Committee also examined:

• the main conclusions of internal audits and the progress report on the action plans drawn up by the audited units;
  • the audit programme for 2017;
  • developments in the area of permanent control and risk management, especially those relating to market operations.

Compensation Committee

The Compensation Committee reviews the remuneration of the Bank’s senior management.

Internal Audit

Internal Audit

All of the Bank’s subsidiaries, processes and activities fall within the remit of Internal Audit. Its missions are conducted by the General Inspectorate both at the Bank’s head offices, and in units outside Paris.

Internal Audit establishes its annual work programme on the basis of risk priorities. Its primary mission is to oversee the implementation and the effectiveness of management, risk control and internal audit processes within the Bank, while ensuring that its operations are conducted to the highest standard and providing advice on improvements to be made. By helping the Bank to attain its objectives, Internal Audit contributes to enhancing corporate governance.

With regard to both the organisation and the conduct of audit missions, the Banque de France’s Internal Audit complies with the international standards for the professional practice of internal auditing as defined by the Institute of Internal Auditors (IIA). Internal and external assessments
are regularly carried out to ensure that the internal audit complies with these international standards.

The work of Internal Audit is also carried out in accordance with ESCB guidelines. The Comptroller General and the Director of Head Office Audit are permanent members of the ESCB Internal Auditors Committee (IAC), which meets several times a year at the European Central Bank (ECB). Together with their counterparts at the other national central banks (NCBs) and the ECB, they draw up the Eurosystem’s audit programme and oversee the conduct of audits under the aegis of the Internal Auditors Committee (IAC). The IAC submits the findings of its work to the Audit Committee and the ECB Governing Council; those related to the Single Supervisory Mechanism (SSM) are also reported to the prudential supervisory board.

**Risk management**

The Banque de France manages operational risk and carries out permanent control with a twofold objective:

- enhancing overall management by assessing, on the one hand, all operational risks as well as the procedures and action plans aimed at reducing these risks and, on the other hand, the relevance and effectiveness of the control arrangements;
- adopting the best practices in place within the ESCB and those recommended by the Basel Committee.

In 2016, the Banque de France adopted the “three lines of defense” model proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During the recent period, marked by heightened terrorist threats in France, and more generally the greater focus on this problem by the international community, notably via the Financial Action Task Force (FATF), the Banque de France stepped up its vigilance of the operations entrusted to it under its different remits.

Scrupulous scrutiny of operations with the public is therefore tailored to the nature of the transactions. An example of this are the procedures in place in the network covering the exchange of euro banknotes, in good condition or damaged, aiming to prevent money laundering.

Transactions carried out on behalf of institutional customers are subject to the same scrutiny. Other specific arrangements and measures are in place for these transactions.

Like for other French financial institutions subject to these obligations, in the event of suspicions over the lawfulness of the operations entrusted to it, the Banque de France reports suspicious transactions to TRACFIN (Processing of Information and Action against Clandestine Financial Activities), the dedicated department attached to the French Ministry for the Economy and Finance. After it analyses them, TRACFIN sends the dossiers it deems necessary to the judicial authority and partner authorities.
Corporate social responsibility

commitments

ABC de l’économie

partnerships

corporate social responsibility

climate

integration

sponsorship

economic and financial education

parity

prevention

solidarity

environment

skills

microcredit

diversity
The Banque de France serves the nation in a wide range of areas, including monetary strategy, financial stability and services to the economy. But beyond its tasks, corporate responsibility influences the way in which it carries out its role as a central bank on a daily basis.

Thus, the Banque de France has been involved for several years in corporate social responsibility (CSR) actions in the field of economic and financial education or research, and cultural or community sponsorship. It seeks to promote social inclusion through preventive or supportive measures for the most fragile populations and to facilitate balanced financing for businesses, in particular small and medium enterprises (SMEs) and very small enterprises (VSEs). It intends to assume its environmental responsibility with regard to the energy transition. It acts as a responsible employer vis-à-vis its employees.

In 2016, the Banque de France decided to take it a step further...
by integrating the CSR into its Ambitions 2020 strategic plan, as a reaffirmed objective at the service of society. To this end, it has developed a strategy and put in place reinforced governance, involving all of its Executive Committee.

Today, the CSR strategy consists of four commitments (see diagram) broken down into 11 priority actions with objectives, targets and performance indicators in order to measure progress (see CSR dashboard below).

All these commitments are embodied in a new CSR Charter\textsuperscript{12} adopted in December 2016.


\textsuperscript{12} \texttt{https://www.banque-france.fr/en/banque-de-france/corporate-social-responsibility/strategy-and-commitments}

### CSR dashboard

<table>
<thead>
<tr>
<th>Priority actions</th>
<th>Indicators</th>
<th>Targets for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Strengthening the economic and financial education of the general public</td>
<td>Composite indicator • Portal visits (number of pages viewed) • Number of teachers informed • Number of social workers trained</td>
<td>• 700,000 pages • 2,000 teachers • 18,000 social workers</td>
</tr>
<tr>
<td>2 Supporting research sponsorship</td>
<td>Number of conferences and workshops organised with all the partner universities of the Bank, including conferences organised within the framework of the Banque de France Foundation (20 in 2016)</td>
<td>At least 25 events organised</td>
</tr>
<tr>
<td>3 Diversifying cultural sponsorship</td>
<td>Number of persons admitted to the Bank’s heritage sites at headquarters and in the regions</td>
<td>Between 15,000 and 20,000 visitors</td>
</tr>
<tr>
<td>4 Preventing and resolving over-indebtedness</td>
<td>Rate of household debt files resubmitted\textsuperscript{a} (45% in 2016)</td>
<td>37% of resubmissions</td>
</tr>
<tr>
<td>5 Promoting banking inclusion and microcredit</td>
<td>• Total outstanding microcredit in France (reference: EUR 1.2 billion at end-2015) • Indicator on banking inclusion (to be determined in 2017)</td>
<td>• EUR 2 billion outstanding amount of assisted microcredit</td>
</tr>
<tr>
<td>6 Contributing to the dynamism of businesses and territories</td>
<td>Number of VSEs assisted by departmental correspondents</td>
<td>6,000 VSEs</td>
</tr>
<tr>
<td>7 Supporting community actions</td>
<td>Number of staff projects supported per year (financial support and skills sponsorship)</td>
<td>At least 60 projects</td>
</tr>
<tr>
<td>8 Taking account of climate risk</td>
<td>Share of banks (percentage of bank assets) and insurance companies (percentage of technical reserves) made aware of climate risk (within the framework of the follow-up committee set up in 2017 and the conference scheduled for 2018)</td>
<td>Banks: at least 90% of assets Insurance : at least 70% of technical reserves</td>
</tr>
<tr>
<td>9 Reducing our environmental footprint</td>
<td>Reduction in annual CO\textsubscript{2} emissions</td>
<td>87,000 tonnes CO\textsubscript{2} (down 9% compared to 2014)</td>
</tr>
<tr>
<td>10 Fostering gender equality and diversity</td>
<td>Share of women in a position of director general or deputy, director or deputy, at Bank headquarters and in the network</td>
<td>30% of women in a top management position</td>
</tr>
<tr>
<td>11 Encouraging skill acquisition and career development</td>
<td>Number of employees that received a qualification via the Banque de France University</td>
<td>1,200 certified employees</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Household debt files which have already been processed by household debt commissions and which must be resubmitted in the light of the financial situation of the households concerned.
An educational and cultural commitment

Reinforcing the economic and financial education of the general public

The Banque de France, operator of the national financial education strategy

Appointed national operator on 20 December 2016, the Banque de France will start implementing a strategy in 2017 for providing better training to all audiences on budgetary and banking issues by making them relevant to their economic and financial situation. Ensuring that the general public masters basic economic, budgetary and financial concepts contributes to preventing over-indebtedness, reducing social inequalities and improving the functioning of the economy. Everyone is concerned, at all times of life, with a special focus on young people and the financially vulnerable. This new task is part of its economic and civic commitment, in that it amplifies and strengthens its actions in the service of the economy and individuals.

In a resolutely partnership-based approach, the Banque de France will mobilise its network and coordinate the already numerous actions of all the associative, institutional and professional players, in order to strengthen the economic, budgetary and financial skills of the public, by disseminating teaching resources and by providing training on how to use them.

With this in mind, the first step was the launching in January 2017 of an internet portal “Mes questions d’argent”, which provides quick and easy access to information selected for its clarity and neutrality. This portal is a very accessible gateway, an educational showcase consisting of

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13 https://www.mesquestionsdargent.fr/

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Key figures for 2016

- **19** partnership agreements signed with education authorities for the benefit of secondary school teachers and pupils
- **1,900** secondary school pupils welcomed at the Bank for their “Introduction to the business environment” internship, or visited in schools
links to contents selected from among those of all the portal’s partners.

In addition, in order to raise awareness among the young, the Banque de France has been working with the French Ministry of Education to co-develop the materials and tools designed to help teachers. 19 agreements have already been signed at the level of the education authorities, and 7 new ones are expected as well as a national agreement with the Ministry of Education, the Ministry of Agriculture and the Institut d’éducation financière du public (IEFP – the French institute for public financial information).

The branch network of the Banque de France and the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements) will implement this strategy with all the partners in all the départements.

Citéco, the Cité de l’économie et de la monnaie

The restoration and transformation of the Hotel Gaillard continued in 2016, with its inauguration scheduled for 2018. The travelling exhibition of Citéco made a new stop in Bordeaux (see box on the following page). The educational content was regularly enriched, either on the new website, citeco.fr (including two new animated
eductional videos on monetary policy) or via the social networks of the Cité de l’économie.

Other actions of the Banque de France in the field of economic education

The Banque de France pursued its efforts to make the economy accessible to all.

Educational workshops
In these workshops, professionals describe their experience and present an interactive and lively approach to understanding economic concepts and debates. These workshops, sometimes supplemented by guided tours, are held in the Banque de France’s premises.

The educational programme on the website
The Banque de France added to the range of free resources on its website dedicated to economic education.

Key figures for 2016

- **6** Citéco conferences organised in Bordeaux, with 700 participants, including 300 secondary school pupils
- **16,000** visitors to the exhibition “L’économie : krach, boom, mue ?”, including 5,700 school children
- **800** participants in educational workshops
education, “ABC de l’économie”. Audiences of all ages and from all walks of life now have at their disposal several collections of illustrated and comprehensive documents, written in a language accessible to all, such as “L’éco en bref”, the “Fort en éco” quiz, the “Mot de l’actu”. These sections cover topics related to economic news and fundamentals on currencies, central banks and monetary policy.

Participation in the *Journées de l’économie* in Lyon

The *Journées de l’Économie* (JECO) contributes to a better understanding of the challenges of our society, by democratising economic and financial culture, facilitating access to knowledge, bringing the education system closer to economic decision-makers, and involving a wide audience. Organised from 8 to 10 November 2016 by the Fondation pour l’Université de Lyon, with the collaboration of the Grand Lyon area and the Auvergne-Rhône-Alpes region, this event mobilised renowned economists and welcomed a large number of people, especially the young.

Through a dozen interventions, about twice as many as in 2015, the Bank demonstrated its role as a central bank with very broad missions on the hottest economic and social topics: Europe, business, education, employment, over-indebtedness, the digital economy. Thus, while the future of Europe was the subject of a round table discussion conducted by François Villeroy de Galhau and Louis Gallois, two BTS (a two-year undergraduate technical diploma) classes presented short films, resulting from a workshop co-animated by the Banque de France and the education authorities on the roots of over-indebtedness. On all the subjects dealt with, the Bank gained visibility and fulfilled its new mission as national operator for the economic and financial education of the public.

**Supporting research sponsorship**

In 2016, the Banque de France Foundation for Economic Research awarded four research grants totaling EUR 120,000. It hosted 10 internationally renowned researchers under the Visiting Scholars Programme. It organised two scientific symposia, including one with the *Institut Louis Bachelier*, to enable researchers to present their work.

The scientific partnership with the Economics Department of Sciences Po Paris, renewed in 2015 for three years, led in 2016 to the organisation of three international academic conferences and ten sessions of the joint research seminar on banking and financial regulation.

The Banque de France has pursued its other partnerships, such as the one with the *Fondation pour les études et la recherche sur le développement international* (Ferdi), the Banque de France Chair of the Paris School of Economics or the Research Initiative “Risk, regulation, systemic risks”, known as the ACPR Chair “Regulation and Systemic Risk”.

**FONDAITON BANQUE DE FRANCE**

*Pour la recherche en économie monétaire, financière et bancaire*

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**Key figure for 2016**

21 conferences and workshops organised with partner universities
The award in 2016 of the Nobel Prize for Economics to Bengt Holmström, winner of the 2012 Senior Prize of the Banque de France and the Toulouse School of Economics, attests to the breadth of this partnership, which enables doctoral students to make scientific visits to the Banque de France.

**Diversifying cultural sponsorship**

With its historic artistic heritage, the Bank favours the purchase of works of art or objects that are linked to its past or its missions. In 2016, it made a significant contribution to the purchase by the Bibliothèque Nationale de France of the Trésor de Cuts, a set of 1,107 silver coins classified as a work of major heritage importance (Œuvre d’intérêt patrimonial majeur). It also enabled the Louvre Museum to acquire the Table de Breteuil, known as the Table de Teschen.

Involved in the Journées du patrimoine ("Heritage Days") programme since its creation in 1984, and in response to public demand, the Bank has considerably extended the tour of its premises since 2009 (see box).

As a musical sponsor, the Bank has accompanied new groups as well as young musicians who have performed in the Galerie dorée, an exceptional venue. In addition to the Quatuor Cambini/Concert de la Loge and the Alumni Association of the Conservatoire national de musique, which it supports, in 2016 it hosted concerts by the Arts florissants, the Talens Lyriques and the Venetian Centre for Baroque Music.

**An economic and civic commitment**

**Preventing and resolving over-indebtedness**

In order to provide a better understanding of the different situations of exposure to over-indebtedness, a second booklet on first-time depositors was added to the annual typological survey. This booklet better illustrates the diversity of situations of over-indebtedness.

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**Key figures for 2016**

**12,569** people informed about over-indebtedness (through community centres for social action, départements social services, family allowance funds, etc.)

**854** training/information sessions on over-indebtedness for social workers
and the decline in the weight of consumer credit following the entry into force of the Lagarde Law.

The Banque de France determinedly took part in setting up the network of budget advice offices within the framework of the multiannual plan to combat poverty. The latter contribute to preventing over-indebtedness and assisting people in difficulty. In order to ensure coherence and complementarity between their missions and those of the household debt commissions, training sessions on the over-indebtedness procedure were carried out in 2016 with each office.

In the area of microcredit, the Banque de France has set up a specific collection of statistical data on assisted microcredit and is considering establishing indicators to measure progress in this field. The support provided by the Banque de France to this sector is aimed at encouraging the development of this responsible financing instrument because it contributes to the socio-professional integration and the banking inclusion of people in a situation of considerable financial vulnerability.

The Banque de France is implementing a series of actions to assist microcredit players. In October 2016 two national prizes rewarded particularly emblematic projects demonstrating the contribution of microcredit to the fight against exclusion (see box). With the award of OIB annual report: https://publications.banque-france.fr/liste-chronologique/rapport-annuel-de/lobservatoire-de-linclusion-bancaire

Working to help social workers

The Banque de France, which is concerned about providing high-quality support to over-indebted persons, has continued its training and information activities for those working in the social sphere.

Promoting banking inclusion and microcredit

The Banque de France is fully involved in the fight against financial exclusion, in particular through the implementation of the right to an account, or the presidency by the Banque de France governor of the Observatoire de l’inclusion bancaire (OIB – Observatory for Banking Inclusion) bringing together public authorities, banks and associations.

AWARD OF THE BANQUE DE FRANCE MICROCREDIT PRIZES

On 4 October 2016, Francois Villeroy de Galhau awarded the third annual Banque de France Microcredit Prizes in the presence of the press and many guests. The personal microcredit prize, amounting to EUR 2,000, was awarded to Ms Roda Abdo-Ahmed, supported by the Restos du Cœur, and the professional microcredit prize, amounting to EUR 5,000, was awarded to Folly Lakoussan, whose case was presented by the Association pour le droit à l’initiative économique (ADIE).
of these prizes, the Banque de France emphasises the importance of the support that characterises this method of financing and the decisive role played by the non-profit sector in conjunction with bank players.

Beginning in 2017, the Banque de France will organise at the regional level the Rencontres du microcrédit meetings, bringing together all the stakeholders involved, with the objective of promoting microcredits, focusing attention on local initiatives and assisting these players.

Contributing to the dynamism of businesses and territories

Welcoming, listening to, understanding and guiding the managers of VSEs

VSEs account for about 95% of French companies. These are companies with fewer than ten employees and whose turnover or total balance sheet is less than EUR 2 million. Resolutely committed to VSEs, the Banque de France has set up a network of 102 departmental VSE correspondents in metropolitan France and overseas to listen to the managers of VSEs, understand their problems and guide them to the competent professional networks (see chapter on “Services to the economy”).

Including CSR criteria in company ratings

In 2016, the inclusion of CSR criteria in the qualitative rating procedure of the Banque de France involved:

- Continuing to set up a Banque de France database containing a sample of companies involved to varying degrees in the CSR approach, in order to deepen the study of the links between CSR and business robustness. As such, about 5,000 companies were targeted at the national level in 2016.
- Rethinking the qualitative approach, in order to fully integrate CSR into the rating process. From now on, the CSR characteristics are used as factors likely to refine the credit risk analysis. Since 2016, CSR has been added to the list of subjects traditionally analysed in this framework (market, competition, prospects, strategy, etc.).

“"We have decided to emphasise companies’ CSR approach”
François Villeroy de Galhau, Governor of the Banque de France, World Forum for a Responsible Economy, 14 October 2016

It is organised along three axes: environmental, social and societal. This new aspect of qualitative analysis makes it possible to confirm or not the assessment of the financial situation of companies.

Supporting community actions

Contributing to vocational integration

In 2016, the Banque de France renewed its partnership with the Créteil education authority to assist secondary school students up to the BTS. This three-year agreement lays the foundations for promoting the economic and financial education of the public and developing social responsibility actions in favour of
the professional integration of young people. In 2016, the Bank’s commitment took the form of methodological support sessions, individual patronage by Bank staff and a series of conferences organised by Bank experts.

Community actions

In 2016, defining the CSR strategy made it possible to structure and coordinate long-standing community actions, such as the skills sponsorship for the Fondation Hôpitaux de France (Pièces jaunes initiative), as well as donations and commitments for the benefit of various charitable organisations.

Over the past year, an opinion survey carried out among all the staff brought to light a strong commitment potential among employees and clarified their expectations regarding new community-oriented actions, in particular their priorities for the fields of education, the social and community economy and social action.

Three main lines of action were defined: the establishment of direct financial support by the Banque de France to projects carried out by employees involved in the work of an association, the development of


Since the renewal of the partnership at the beginning of the 2013 school year, the actions implemented have been reinforced with the priority objective of ensuring the academic success and the professional integration of the students from the two partner institutions, Jean Moulin in Torcy and Samuel de Champlain in Chennevières. 800 students have benefited from this agreement. With the opening of the scheme to BTS (a two-year undergraduate technical diploma) classes, over 100 additional students have taken part over the past three years in job interview simulations and weeks of English immersion.

2016 PIÈCES JAUNES INITIATIVE

As every year since 1989, the Banque de France, a privileged partner of the Fondation Hôpitaux de Paris - Hôpitaux de France, has worked towards improving the daily life of children and teenagers in hospital. In 2016, 168 tonnes of coins representing EUR 1.9 million were dispatched and sorted by the employees of the Paris cash centre.

This campaign, an emblematic illustration of the institution’s commitment towards the community, mobilises the entire staff to collect “pièces jaunes” (small change). The Banque de France is also involved in the initiatives carried out in the pediatric departments of the hospitals and in the communication campaigns of the Foundation.
skills sponsorship and the promotion of community days.

These initiatives will be implemented in 2017 and a forum for mobilising employees in community actions will bring together all the players involved.

**A commitment towards Bank staff**

**Fostering gender equality and diversity**

**Getting different generations working together**

Attracting young people, ensuring adaptability and assisting employees throughout their careers and organising career-ends are the main objectives of the intergenerational four-year agreement signed with social partners on 24 December 2013.

The Bank continued to use block-release training programmes which meet both the needs of the Bank’s units and those of young people looking for a partner company. Today, 263 young people on such programmes are working at the Bank, and a number of them (23) have sat the Bank’s entrance examination. In this respect, they were able to benefit from the facilities offered by the Bank: free preparation provided by the French national centre for distance learning (CNED), exemption from aptitude tests for the competitive examination for non-managerial staff.

As regards career-ends, part-time work for seniors has continued to develop.

**Promoting gender equality in the workplace**

The company agreement signed on 6 May 2014 builds on the foundations laid by the Bank in the field of equality over the past few years. Consolidating the achievements and developing actions to ensure a better balance between work and family life and women’s access to positions of responsibility are the priority axes of this new agreement.

The professional equality officer at the Bank, with the support of professional equality ambassadors, is committed to collecting and disseminating best practices in order to facilitate equal access of women and men to the business areas and careers at the Bank.

The **Talentu’elles** network, launched in October 2016, aims to enhance gender equality in the workplace and to promote all talents at the Bank. The launch meeting gave rise to a debate on the theme of “stereotypes in the professional environment”, in the presence of Nathalie Loiseau, head of ENA,

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**Key figures for 2016**

- 132 recruitments on block-release programmes
- 280 beneficiaries of part-time work for seniors, of which 73 concerned improved part-time positions for those with strenuous jobs
and Patrick Scharnitzky, doctor in social psychology. The network already counts more than 300 members, women and men alike. A mentoring programme aimed at all Bank staff is being set up.

Promoting the integration of people with disabilities

The agreement for the employment of persons with disabilities (2014-2016) is the Bank’s ninth agreement in this area, which demonstrates its strong and longstanding commitment. The Bank’s actions concern recruitment, reception and integration, as well as the adaptation of working conditions.

The Bank employs over 570 workers with disabilities. It is also worth pointing out that the Bank houses on its premises a work adjustment and rehabilitation centre, which provides some twenty disabled workers with a work experience and contributes to their social integration.

In 2016, the Handicap mission took part in several forums (Adapt, Paris pour l’emploi, Essec, etc.), which resulted in the recruitment of 15 people.

Encouraging skill acquisition and career development

The Banque de France has set up an ambitious training policy, with a comprehensive offer, tailored to the needs of the Bank and its employees. Training and skills development are an important element of the actions of the Ambitions 2020 strategic plan, as a transformation lever for making the Bank more efficient, innovative and agile. They contribute in particular to amplifying the deployment of the technologies of tomorrow and to accompanying the transformation of the network. The opening of an interactive training room in Vincennes, inaugurated in October 2016, is the first building block of the Banque de France University, which will offer Bank staff a set of educational resources through revamped tools and enhanced training methods and content.

Quality of life at work

Facilitating exchanges between members of staff

The Agora enterprise social network, which was set up in April 2014, has steadily gained momentum and now counts 9,400 members who have shared 30,000 messages within 97 communities.

The “Manager ensemble” space, dedicated to managers, continued

Key figures for 2016

| 570 | workers with disabilities employed at the Bank |
| 5,900 | training sessions organised |
| 9,400 | members and 97 communities on the Bank’s social network |
to develop with more than 1,000 managers having participated in at least one workshop of this community. With 409 members, it is one of the most active on the Agora network.

Preventing psychosocial risks

The year 2016 was marked by the deployment of action plans to address the main risk factors identified by the latest psychosocial risk (PSR) survey: workload and mental burden.

In 2016, an approach to better regulate the workload of staff was widely deployed within the Bank and was accompanied by management training.

As regards mental burden, the various studies conducted, in particular by the Observatoire paritaire de prévention des risques psychosociaux (the French joint observatory for the prevention of psychosocial risks), identified the main factors of mental burden, as well as the role played by messaging. Rules of best practice on the use of messaging were presented to all executive committees so that they could be implemented at all levels and disseminated to all members of staff.

An environmental commitment

Taking account of climate risk

In 2016, the staff of the Banque de France and the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority) contributed to several types of projects on climate risk.

As part of the implementation of Article 173 of the Law on energy transition and green growth, the Government submits an annual report on the implementation of a scenario of regular stress tests representative of the risks associated with climate change. In this respect, the ACPR and the Banque de France organised a series of meetings with the main French banking groups to learn more about their practices in terms of the identification of climate risk (see box) and their integration in the internal risk analysis process.

PHYSICAL RISK AND TRANSITION RISK

Climate risks that affect financial institutions’ exposures and investments are mainly of two types.

Physical risks arise from damages directly caused by weather and climate phenomena, which are the result, in particular, of global warming brought about by the steady increase in greenhouse gas (GHG) concentration: the increase and intensification of episodes of high temperatures, drought, precipitation, rising sea levels or floods.

Transition risks correspond to the consequences of adjustments made in view of the transition to a low-carbon economy (especially those aimed at limiting GHG emissions), in particular when these adjustments are badly anticipated or occur suddenly.

The legal liability/risk of the bank or insurer can also be significant.
On 16 December 2016, the Banque de France co-organised a conference with the Treasury and the Institut Louis Bachelier, which focused on the degree of knowledge of climate-related financial risks.

This conference brought together scientists (climatologists, economists), representatives of the authorities (supervisors, central banks) and the financial sector (banks, insurance companies, asset managers) in an innovative manner. Bank and ACPR economists also took part in academic seminars in France and abroad on energy transition and climate risk.

The transition to a low-carbon economy requires the mobilisation of significant financial resources. To this end, the Bank participated in the G20 Green Finance Study Group, which aims at proposing non-binding recommendations to promote green finance and develop climate risk analyses within the financial sector. The work of the study group resulted in a synthesis report, published in September 2016. Finally, the Banque de France was involved with Paris Europlace in the creation of the “Green and Sustainable Finance Initiative” of the Paris financial centre.

Reducing our environmental footprint

Ambitious objectives for reducing the environmental footprint

The Banque de France is pursuing its efforts to reduce its environmental footprint and is committed to reducing its GHG emissions by 9% between 2014 and 2020, with an intermediate target of 3.8% by 2017 (compared to 2014).

In addition, under Grenelle Laws 1 and 2, it is pursuing its objective of reducing the energy consumption of its buildings (excluding industrial and IT centres), by 38% by 2020 compared to 2008. In 2016, the Bank was almost on target: the reduction reached 22% (instead of the 27% targeted, due to temperatures that were less mild than usual in the fourth quarter).

Finally, as part of the renewal of the profit-sharing agreement, the Bank set a “sustainable development” criterion involving a 50% reduction in its paper consumption between 2015 and 2018 (at end-2016, the reduction was 29%).

Change in energy consumption – operating activities

![Change in energy consumption chart](chart.png)

Note: LCV, lower calorific value.
Monitoring GHG emissions

In 2016, for all sources of energy and activities, the associated GHG emissions stabilised compared to 2014. This stabilisation is mainly due to a decrease in the paper-mill activity (following the shutdown of a machine) and the use of fuel oil, offset by an increase in the operating activity’s gas consumption.

While electricity remains the most consumed energy source (49% of the total), the corresponding CO₂ emissions remain low. Indeed, the Bank has renewed the framework contract with its energy supplier, which provides a 100% renewable electricity supply (with a very low emission factor) for all of its sites. Gas, the second largest source of energy used by the Bank19 (35% of the total), accounts for more than two thirds of energy-related emissions due to its high emission factor.

GHG emissions linked to business travel

In 2016, business travel20 amounted to nearly 41 million kilometres traveled, broken down between the different modes of transport: 38% by plane, 33% by train, 26% by car and 3% by public transport. Kilometres traveled by plane21 increased by 6.6% in 2016 compared to 2015, mainly on account of international travel.

2016 highlights

The year 2016 was marked by several actions that contributed to further reducing the environmental footprint of the Banque de France.

Diversification of the motorisation of Bank service vehicles

In 2016, the Banque de France started to diversify the motorisation of its vehicles: it abandoned the “all-diesel” solution in favour of an energy mix. The petrol-electric hybrid motorisation was chosen as it offered both the advantages of electricity in urban driving cycles, without any infrastructure cost linked to electric recharging, and the autonomy of petrol for outer-urban travel.

At end-2016, nearly 10% of the service fleet was made up of hybrid vehicles.

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19 In particular by the paper mill and printing works.
20 Alongside the acquisition of a new information system, the methodology of calculation was changed, in particular for business trips, which prevents any comparison with 2014 (the reference year for monitoring GHG emissions).
21 One kilometre travelled by long-haul aircraft emits 490 gCO₂ eq, compared with 5.6 gCO₂ eq by train in France.
A real estate policy focusing on energy efficiency and environmental quality
For several years, the Banque de France has focused its real estate policy on energy efficiency and environmental quality. Thus, in 2016, the Lyon-Confluence site renewed its “NF HQE™ Tertiary Buildings in operation” certification. The Nord de France cash management centre (Cefinof) was awarded the “NF HQE™ Tertiary Buildings under construction” certification in September 2016. In April 2016, the new Île-de-France regional branch moved into a BREEAM certified building (BRE Environmental Assessment Method). Finally, the Banque de France acquired “BBC-effinergie® 2005” certified premises to house the administrative centre of Poitiers and its local branch.

At the same time, the Banque de France continued improving the energy efficiency at headquarters and in the network, notably by modernising boiler rooms and insulating the inner side of façades. The Noisiel data centre, which was renovated in 2016, was awarded the High Energy Performance (HEP) label thanks to the optimisation of its electricity consumption. This is due to the use of less energy-intensive IT equipment, server virtualisation, and also a rearrangement of equipment to improve the circulation of hot and cold air in the building.

Dematerialised collection of balance sheets
The dematerialised collection and partial digitisation of the balance sheets fed into the FIBEN company database contribute to the reduction of the Banque de France’s environmental footprint.

Key figures for 2016

- 100% renewable electricity
- 10% hybrid service vehicles
- 215,000 balance sheets received through electronic transmission
- 87.5% dematerialised or digitised balance sheets
Financial management and accounts
Report on assets, liabilities and results

The Banque de France General Council approved the financial statements for the year ended 31 December 2016 at its meeting of 13 March 2017. Net profit for the year came in at EUR 3,522 million, an increase over 2015 (EUR 1,294 million).

The size of Banque de France’s balance sheet continued to increase in 2016, with its balance sheet total rising from EUR 710 billion at 31 December 2015 to EUR 845 billion at 31 December 2016. This increase stems from the Bank’s active participation in the implementation of the quantitative monetary easing programme adopted by the Governing Council of the Eurosystem, bringing its monthly purchasing volume to EUR 80 billion starting from March 2016 (versus EUR 60 billion previously). The expanded asset purchase programme comprises a Covered Bond Purchase Programme (CBPP3) and an Asset-Backed Securities Purchase Programme (ABSPP), which were both launched in October 2014, a Public Sector Purchase Programme (PSPP), launched in March 2015, and a new Corporate Sector Purchase Programme (CSPP), launched in June 2016, which rounds off the asset purchase programme as a whole.

With regard to the Banque de France’s profit and loss account, the effect of these measures has been to increase the net income from activities, which rose to EUR 7,748 million in 2016 from EUR 6,897 million in 2015. After covering operating expenses, up 0.4% relative to 2015, profit before tax and exceptional items came in at EUR 5,555 million.

Distributable profit totalled EUR 3,522 million after deducting corporate income tax of EUR 2,038 million.

Assets and liabilities

On the Bank’s balance sheet, the year-on-year increase in the size of the portfolios of securities held for monetary policy purposes amounted to EUR 173 billion. Its main counterpart has been an increase in deposits from credit institutions on the liabilities side. These deposits bear interest at the marginal deposit facility rate, which is fixed at –0.40%.

In addition, outstanding loans to banks under the monetary policy relating to targeted longer-term refinancing operations, recorded as an asset, decreased slightly, whereas resources comprising customers’ current accounts – and to a lesser extent euro banknotes – increased.

Financial position

<table>
<thead>
<tr>
<th>EUR millions</th>
<th>Amount at the financial year-end</th>
<th>Change 2016/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sources of funds (-)</td>
<td>-614,241</td>
<td>-455,165</td>
</tr>
<tr>
<td>Net sources of funds from banknote operations</td>
<td>-203,459</td>
<td>-195,735</td>
</tr>
<tr>
<td>Deposits by banks for monetary policy purposes</td>
<td>-328,789</td>
<td>-219,802</td>
</tr>
<tr>
<td>Operations with institutional customers</td>
<td>-61,481</td>
<td>-21,315</td>
</tr>
<tr>
<td>Own funds and other items</td>
<td>-20,511</td>
<td>-18,313</td>
</tr>
<tr>
<td>Net uses of funds (+)</td>
<td>614,241</td>
<td>455,165</td>
</tr>
<tr>
<td>Net bank refinancing</td>
<td>70,626</td>
<td>89,303</td>
</tr>
<tr>
<td>Securities portfolios held for monetary policy purposes</td>
<td>335,299</td>
<td>162,656</td>
</tr>
<tr>
<td>Net position with the Eurosystem</td>
<td>83,152</td>
<td>67,090</td>
</tr>
<tr>
<td>Gold and foreign currency reserves net of earmarked liabilities</td>
<td>40,143</td>
<td>43,020</td>
</tr>
<tr>
<td>Other euro-denominated assets</td>
<td>85,022</td>
<td>93,096</td>
</tr>
</tbody>
</table>

NB: For clarity, items appearing in the published financial statements have been grouped in the presentation below. In the balance sheet, negative figures indicate net sources of funds or liabilities, while positive figures indicate net uses of funds or assets. Details of the accounting principles used by the Banque de France are provided in the Notes to the individual financial statements. In the tables below the sum of the components may not equal the total due to rounding differences.
Euro banknotes are issued by the Eurosystem. In 2016, euro banknotes in circulation continued to increase (up 3.9% between end-2016 and end-2015, and up 4.7% as an annual average), although at a slower pace than in 2015.

In accordance with the Eurosystem’s allocation mechanism, the Banque de France records as a liability the share in the total value of Eurosystem banknotes corresponding to its holding in the ECB’s paid-up capital (20.14% in 2016), after deducting banknotes allocated to the ECB in the amount of 8% of total notes put into circulation.

The Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements) acts on behalf of the Banque de France in managing banknote circulation in France’s five overseas départements and some of its overseas collectivities. It receives a non-interest bearing advance in return for the notes it distributes. This advance amounted to EUR 5.3 billion at year-end 2016 and corresponds to a percentage of France’s euro banknote allocation, which, since 1 July 2007, has been calculated according to the allocation mechanism in force within the Eurosystem. This advance is eliminated in the Banque de France/IEDOM combined financial statements.

Total euro banknotes allocated to the Banque de France, net of the amount of the non-interest bearing advance granted to the IEDOM, make up the Banque de France’s net sources of funds from banknote operations.

**Net bank refinancing and bank deposits**

As a member national central bank (NCB) of the Eurosystem, the Banque de France makes loans to authorised credit institutions that apply for funding.

New targeted longer-term refinancing operations were conducted in 2016 at a rate that will be determined upon maturity according to the loans distributed by the refinanced credit institutions and that will be between −0.40% and 0%. By way of caution, and in accordance with the rules laid down
by the Eurosystem, the Banque de France recognised income at the rate of –0.40% on these loans in 2016. At the same time an option to repay longer-term financing operations conducted between 2014 and 2015 was opened in 2016 and has been widely used by credit institutions.

The liquidity granted to credit institutions in France is reported as an asset on the Banque de France’s balance sheet, while deposits by banks, corresponding to the minimum reserves they are required to hold, are carried as liabilities. Added to these deposits are additional reserves in their current accounts on top of the minimum reserves as well as marginal facility deposits. The liquidity surplus rose again in 2016, in line with the securities purchase programmes under the monetary policy.

It should be noted that the deposit facility rate is negative (it applies to marginal facility deposits and to excess reserves on top of the minimum reserves): fixed at –0.30% in December 2015, it was reduced to –0.40% on 16 March 2016, whereas the main refinancing operations rate was reduced from 0.05% to 0.00% on this same date.

The Governing Council of the Eurosystem has decided on several securities purchase programmes in order to improve the monetary policy transmission channel, respond to the sovereign debt crisis of some countries in the euro area and, more recently, as part of the monetary easing measures aimed at creating a liquidity surplus to combat the risks of deflation in the euro area:

- **Covered Bond Purchase Programmes (CBPPs) 1, 2 and 3** launched in 2009, 2011 and 2014 respectively;

- the **Securities Markets Programme (SMP)**, which was launched in 2010 and closed in 2012, aimed at the sovereign debts of several countries in the euro area;

- the **Public Sector Purchasing Programme (PSPP)**, which was launched in March 2015 within the scope of the monetary easing programme;

- the **Corporate Sector Purchase Programme (CSPP)**, which was launched in June 2016 as an addition to the three other active programmes (CBPP3, ABSPP and PSPP).

The outstanding amount in securities portfolios held for monetary policy purposes has declined by the amount...
of the securities that have matured under the closed programmes (SMP, CBPP1 and 2). Conversely, the outstanding amounts in the balance sheet for the implementation of the CBPP3, PSPP and CSPP programmes have increased sharply. Overall, the outstanding amount in securities portfolios held by the Bank for monetary policy purposes stands at EUR 335 billion, up EUR 173 billion year-on-year.

It should be noted that no outstanding amount has been determined for the Asset-Backed Securities Purchase Programme (ABSPP) in the Bank’s books since all the purchases for this programme are now recorded in the ECB’s balance sheet.

Net position with the Eurosystem

The Banque de France has several claims and liabilities vis-à-vis the Eurosystem, notably:

- a claim arising on adjustments to banknotes, corresponding to the difference between the banknotes that it puts into circulation and the banknotes that are allocated to it in accordance with its share in the ECB’s capital;
- a claim arising from gold (15%) and foreign currency (85%) reserves transferred to the ECB;
- a liability relating to the operation of the Target2 payment system, which corresponds to the balance of payments initiated by the Bank, on its own behalf and for entities whose accounts it holds, to other Eurosystem central banks;
- accrued income resulting from interim ECB dividends (EUR 195 million);
- accrued expenses in respect of the annual pooling of monetary income among the Eurosystem national central banks (EUR 321 million).

These positions vis-à-vis the Eurosystem, whether on the assets side or on the liabilities side, bear interest at the Eurosystem’s main refinancing operations rate (0% since 16 March 2016), with the exception of the claim on the ECB corresponding to transferred gold reserves and accrued income resulting from interim ECB dividends, which are not interest-bearing items.

Gold and foreign currency reserves

The Banque de France’s gold reserves were unchanged at 2,435 tonnes. Their value has increased by EUR 9.8 billion because of the year-on-year rise in the euro gold price. The gold revaluation account was increased accordingly.

The foreign currency reserves are mainly invested in US dollar-denominated short-term investment securities and money market instruments. Long-term investment portfolios have also been established in order to generate returns while continuing to meet the security objective.

### Net position with the Eurosystem

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2016/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position with the</td>
<td>83,152</td>
<td>67,090</td>
<td>16,062</td>
</tr>
<tr>
<td>Eurosystem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims on the Eurosystem for banknotes</td>
<td>88,864</td>
<td>88,022</td>
<td>843</td>
</tr>
<tr>
<td>Claims on the ECB for gold and foreign exchange assets transferred</td>
<td>8,218</td>
<td>8,221</td>
<td>-3</td>
</tr>
<tr>
<td>Liability towards the Eurosystem related to Target2</td>
<td>-13,803</td>
<td>-29,244</td>
<td>15,441</td>
</tr>
<tr>
<td>Accrued income: interim ECB dividends</td>
<td>195</td>
<td>164</td>
<td>31</td>
</tr>
<tr>
<td>Accrued expenses: net result of pooling of monetary income</td>
<td>-321</td>
<td>-71</td>
<td>-250</td>
</tr>
</tbody>
</table>
Positions in Special Drawing Rights (SDRs) reflect relations with the IMF. These positions are recorded on the Bank’s balance sheet pursuant to an agreement with the State. After an escalation phase, the net SDR position has been declining since 2013, reflecting the IMF’s reduced financing requirements.

The gold and foreign currency reserves are partly backed by a revaluation reserve formed specifically to cover exchange risk.

**Gold and foreign currency reserves**

<table>
<thead>
<tr>
<th>(EUR millions)</th>
<th>Amount at the financial year-end</th>
<th>Change 2016/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold and foreign currency reserves net of earmarked liabilities</td>
<td>40,143</td>
<td>43,020</td>
</tr>
<tr>
<td>Gold and foreign currency reserves</td>
<td>139,462</td>
<td>131,421</td>
</tr>
<tr>
<td>Gold</td>
<td>85,993</td>
<td>76,211</td>
</tr>
<tr>
<td>Net assets in reserve currencies</td>
<td>50,319</td>
<td>50,817</td>
</tr>
<tr>
<td>SDR assets (relations with the IMF)</td>
<td>16,071</td>
<td>17,292</td>
</tr>
<tr>
<td>Counterpart to SDR allocations</td>
<td>-12,922</td>
<td>-12,900</td>
</tr>
<tr>
<td>Liabilities earmarked against foreign currency reserves</td>
<td>-99,319</td>
<td>-88,401</td>
</tr>
<tr>
<td>Revaluation accounts (gold, foreign currency and securities denominated in foreign currencies)</td>
<td>-76,979</td>
<td>-66,341</td>
</tr>
<tr>
<td>Revaluation reserve of State gold and foreign currency reserves</td>
<td>-22,340</td>
<td>-22,060</td>
</tr>
</tbody>
</table>

**Net financial assets**

The agreement on net financial assets was signed in 2003 and commits the Eurosystem NCBs to cap the amount of their “net financial assets” (all accounting items except those necessary for the conduct of monetary policy). It aims to ensure the proper transmission of decisions on monetary policy to the real economy by maintaining a minimum liquidity deficit in periods of conventional monetary policy. The liquidity requirement of banks is equivalent to their liability base, comprised of banknotes in circulation and minimum reserves recorded on the Eurosystem’s liabilities side. This liquidity requirement is covered by monetary policy operations (refinancing operations and purchases of securities) and by net financial assets. Thus the definition of a cap for net financial assets makes it possible to ensure a floor for refinancing operations, all other things being equal.

Total net financial assets comprise gold and foreign currency reserves (see the preceding paragraph), the claim arising from foreign currency reserves transferred to the ECB, the non-interest bearing advance granted to the IEDOM, the balance of operations with institutional customers and euro-denominated assets that are unrelated to monetary policy, less own funds.

On average over the year net financial assets stood at EUR 80.2 billion, down by EUR 26.0 billion compared to 2015.
Other euro-denominated assets (unrelated to monetary policy)

In addition to the portfolios established for monetary policy programmes, the Bank holds a short-term available-for-sale (AFS) portfolio, as well as an own-account held-to-maturity portfolio, intended – via long-term investments – to make financial income less sensitive to the policy rate cycle. In 2016 the matured securities in the own-account held-to-maturity portfolio were not renewed, in the context of bulk purchases of securities made for monetary policy purposes.

Other euro-denominated securities held by the Banque de France correspond to own funds investment portfolios (capital, reserves and provisions), as well as participating interests held by the Bank, notably in the ECB’s capital.

Operations with institutional customers

The Banque de France offers banking services, such as current account-keeping and fixed-term deposits that are replaced in the market, to institutional customers (mainly central banks outside the European Union).

Own funds and other items

The balance in “Own funds and other items” is a resource whose growth reflects the Banque de France’s increased net profit in 2016 as well as allocations to the special pension reserve fund and to the general reserve from 2015 profits.

Breakdown of profit

Net profit for 2016 was up EUR 1,294 million on 2015, at EUR 3,522 million.

Net income from activities

Net income from the Banque de France’s activities increased and stood at EUR 7,748 million in 2016, compared to EUR 6,897 million in 2015.

An analysis of the breakdown of net income from activities shows the
Net income from activities

<table>
<thead>
<tr>
<th>(EUR millions)</th>
<th>2016</th>
<th>2015</th>
<th>Change 2016/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET INCOME FROM ACTIVITIES</td>
<td>7,748</td>
<td>6,897</td>
<td>851</td>
</tr>
<tr>
<td>Net income in connection with monetary policy</td>
<td>2,678</td>
<td>2,103</td>
<td>575</td>
</tr>
<tr>
<td>Interest received on refinancing operations</td>
<td>-59</td>
<td>85</td>
<td>-144</td>
</tr>
<tr>
<td>Interest paid/received on bank deposits</td>
<td>902</td>
<td>183</td>
<td>718</td>
</tr>
<tr>
<td>Income from securities held for monetary policy purposes</td>
<td>2,153</td>
<td>1,890</td>
<td>263</td>
</tr>
<tr>
<td>Net interest on positions with the Eurosystem</td>
<td>4</td>
<td>16</td>
<td>-12</td>
</tr>
<tr>
<td>Net result of pooling of monetary income</td>
<td>-321</td>
<td>-71</td>
<td>-250</td>
</tr>
<tr>
<td>Income from foreign currency and SDR assets</td>
<td>1,045</td>
<td>829</td>
<td>216</td>
</tr>
<tr>
<td>Other net income</td>
<td>4,025</td>
<td>3,965</td>
<td>60</td>
</tr>
<tr>
<td>Income from euro-denominated securities portfolios</td>
<td>2,444</td>
<td>2,629</td>
<td>-185</td>
</tr>
<tr>
<td>ECB and IEDOM dividends</td>
<td>262</td>
<td>201</td>
<td>61</td>
</tr>
<tr>
<td>Net income from operations with institutional customers</td>
<td>520</td>
<td>336</td>
<td>184</td>
</tr>
<tr>
<td>Other income</td>
<td>798</td>
<td>799</td>
<td>-1</td>
</tr>
</tbody>
</table>

Increase in interest received through the application of the negative deposit facility rate granted to credit institutions as well as an increase in income from securities held for monetary policy purposes, which are partly offset by the change in the net result of the pooling of monetary income.

In addition, income from foreign currency reserves and from business with institutional customers has increased, whilst income from euro-denominated portfolios held for non-monetary policy purposes is falling as a result of the non-reinvestment of the matured securities.

In 2016 the ECB paid an additional dividend of EUR 54 million to the Banque de France in respect of income generated in 2015. The ECB also paid seigniorage income and income from the securities it holds for monetary policy purposes, representing an interim dividend of EUR 195 million for the Banque de France.

Other income remained stable in spite of the EUR 23 million reduction in the amount paid by the State for services provided by the Bank.

Year-on-year, the average rate of return earned on net interest-bearing assets rose from 2.7% in 2015 to 3.0% in 2016.

The contribution from entities subject to the supervision of the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervision and Resolution Authority), which is part of the Banque de France, covered the cost of the resources allocated to supervision and did not affect the Bank’s income.

Operating expenses

Operating expenses totalled EUR 2,193 million in 2016, up 0.4% relative to 2015.

Within operating expenses, personnel expenses are down by almost 4%, linked to the reduction in the workforce and the stability of compensation.

Net profit

Fund for general risks

The fund for general risks (FRG – fonds pour risques généraux) is calibrated to cover the risks to which the Bank is exposed in the course of its activities, except exchange risk on gold and foreign currency reserves, which is covered by a dedicated reserve: the
revaluation reserve of State gold and foreign currency reserves.

The FRG’s assets are maintained at EUR 8 billion. This resource represents a provision that is intended to cover any risks that could not be adequately covered by operating profit.

Corporate income tax
The Banque de France is liable for corporate income tax and a number of additional tax contributions. The Banque de France’s income tax liability for 2016 totalled EUR 2,038 million, including EUR 46 million in dividend tax, which was introduced by the Supplementary Budget Act for 2012. After the reversal of EUR 4 million to accelerated tax depreciation charges and payment of the Bank’s income tax liability, net profit for the Bank for 2016 was up EUR 1,294 million to EUR 3,522 million.

The Bank’s General Council approved the 2016 financial statements at its meeting of 13 March 2017. As in previous years, these had been certified by the auditors with an unqualified opinion.

After taking note of retained earnings of EUR 6 million the General Council decided on the following appropriation of the distributable profit (EUR 3,527.9 million):

- statutory allocation to the general reserve of EUR 176.1 million, i.e. 5% of the net profit;
- the payment of a dividend to the State of EUR 2,463.9 million;
- allocation to the Employee Reserve Fund of EUR 174.0 million for pension rights acquired during 2016;
- allocation to the special pension reserve fund in the amount of EUR 712.9 million;
- allocation to the provision for investment of EUR 0.9 million.

Retained earnings carried forward amounted to EUR 36,000.
### The individual financial statements of the Banque de France

#### The balance sheet and profit and loss account

#### Balance sheet at 31 December 2016

- **(EUR millions)**

<table>
<thead>
<tr>
<th>Notes to the balance sheet</th>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 A1 Gold</td>
<td></td>
<td>85,993</td>
<td>76,211</td>
</tr>
<tr>
<td>2 A2 Foreign exchange assets (excl. relations with the IMF)</td>
<td></td>
<td>51,295</td>
<td>51,750</td>
</tr>
<tr>
<td>2.1 Foreign exchange assets held with non-euro area residents</td>
<td></td>
<td>39,238</td>
<td>32,799</td>
</tr>
<tr>
<td>2.2 Foreign exchange assets held with euro area residents</td>
<td></td>
<td>12,057</td>
<td>18,951</td>
</tr>
<tr>
<td>3 A3 Relations with the IMF</td>
<td></td>
<td>16,071</td>
<td>17,292</td>
</tr>
<tr>
<td>3.1 Financing provided to the IMF</td>
<td></td>
<td>4,894</td>
<td>3,782</td>
</tr>
<tr>
<td>3.2 Acquisitions of Special Drawing Rights</td>
<td></td>
<td>11,177</td>
<td>13,510</td>
</tr>
<tr>
<td>5 A4 Euro-denominated claims on non-euro area residents</td>
<td></td>
<td>3,778</td>
<td>4,376</td>
</tr>
<tr>
<td>4 A5 Euro-denominated loans to euro area credit institutions within the framework of monetary policy operations</td>
<td></td>
<td>70,625</td>
<td>89,303</td>
</tr>
<tr>
<td>5 A6 Other euro-denominated loans to euro area credit institutions</td>
<td></td>
<td>15,379</td>
<td>30,538</td>
</tr>
<tr>
<td>6 A7 Euro-denominated securities issued by euro area residents</td>
<td></td>
<td>408,589</td>
<td>243,312</td>
</tr>
<tr>
<td>7.1 Securities held for monetary policy purposes</td>
<td></td>
<td>335,299</td>
<td>162,656</td>
</tr>
<tr>
<td>7.2 Other securities</td>
<td></td>
<td>73,290</td>
<td>80,656</td>
</tr>
<tr>
<td>8 A8 Relations within the Eurosystem</td>
<td></td>
<td>98,822</td>
<td>97,951</td>
</tr>
<tr>
<td>8.1 Participating interest in the ECB</td>
<td></td>
<td>1,545</td>
<td>1,545</td>
</tr>
<tr>
<td>7 8.2 Claims arising on the transfer of reserve assets to the ECB</td>
<td></td>
<td>8,218</td>
<td>8,221</td>
</tr>
<tr>
<td>8 8.3 Claims arising on the Eurosystem for euro banknotes in circulation</td>
<td></td>
<td>88,864</td>
<td>88,022</td>
</tr>
<tr>
<td>9 8.4 Other claims on the Eurosystem</td>
<td></td>
<td>195</td>
<td>164</td>
</tr>
<tr>
<td>10 A9 Advance to the IEDOM</td>
<td></td>
<td>5,251</td>
<td>5,046</td>
</tr>
<tr>
<td>A10 Claims on the French Treasury</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11 A11 Other euro and foreign currency denominated financial assets</td>
<td></td>
<td>79,669</td>
<td>87,818</td>
</tr>
<tr>
<td>12 A12 Other items</td>
<td></td>
<td>8,097</td>
<td>5,179</td>
</tr>
<tr>
<td>13 A13 Fixed assets</td>
<td></td>
<td>1,587</td>
<td>1,598</td>
</tr>
<tr>
<td>13.1 Tangible and intangible fixed assets</td>
<td></td>
<td>1,147</td>
<td>1,047</td>
</tr>
<tr>
<td>13.2 Participating interests (other than interest in the ECB)</td>
<td></td>
<td>541</td>
<td>541</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>845,258</td>
<td>710,364</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes to the balance sheet</th>
<th>LIABILITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 L1 Banknotes in circulation</td>
<td></td>
<td>208,710</td>
<td>200,781</td>
</tr>
<tr>
<td>4 L2 Euro-denominated liabilities to euro area credit institutions within the framework of monetary policy operations</td>
<td></td>
<td>328,789</td>
<td>219,802</td>
</tr>
<tr>
<td>2.1 Current accounts</td>
<td></td>
<td>181,597</td>
<td>133,034</td>
</tr>
<tr>
<td>2.2 Other liabilities</td>
<td></td>
<td>147,192</td>
<td>86,768</td>
</tr>
<tr>
<td>15 L3 Other euro-denominated liabilities to euro area credit institutions</td>
<td></td>
<td>3,953</td>
<td>10</td>
</tr>
<tr>
<td>16 L4 Euro-denominated liabilities to non-euro area residents</td>
<td></td>
<td>36,447</td>
<td>15,039</td>
</tr>
<tr>
<td>2 L5 Foreign exchange liabilities</td>
<td></td>
<td>976</td>
<td>933</td>
</tr>
<tr>
<td>3 L6 Counterpart to SDR allocations</td>
<td></td>
<td>12,922</td>
<td>12,900</td>
</tr>
<tr>
<td>17 L7 Relations within the Eurosystem</td>
<td></td>
<td>14,123</td>
<td>29,315</td>
</tr>
<tr>
<td>18 L8 Euro-denominated liabilities to other euro area residents</td>
<td></td>
<td>23,288</td>
<td>19,878</td>
</tr>
<tr>
<td>8.1 Liabilities vis-à-vis the State</td>
<td></td>
<td>13,882</td>
<td>13,869</td>
</tr>
<tr>
<td>8.2 Other liabilities</td>
<td></td>
<td>9,406</td>
<td>6,009</td>
</tr>
<tr>
<td>19 L9 Items in the course of settlement</td>
<td></td>
<td>125</td>
<td>100</td>
</tr>
<tr>
<td>20 L10 Banking transactions</td>
<td></td>
<td>87,609</td>
<td>95,844</td>
</tr>
<tr>
<td>21 L11 Other items</td>
<td></td>
<td>5,831</td>
<td>6,183</td>
</tr>
<tr>
<td>22 L12 Provisions for liabilities and charges</td>
<td></td>
<td>916</td>
<td>898</td>
</tr>
<tr>
<td>23 L13 Revaluation accounts</td>
<td></td>
<td>79,246</td>
<td>68,438</td>
</tr>
<tr>
<td>24 L14 Fund for general risks and accelerated tax depreciation</td>
<td></td>
<td>8,094</td>
<td>8,098</td>
</tr>
<tr>
<td>25 L15 Revaluation reserve of State gold and foreign currency reserves</td>
<td></td>
<td>22,340</td>
<td>22,060</td>
</tr>
<tr>
<td>26 L17 Capital, reserves and retained earnings</td>
<td></td>
<td>8,368</td>
<td>7,857</td>
</tr>
<tr>
<td>L18 Net profit</td>
<td></td>
<td>3,522</td>
<td>2,228</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td></td>
<td>845,258</td>
<td>710,364</td>
</tr>
</tbody>
</table>

**NB:** Each item of the balance sheet and profit and loss account is rounded up or down to the nearest one million euro. For this reason, discrepancies between totals or sub-totals and their components may arise.
Profit and loss account
(EUR millions)

<table>
<thead>
<tr>
<th>Notes to the p. &amp; l. account</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Net income from activities of the Banque de France</td>
<td>7,748</td>
<td>6,897</td>
</tr>
<tr>
<td>31 1.1 Net interest income</td>
<td>6,773</td>
<td>5,928</td>
</tr>
<tr>
<td>1.1.1 Interest and related income</td>
<td>7,094</td>
<td>6,362</td>
</tr>
<tr>
<td>1.1.2 Interest and related expenses</td>
<td>-320</td>
<td>-434</td>
</tr>
<tr>
<td>32 1.2 Net income/loss on financial transactions</td>
<td>305</td>
<td>63</td>
</tr>
<tr>
<td>1.2.1 Net realised gains/losses and unrealised losses on foreign exchange</td>
<td>+281</td>
<td>-70</td>
</tr>
<tr>
<td>1.2.2 Net charges to/releases from the revaluation reserve of foreign currency reserves</td>
<td>-281</td>
<td>+70</td>
</tr>
<tr>
<td>1.2.3 Net other income and expenses on financial transactions</td>
<td>305</td>
<td>63</td>
</tr>
<tr>
<td>1.3 Commission</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>1.3.1 Commission (income)</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td>1.3.2 Commission (expense)</td>
<td>-30</td>
<td>-25</td>
</tr>
<tr>
<td>33 1.4 Income from equity securities and participating interests</td>
<td>299</td>
<td>236</td>
</tr>
<tr>
<td>34 1.5 Net result of pooling of monetary income</td>
<td>-321</td>
<td>-71</td>
</tr>
<tr>
<td>35 1.6 Net other income and expenses</td>
<td>675</td>
<td>724</td>
</tr>
<tr>
<td>2 Operating expenses</td>
<td>-2,193</td>
<td>-2,184</td>
</tr>
<tr>
<td>36 2.1 Personnel and related expenses</td>
<td>-954</td>
<td>-997</td>
</tr>
<tr>
<td>2.2 Pensions and related expenses</td>
<td>-467</td>
<td>-461</td>
</tr>
<tr>
<td>2.3 Taxes other than income tax</td>
<td>-49</td>
<td>-46</td>
</tr>
<tr>
<td>2.4 Provisions, depreciation and amortisation</td>
<td>-137</td>
<td>-129</td>
</tr>
<tr>
<td>2.5 Net other operating income and expenses</td>
<td>-585</td>
<td>-551</td>
</tr>
<tr>
<td>Profit before tax and exceptional items (1 + 2)</td>
<td>5,555</td>
<td>4,713</td>
</tr>
<tr>
<td>37 3 Net additions to fund for general risks and accelerated tax depreciation</td>
<td>+4</td>
<td>-504</td>
</tr>
<tr>
<td>4 Exceptional items</td>
<td>0</td>
<td>-80</td>
</tr>
<tr>
<td>4.1 Exceptional income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.2 Exceptional expenses</td>
<td>0</td>
<td>-80</td>
</tr>
<tr>
<td>Net profit for the year (1 + 2 + 3 + 4 + 5)</td>
<td>3,522</td>
<td>2,228</td>
</tr>
</tbody>
</table>

Notes to the individual financial statements

Accounting principles and valuation methods

Legal framework
The financial statements of the Banque de France are presented in the framework of the ESCB and its diverse range of activities. The financial statements are expressed in millions of euro.

The accounting and valuation methods applied by the Banque de France are defined in Article R144-6 of the French Monetary and Financial Code, which specifies that:

- for all activities carried out within the framework of the ESCB the Banque de France must comply with the accounting and valuation methods laid down by the ECB in its Guideline of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20), amended by the Guidelines of 24 January 2012 (ECB/2011/27), 22 December 2012 (ECB/2012/29), 13 March 2015 (ECB/2014/54), 21 July 2015 (ECB/2015/24) and 3 November 2016 (ECB/2016/34). This Guideline establishes in particular the accounting rules applicable to refinancing operations for the banking sector, securities, foreign currency transactions carried out in the course of foreign currency

22 OJEU of 9 September 2011, L35 page 31.
23 An unofficial consolidated version was published in the OJEU on 21 July 2015.
reserve management, and the issue of banknotes;

- the accounting rules established by the Autorité des normes comptables (ANC – Accounting Standards Authority) apply to all the Bank’s other activities. However, the Bank’s General Council may also decide to apply the accounting and valuation rules recommended by the ECB to these other activities.

With effect from 1 January 2003 the Bank’s General Council extended the accounting methods laid down by the Governing Council of the ECB to securities portfolios recorded in asset item A11.

Valuation methods

Foreign currency gains/losses
Spot and forward purchases and sales of foreign currencies are recorded as off-balance sheet commitments at the trade date. They are recognised in the balance sheet at the settlement date.

Foreign currency gains/losses on State gold and currency reserves

Realised gains/losses are calculated for each currency. A weighted average price is calculated every day, firstly on inflows (spot or forward purchases on the trade date and income in foreign currencies, in particular daily accrued interest), and secondly on outflows (spot or forward sales on the trade date and expenses in foreign currencies, in particular accrued interest in foreign currencies). The realised gain/loss is calculated by applying the difference between these average prices to the lower of the day’s inflows or outflows.

Where outflows exceed inflows, a second realised gain/loss is calculated. This second realised gain/loss equates to the difference between the net outflows of the day valued at the average outflow price on the one hand, and at the average price of the day’s opening position on the other. Where inflows exceed outflows, the net inflow is added to the assets held at the beginning of the day, thus changing the average price of the position.

Gold and foreign currency positions are valued at year-end on the basis of the rates/prices prevailing on the last business day of the year. Unrealised gains are recorded as liabilities in revaluation accounts (item L13). Unrealised losses are taken to the profit and loss account in item 1.2.1. Unrealised gains and losses are not netted.

Revaluation reserve of State gold and foreign currency reserves

The agreement between the State and the Banque de France dated 2 February 2011 neutralises the impact on the Bank’s profit and loss account of realised currency gains and losses on gold and foreign exchange and of unrealised currency losses on gold and foreign exchange at year-end, thanks to a mechanism whereby the counterpart in the profit and loss account is symmetrically offset against the RRRODE.24 The amount of net foreign currency gains taken to the RRRODE is limited to the net profit for the year before the transfer to the reserves.

The agreement also stipulates that:

- the amount of the RRRODE must be equal to at least 12% of the

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24 Revaluation reserve of State gold and foreign currency reserves (Réserve de réévaluation des réserves en or et en devises – RRRODE).
gold and foreign currency position; it must also be sufficient to cover the losses that would arise from a fall in prices equivalent to that of the worst of the past ten years;

• if the RRRODE falls below its minimum amount as defined above, it is supplemented from profit for the financial year, without exceeding 20% of net profit.

Other foreign currency gains/losses

The Banque de France applies ANC Regulation 2014-03 to foreign currency operations that are not connected to its main responsibilities as a national central bank. Foreign currency deposits and investments are marked to market on the last business day of the year. Realised and unrealised foreign currency gains and losses are posted to the profit and loss account in item 1.2.3, “Net other income and expenses on financial transactions”. Accrued income and expenses are converted into euro at the rate prevailing on the day the transaction is recorded. Forward foreign currency hedges are valued at the closing date exchange rate.

Securities portfolios

Fixed-income securities and variable-yield securities are recorded under the following items:

• A2 of the balance sheet for securities denominated in foreign currencies held in connection with foreign currency reserve management;

• A7.1 for securities held for monetary policy purposes;

• A11 for euro-denominated securities earmarked against the Bank’s own funds, provisions and customer deposits recorded in items L4 or L10;

• A12 for securities held in the Bank’s Employee Reserve Fund (see Note 30);

• A4 or A7.2 for other securities denominated in euro depending on whether they are issued by non-residents or residents.

The recognition method applied to securities held for monetary policy purposes (item A7.1) was changed in 2014: these securities are now recognised at amortised cost, irrespective of their intended holding period. They may therefore be sold ahead of maturity if the Governing Council so recommends. They are tested for impairment annually. The Accounting Guideline was amended on 15 December 2014 to reflect this new accounting framework.

Other fixed-income securities continue to be recognised as before.

• Fixed-income securities that the Banque de France has decided to hold to maturity are recognised in the financial statements at amortised cost. They are tested for impairment annually and may be subject to impairment in the event of a risk of non-recovery.

• Fixed-income securities that may be sold before their maturity, and variable-yield securities, are marked to market line by line on the last business day of the year. Unrealised gains are recorded as liabilities in revaluation accounts (item L13). Unrealised losses are taken to the profit and loss account in item 1.2.3. Unrealised gains and losses are not netted. Gains and losses arising from sales realised
during the year are calculated on the basis of the weighted average price of each line of securities; they are booked in profit and loss item 1.2.3 “Net other income and expenses on financial transactions” of the profit and loss account.

For all fixed-income securities, differences between the acquisition and redemption price are spread over the remaining life of the securities on a discounted basis.

Lastly, any implicit options that may be included in these securities are not valued separately.

Financial futures
Interest rate financial futures traded on organised markets are recorded off balance sheet at the notional amount, while daily margin calls paid or received are recognised in item 1.2.3 of the profit and loss account.

Interest rate swaps are revalued at market value at 31 December. Unrealised gains are recorded as liabilities in revaluation accounts (item L13). Unrealised losses are taken to the profit and loss account in item 1.2.3. Unrealised gains and losses are not netted. Unrealised losses are amortised over the remaining life of the contract. The interest is recorded in item 1.1 of the profit and loss account on an accruals basis.

Currency option premiums are recorded on the asset side of the balance sheet if they relate to currency purchases and on the liabilities side if they relate to currency sales. In the event that the option is exercised, the premium is included in the price of the currency purchased. If the option is not exercised, at its expiry date the premium is recorded in item 1.2.1 of the profit and loss account, “Net realised gains/losses and unrealised losses on foreign currency”. At the end of the year, the premium amounts booked to the profit and loss account during the year are transferred to the revaluation reserve of State gold and foreign currency reserves in the same way as realised foreign currency gains and losses.

Open positions on currency options at the balance sheet date are valued at their market price. Unrealised gains are recorded as liabilities in revaluation accounts (item L13). Unrealised losses are booked in item 1.2.3 of the profit and loss account. Unrealised gains and losses are not netted.

Eurosystem claims and liabilities
Net claims on or liabilities to the Eurosystem arise on cross-border euro payments that are made within the European Union and settled in central bank money. These payments are allocated to the Target2 system (Trans European Automated Real-time Gross settlement Express Transfer system) and give rise to bilateral balances in the Target2 accounts of the ESCB’s central banks. All such bilateral claims and liabilities are then netted on a daily basis within the Target2 system so that only one position is shown for each NCB vis-à-vis the ECB. The Banque de France’s net position in Target2 vis-à-vis the ECB along with other euro-denominated liabilities to the Eurosystem are carried on the Bank’s
balance sheet as a net liability to the Eurosystem in item L7 of the balance sheet (see Note 17) if it is a creditor and as a net claim on the Eurosystem in item A8 if it is a debtor.

The Banque de France’s claim on the Eurosystem due to its stake in the ECB’s capital is recorded in item A8.1 (see Note 13), the claim resulting from the transfer of a portion of reserve assets is recorded in item A8.2 (see Note 7), the claim resulting from interim dividends and accrued income receivable from the ECB in respect of the distribution of the balance of monetary income (see Note 9) is recorded in item A8.4, and finally the claim resulting from the allocation of banknotes among national central banks and the ECB (see Note 14) is recorded in item A8.3.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised and valued in accordance with French standards. Land is valued at acquisition cost. Buildings and equipment are carried at historical cost, less depreciation or provisions for impairment booked since they were brought into service.

In accordance with Article 322-1 of the French General Chart of Accounts (Plan comptable général), the depreciation period for each asset is determined on the basis of its probable useful life. Components of the Bank’s property assets are depreciated over 50, 33, 20 or 10 years, depending on the type of asset. Computer equipment is depreciated over 2 to 10 years and other equipment over periods ranging from 3 to 12 years. Purchased software is amortised over 3 or 6 years. Most fixed assets are depreciated using the straight-line method. In accordance with ANC Regulation 2014-03, the useful lives of fixed assets are reviewed regularly and modified as required.

External expenses relating to the development and integration of computer software are capitalised. Accelerated tax depreciation is applied for fixed assets that can be depreciated more rapidly for tax purposes than for accounting purposes.

Banknotes in circulation
See Note 14

Fund for general risks
See Note 24

Pension scheme
See Note 30

Key events in 2016

During 2016 the Banque de France’s balance sheet was affected above all by the expansion of unconventional monetary policy measures, which resulted in a marked increase in the items concerned and in the balance sheet as a whole.

Hence a new Corporate Sector Purchase Programme (CSPP) was launched in 2016 in connection with monetary policy operations, alongside the continuing programmes launched during 2014 and 2015 (ABSPP, CBPP3 and PSPP).

Post-balance sheet events

None.
Balance sheet

Note 1: Gold
In 2014 the Eurosystem central banks, the Swiss National Bank and the Sveriges Riksbank renewed the agreement capping their sales of gold for a five-year period.

The gold stock of the Banque de France (2,435 tonnes) remained unchanged in 2016.

Note 2: Foreign exchange assets and liabilities
Foreign currency reserves are invested in overnight deposits, fixed-term deposits, reverse repo transactions with delivery of securities, and fixed-income securities. The Bank may also borrow foreign currencies in the form of repurchase agreements with delivery of securities, recorded in liability item L5.

Foreign exchange assets and liabilities (excl. relations with the IMF)
Asset item A2 and liability item L5
(EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>795</td>
<td>32</td>
</tr>
<tr>
<td>Fixed-term deposits</td>
<td>6,906</td>
<td>7,684</td>
</tr>
<tr>
<td>Provision of foreign currency liquidity to Eurosystem counterparties</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities received under repurchase agreements</td>
<td>2,439</td>
<td>5,484</td>
</tr>
<tr>
<td>Fixed-income securities</td>
<td>40,915</td>
<td>38,302</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>241</td>
<td>247</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>51,295</td>
<td>51,750</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities delivered under repurchase agreements</td>
<td>974</td>
<td>924</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>976</td>
<td>933</td>
</tr>
</tbody>
</table>

Securities intended to be held to maturity totalled EUR 22,147 million at 31 December 2016 compared to EUR 17,033 million at 31 December 2015.

Note 3: Relations with the IMF
The amount of financing provided to the IMF is equivalent to the euro value of:

- drawing rights under the reserve tranche that corresponds to the fraction of France’s share in the IMF’s capital that is settled in gold and other foreign exchange assets, plus the IMF’s net utilisation of euro, notably in the form of euro-denominated drawings and repayments by member countries on France’s account. France’s share in the IMF’s capital has been increased by SDR 2.354 billion, equivalent to 25% of the SDR 9.4 billion increase in France’s share dated 23 February 2016.25 In return, France’s commitment to lend up to SDR 18.657 billion has been reduced accordingly, i.e. by SDR 9.148 billion to SDR 9.479 billion;

25 In the course of the 14th general revision of quotas, the IMF carried out a sweeping reform of quotas and their governance, resulting in an unprecedented 100% increase in all the quotas and a realignment of the member countries’ relative quotas in order to more adequately reflect the changes in their relative weights in the global economy. For France the implementation of this revision meant that its quota almost doubled, rising from SDR 10.7 billion to SDR 20.2 billion on 23 February 2016.
• loans granted to the IMF as part of the agreement that came into effect on 2 December 2009 (see below);

• loans granted to the Poverty Reduction and Growth Trust (PRGT) set up under the auspices of the IMF.

The “Acquisitions of Special Drawing Rights” (SDR) item includes the euro equivalent of the SDRs held by France and mainly comprises SDRs allocated to France as part of the IMF’s general SDR allocations to member countries, along with purchases of SDRs made as part of voluntary swap agreements with member countries designated by the IMF.

The amount of acquisitions of SDRs should be considered together with that recorded in liability item L6, “Counterpart to SDR allocations”, to determine France’s net SDR position.

Changes in financing provided to the IMF in 2016 stem from:

• net repayment by the IMF of EUR 1,521 million on France’s quota (excess of repayments over drawings);

• net repayment of SDR 272 million (equivalent to EUR 343 million) in 2016 under the December 2009 loan agreement between the Banque de France and the IMF. This agreement provides for a maximum financing commitment of EUR 21.178 billion since the merging of the bilateral loan agreements with the New Arrangements to Borrow in February 2011; this agreement was reduced to EUR 9.9 billion in 2016 (see above);

• the remainder of the change is due to SDR appreciation relative to the euro.

The change in “SDR assets” item A3.2, arises from the payment of interest relating to receivables and liabilities in SDRs as well as the purchases of SDRs under voluntary swap agreements with other central banks and the year-on-year change in the price of SDRs. At the time of increasing the quota, the Banque de France swapped SDRs for US dollars, Norwegian kroner and euro with some requesting countries, in the total amount of SDR 2.104 million. The net amount of the voluntary swap agreements results in a decrease of SDR 1,850 million (EUR 2,326 million). The counterpart of loans granted to the PRGT is the “SDR assets” item. In 2016 loans granted in this respect totalled SDR 11.5 million (equivalent to EUR 15 million).

The last entry under liability item L6, “Counterpart to SDR allocations”, was made in 2009 with a general allocation and a special allocation of SDRs by the IMF totalling SDR 9 billion. The change in the item results from movements in the SDR/euro exchange rate.

Note 4: Loans to and deposits received from credit institutions within the framework of monetary policy operations Total receivables held by the Eurosystem excluding the ECB in

<table>
<thead>
<tr>
<th>Relations with the IMF</th>
<th>Asset item A3 and liability item L6</th>
<th>(EUR millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing provided to</td>
<td>4,894</td>
<td>3,782</td>
</tr>
<tr>
<td>the IMF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions of Special</td>
<td>11,171</td>
<td>13,509</td>
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<tr>
<td>Drawing Rights</td>
<td></td>
<td></td>
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<tr>
<td>Accrued interest receivable</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>16,071</td>
<td>17,292</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterpart to SDR</td>
<td>12,917</td>
<td>12,899</td>
</tr>
<tr>
<td>allocations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>12,922</td>
<td>12,900</td>
</tr>
</tbody>
</table>
relation to monetary policy operations amounted to EUR 595,873 million, of which EUR 70,625 million are recorded on the Banque de France’s balance sheet. With the exception of certain decisions made by the Governing Council, any risks that may materialise as a result of monetary policy operations are eventually to be shared in full by the Eurosystem NCBs, in proportion to their prevailing ECB capital key shares.

Asset item A5 and liability item L2.2 show operations carried out by the Banque de France under the Eurosystem’s single monetary policy.

Short-term open market operations conducted by the Eurosystem were the main refinancing operations in volume terms until 2008 and they play a key role in steering interest rates, managing bank liquidity and signalling the stance of monetary policy. They are conducted through weekly tenders in the form of temporary sales of assets (repurchase agreements) for a one-week maturity. Since October 2008, these operations have been conducted as fixed-rate tender procedures.

Longer-term refinancing operations (LTROs) and targeted longer-term refinancing operations (TLTROs) are carried out through monthly tenders for loans with maturities of up to 48 months.

From December 2011, in connection with the enhanced credit support measures to support bank lending and liquidity in the euro area money market, the Governing Council decided to conduct longer-term refinancing operations. These operations are conducted as tender procedures with full allotment.

To this end the following longer-term refinancing operations were set up: 36 months (VLTROs) and 48 months (TLTROs).

In late 2011 and early 2012 two very longer-term refinancing operations (VLTROs) with a maturity of 36 months and the option of early repayment after one year were conducted. The rate applicable to these operations was equal to the average rate applicable to main refinancing operations over the life of the longer-term refinancing operation concerned, with interest being payable in arrears at maturity.

TLTROs with a maturity of 48 months and the option of early repayment after two years were set up with effect from 2014. The interest rate applicable throughout the term of each TLTRO is the rate in force for the main refinancing operations at the date when the tender is announced, with interest being payable in arrears at maturity. These TLTROs are fully repaid as of the end of 2016.

In March 2016 the Governing Council decided to launch new TLTRO II operations with a maturity of 48 months for which the rate has not been fixed definitively and which will, upon their maturity, depend on the increase in the loans that borrowing institutions have granted to the real economy. If the objectives of the increase are attained this rate could reach the negative deposit facility rate (−0.4% in 2016). The Eurosystem’s Committee of Accounting and Finance Directors has agreed that the interest would be recognised at this rate in 2016. Three TLTRO II operations were set up in 2016.
Euro-denominated loans to euro area credit institutions within the framework of monetary policy operations

<table>
<thead>
<tr>
<th>Asset item A5</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main refinancing operations</td>
<td>117</td>
<td>7,362</td>
</tr>
<tr>
<td>Longer-term refinancing operations</td>
<td>70,613</td>
<td>81,851</td>
</tr>
<tr>
<td>Fine-tuning operations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Structural operations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Marginal lending facilities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Margin calls paid</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>-104</td>
<td>90</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>70,625</td>
<td>89,303</td>
</tr>
</tbody>
</table>

totalling EUR 506.8 billion, of which EUR 69.5 billion was for France.

Marginal lending facilities are overnight facilities granted in the form of reverse transactions with Banque de France counterparties at their request. Interest is paid on these facilities at a rate fixed by the Eurosystem.

Fine-tuning operations and the collection of deposits are executed on an ad-hoc basis with the aim of managing the liquidity situation in the market and steering interest rates. Fine-tuning operations take the form of reverse transactions, outright transactions, foreign currency swaps or the collection of deposits. These operations are generally executed by means of quick tenders or bilateral procedures. The outstanding balance on these operations was nil at 31 December 2016.

Liability item L2.1 comprises the current accounts opened by credit institutions in the books of the Banque de France. These accounts comprise minimum reserves, for which the calculation base has been 1% since January 2012, and unconditional deposits made by the institutions. Holdings of minimum reserves bear interest at the average rate of the main refinancing operations over the period the reserves are built up. Deposits exceeding minimum reserves bear interest at the same negative rate as deposit facilities with effect from June 2014.

Deposit facilities enable Banque de France counterparties to make overnight deposits. The interest rate on the deposit facility is set by the Eurosystem and normally acts as a floor for the interbank market rate. This rate became negative on 13 June 2014 (–0.10%, falling to –0.20% on 4 September 2014, then to –0.30% on 9 December 2015 and 0.40% on 16 March 2016).

<table>
<thead>
<tr>
<th>Liability item L2</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current accounts</td>
<td>181,597</td>
<td>133,032</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>147,193</td>
<td>86,768</td>
</tr>
<tr>
<td>Deposit facilities</td>
<td>147,191</td>
<td>86,768</td>
</tr>
<tr>
<td>Fixed-term deposits</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Margin calls received</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>328,789</td>
<td>219,802</td>
</tr>
</tbody>
</table>
Note 5: Items A4, “Euro-denominated claims on non-euro area residents” and A6, “Other euro-denominated loans to euro area credit institutions”

These items include euro-denominated investments earmarked against euro-denominated deposits recorded in liability item L4 (see Note 16). These claims and loans, which do not relate to monetary policy operations, are split between these two asset items A4 and A6, according to whether the counterparty is located within or outside the euro area.

**Euro-denominated claims on non-euro area residents**
Asset item A4
(EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held to maturity</td>
<td>1,174</td>
<td>1,273</td>
</tr>
<tr>
<td>Other claims</td>
<td>2,582</td>
<td>3,079</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3,778</td>
<td>4,376</td>
</tr>
</tbody>
</table>

Note 6: Item A7, “Euro-denominated securities issued by euro area residents”

A7.1, “Securities held for monetary policy purposes”

Since 2009 the ECB has launched securities purchase programmes as part of its non-standard monetary policy. Securities purchased by the Banque de France under this programme are recorded in item A7.1. It includes bonds purchased within the scope of the three Covered Bond Purchase Programmes (CBPPs),26 the Securities Markets Programme (SMP)27 and the Public Sector Purchase Programme (PSPP).28

The amount of covered bond purchases established in the first programme (CBPP1) was reached at end-June 2010.

The second Covered Bond Purchase Programme (CBPP2) for bonds issued in the euro area, which was launched on 6 October 2011, was completed in October 2012.

The risks generated by the CBPP1 and CBPP2 programmes are not shared between the Eurosystem’s national central banks, since the selection criteria have not been harmonised within the Eurosystem.

Under the Securities Markets Programme (SMP), the ECB and NCBs purchased debt instruments issued by public or private entities incorporated in the euro area with a view to correcting the severe tensions in certain euro area security market segments and to restoring the proper functioning of the monetary policy transmission mechanisms. Total securities held by Eurosystem NCBs under the SMP amounted to EUR 94.8 billion at 31 December 2016, compared with EUR 114.1 billion at the end of 2015. The Banque de France’s share at the end of 2015 totalled EUR 20.6 billion, compared with EUR 24.1 billion at the end of 2015. In accordance with the decisions of the Governing Council, any risks that may materialise as a result of holding securities under the SMP are ultimately to be shared in full by the NCBs of the Eurosystem in proportion to their ECB capital key shares. This programme was completed in 2012.

In October 2014 the Governing Council decided to implement two new purchase programmes, an Asset-Backed Securities Purchase Programme (ABSPP) and a Covered Bonds Purchase Programme

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26 See the ECB press releases of 4 June 2009 and 6 October 2011.
27 See the ECB press release of 10 May 2010.
28 ECB decision No. 2015/10 of 4 March 2015.
Securities held for monetary policy purposes
Asset item A7.1
(EUR millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held under the Securities Markets Programme (SMP)</td>
<td>20,662</td>
<td>24,365</td>
<td>24,092</td>
<td>28,783</td>
<td>-3,430</td>
<td>-4,418</td>
</tr>
<tr>
<td>Securities held under the first Covered Bond Purchase Programme (CBPP1)</td>
<td>2,858</td>
<td>3,082</td>
<td>4,007</td>
<td>4,359</td>
<td>-1,149</td>
<td>-1,277</td>
</tr>
<tr>
<td>Securities held under the second Covered Bond Purchase Programme (CBPP2)</td>
<td>1,725</td>
<td>1,980</td>
<td>1,977</td>
<td>2,259</td>
<td>-252</td>
<td>-279</td>
</tr>
<tr>
<td>Securities held under the third Covered Bond Purchase Programme (CBPP3)</td>
<td>37,954</td>
<td>38,769</td>
<td>26,979</td>
<td>27,220</td>
<td>10,975</td>
<td>11,549</td>
</tr>
<tr>
<td>Securities held under the Public Sector Purchase Programme (PSPP)</td>
<td>253,248</td>
<td>256,922</td>
<td>103,750</td>
<td>103,750</td>
<td>149,498</td>
<td></td>
</tr>
<tr>
<td>Securities held under the Corporate Sector Purchase Programme (CSPP)</td>
<td>15,600</td>
<td>15,392</td>
<td>15,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>3,252</td>
<td>1,850</td>
<td>15,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>335,299</td>
<td>162,656</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(CBPP3), to improve monetary policy transmission and support the supply of credit to the euro area economy. It was decided that ABS purchases would initially be undertaken and carried by the ECB.

In January 2015 the Governing Council decided to implement a new Public Sector Purchase Programme (PSPP) for purchases of debt instruments issued by governments, government agencies or European institutions on the secondary market. Total securities held by Eurosystem NCBs under this PSPP amounted to EUR 1,142.3 billion at the end of 2016, compared with EUR 451.8 billion at the end of 2015. The Banque de France’s share totalled EUR 253.4 billion at 31 December 2016, compared with EUR 103.7 billion at the end of 2015. With regard to the CBPP3, the amounts totalled EUR 187 billion for the Eurosystem NCBs (EUR 131.9 billion at the end of 2015) and EUR 38 billion for the Banque de France (EUR 27 billion at the end of 2015).

Lastly, in January 2016 the Governing Council decided to implement a new Corporate Sector Purchase Programme (CSPP) for purchases of high-quality private sector debt instruments on the secondary market. Along with ABS purchases, the PSPP and the CBPP3, this new programme also aims to make monthly securities purchases totalling EUR 80 billion for the Eurosystem, from April 2016 until March 2017. After this date purchases will be made at the rate of EUR 60 billion per month until December 2017.

With regard to the CBPP, the amounts totalled EUR 51 billion for the Eurosystem NCBs and EUR 15.6 billion for the Banque de France respectively.

With effect from December 2014 all fixed-income securities held for monetary policy purposes are recognised in the financial statements at amortised cost (see above, the valuation methods for “Securities portfolios”). These securities are tested for impairment on the basis
of available information and an estimate of recoverable amounts at the balance sheet date.

Based on the final impairment tests performed for these seven programmes in 2016, the Governing Council decided on 3 January 2017 that no impairment losses needed to be recognised in the financial statements in respect of the portfolios held by the Eurosystem in connection with monetary policy.

A7.2, "Other securities"

Item 7.2 includes euro-denominated securities issued by residents of the euro area, other than those that are specifically earmarked against the Bank’s own funds, the Employee Reserve Fund and customer deposits that are recorded in asset items A11 and A12 (see Notes 11 and 28). In addition to fixed-income securities, this item used to include a fixed-income mutual fund, which was fully liquidated in 2016.

Just as for portfolios of securities held for monetary policy purposes, impairment tests were also performed on the Banque de France’s other portfolios. The result of these tests did not reveal any need to recognise an impairment loss.

Note 7: Claims arising on the transfer of reserve assets to the ECB
This claim held by the Banque de France results from the transfer of foreign currency reserve assets to the ECB. The claim is denominated in euro and is equivalent to the euro value of the transferred foreign currency reserves as at the date of the transfer. It is remunerated at the marginal rate applied to the main refinancing operations, adjusted to reflect a zero return on the gold component of the transferred reserve assets.

Claim arising on the transfer of reserve assets to the ECB

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security held to maturity</td>
<td>68,506</td>
</tr>
<tr>
<td>Other fixed-income securities</td>
<td>3,746</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>1,039</td>
</tr>
<tr>
<td>TOTAL</td>
<td>83,281</td>
</tr>
</tbody>
</table>

Note 8: Claims arising on the Eurosystem for euro banknotes in circulation
The intra-ESCB claim arising from the allocation of euro banknotes within the Eurosystem and the liability to the ECB relating to the 8% share of euro banknotes in circulation are shown as a net amount in item A8.3, “Claims arising on the Eurosystem for euro banknotes in circulation”, along with accrued interest receivable as at 31 December 2016. Interest on this net claim is shown in profit and loss item 1.1.1, “Interest and related income” (see Note 14 on banknotes in circulation).

Note 9: Other claims on the Eurosystem
This item includes any income receivable from the ECB in respect of the distribution of the balance of monetary income (where it is positive – see Note 34 of the profit and loss account), as well as the ECB’s interim distribution of profit (see Note 14 on banknotes in circulation).

In 2016 the ECB Governing Council decided to distribute an interim dividend of EUR 966.2 million to the Eurosystem NCBs, of which...
EUR 194.6 million for the Banque de France.

Note 10: Advance to the IEDOM
The circulation of banknotes in the overseas départements and the overseas collectivities of Saint Pierre and Miquelon, Saint Barthélemy and Saint Martin is managed by the IEDOM in the name of, on behalf of and under the authority of the Banque de France.

To this end the Banque de France grants the IEDOM a non-interest-bearing advance for an amount corresponding to an estimate of the value of the banknotes in circulation in the territories concerned.

Note 11: Other euro and foreign currency denominated financial assets
Asset item A11 notably includes securities linked to customer deposits, recorded in liability items L4 and L10, the Bank’s own funds and provisions.

Note 12: Other items
“Other items” reflect the revaluation impact of off-balance sheet foreign currency positions held in relation to retail banking operations (see Note 20). Their impact on the profit and loss account is cancelled out by the revaluation of foreign currency positions in the balance sheet, the overall foreign currency position from these activities being close to zero. In 2015 the revaluation impact of off-balance sheet foreign currency positions was reversed and recorded as a liability in item L11, “Other items”.

The portfolios of the Employee Reserve Fund (see Note 30) are classified in item A12, “Other items”.

Note 13: Fixed assets
The portion of the external costs for IT projects corresponding to integration costs that are directly related to the software packages are capitalised.

The costs for European projects are capitalised in accordance with the
Fixed assets
Asset items A8.1 and A13

<table>
<thead>
<tr>
<th>Fixed asset</th>
<th>31 dec. 2016</th>
<th>Increase (a)</th>
<th>Decrease (a)</th>
<th>31 dec. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating interest in the ECB (gross value)</td>
<td>1,540</td>
<td>-</td>
<td>1,540</td>
<td></td>
</tr>
<tr>
<td>FX translation difference on participating interest in the ECB</td>
<td>5</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Participating interest in the ECB (balance sheet value)</td>
<td>1,545</td>
<td></td>
<td>1,545</td>
<td></td>
</tr>
<tr>
<td>Participating interest excluding ECB (gross value)</td>
<td>538</td>
<td></td>
<td>538</td>
<td></td>
</tr>
<tr>
<td>Intangible fixed assets (gross value)</td>
<td>565</td>
<td>113</td>
<td>25</td>
<td>477</td>
</tr>
<tr>
<td>Amortisation and depreciation</td>
<td>279</td>
<td>60</td>
<td>5</td>
<td>224</td>
</tr>
<tr>
<td>Net value of intangible fixed assets</td>
<td>286</td>
<td>53</td>
<td>20</td>
<td>253</td>
</tr>
<tr>
<td>Tangible fixed assets (gross value)</td>
<td>2,420</td>
<td>334</td>
<td>214</td>
<td>2,300</td>
</tr>
<tr>
<td>Depreciation and provisions</td>
<td>1,560</td>
<td>83</td>
<td>29</td>
<td>1,506</td>
</tr>
<tr>
<td>Net value of intangible fixed assets</td>
<td>860</td>
<td>251</td>
<td>185</td>
<td>794</td>
</tr>
<tr>
<td>Total tangible and intangible fixed assets (net balance sheet value)</td>
<td>1,146</td>
<td>304</td>
<td>205</td>
<td>1,047</td>
</tr>
</tbody>
</table>

(a) Increases and decreases also include transfers between fixed asset accounts.

Information relating to subsidiaries and participating interests at 31 December 2016
Asset items A8.1 and A13.2

<table>
<thead>
<tr>
<th>Asset item</th>
<th>Listed</th>
<th>Share of capital held (%)</th>
<th>2016 holders’ equity</th>
<th>2016 profit/loss equity</th>
<th>2016 book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Central Bank (a)</td>
<td>A 8.1</td>
<td>No</td>
<td>20.14</td>
<td>43,890</td>
<td>1,209</td>
</tr>
<tr>
<td>Bank for International Settlements</td>
<td>A 13.2</td>
<td>No</td>
<td>8.96</td>
<td>22,746</td>
<td>511</td>
</tr>
<tr>
<td>Europafi</td>
<td>A 13.2</td>
<td>No</td>
<td>100.00</td>
<td>133</td>
<td>na</td>
</tr>
<tr>
<td>La Prévoyance immobilière</td>
<td>A 13.2</td>
<td>No</td>
<td>98.20</td>
<td>nd</td>
<td>na</td>
</tr>
<tr>
<td>Banque de France Gestion</td>
<td>A 13.2</td>
<td>No</td>
<td>99.99</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

ns : not significant.
na : not available.
(a) The interest in the capital is the Bank’s share in all of the NCBs that are members of the euro area. Dividends are allocated on this basis.

full cost accounting methodology as defined by the Eurosystem (known as the COMCO method), whereby the Banque de France includes its share in the total amount to be capitalised, as defined at the Eurosystem level, in its assets.

Participating interest in Europafi

On 27 October 2015 the Banque de France spun off its paper business by creating a simplified joint stock company (SAS – société par actions simplifiée) with capital of EUR 133 million, in respect of which it made a contribution in kind amounting to EUR 41 million and made up the balance with a cash contribution of EUR 92 million called in the amount of 50%.

Participating interest in the ECB

Following the doubling of the ECB’s capital to EUR 10,761 million between 2010 and 2012, the entry of Latvia into the euro area on 1 January 2014, and then Lithuania on 1 January 2015, resulted in slight adjustments to the ECB’s capital, which stood at EUR 10,825 at the end of 2016.

The Banque de France’s share in the ECB’s paid-up capital is EUR 1,540 million.

Pursuant to Article 28 of the ESCB Statute, the capital of the ECB is held solely by the NCBs of the ESCB. The formula for determining the capital subscription of each NCB to the ECB (the “capital key”) is defined in Article 29.3 of the ESCB Statute and adjusted every five years. A further five-year adjustment became effective on 1 January 2014.

The share in the capital of the ECB recorded on the assets side of the
balance sheet corresponds to the net amount of the subscribed capital.

Monetary income, ECB dividends and seigniorage income are allocated using a different key that is determined solely on the basis of the participating interests of NCBs that have adopted the euro. The Banque de France’s share in this regard fell to 20.2623% on 1 January 2014 (previously 20.3199%), reflecting Latvia’s entry into the euro area and the impact of the five-year adjustment, then to 20.1433% on 1 January 2015 upon Lithuania’s entry into the euro area.

Note 14: Banknotes in circulation

The ECB and the 19 euro area NCBs that together make up the Eurosystem issue euro banknotes. The total value of euro banknotes in circulation in the Eurosystem is allocated on the last business day of each month in accordance with the banknote allocation key.29

The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, with the remaining 92% allocated to euro area NCBs according to their ECB capital key weightings. The share of banknotes in circulation allocated to each NCB is disclosed in the liability item ”Banknotes in circulation”. The difference between the value of banknotes in circulation allocated to each NCB in accordance with the banknote allocation key and the value of banknotes actually put into circulation gives rise to an interest-bearing intra-Eurosystem position (see asset item A8.3).

A mechanism aiming to even out, during the first five years, any adjustments that may arise as a result of a country entering into the euro area has been implemented. This mechanism currently concerns only Estonia, Latvia and Lithuania.30

Interest income and expense on these balances are cleared through the accounts of the ECB and included in profit and loss item 1.1, “Net interest income”.

The ECB Governing Council decided that the ECB’s seigniorage income arising from its 8% allocated share of euro banknotes in circulation,31 as well as the income generated on the securities that it holds under the securities markets programmes (SMP, CBPP3, ABSPP and PSPP), is due to the NCBs in the same year it accrues and is distributed to them at the beginning of the following year in the form of an interim dividend. This income is distributed in full unless it exceeds ECB’s profit. Lastly, the Governing Council may decide to transfer all or part of this income to a provision for foreign currency rate, interest rate and gold price risks.

Banque de France’s share in the ECB’s subscribed capital
(as a %)

|---------------------|--------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|

29 ECB decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15).
30 For a five-year period from the year of adoption of the euro, intra-Eurosystem balances resulting from the euro banknote allocation are adjusted to avoid significant changes in the NCBs’ profit positions compared to previous years. These adjustments are effected by taking into account the differences between, on the one hand, the average value of banknotes in circulation of each NCB during a reference period commencing 30 months before the introduction of the euro in the State concerned and, on the other hand, the value of banknotes that would have been allocated to them during that period under the ECB’s banknote allocation key. These adjustment amounts are reduced each year until the first day of the sixth year following adoption of the euro, after which income on banknotes will be allocated fully between the NCBs in proportion to their paid-up share in the ECB’s capital. The adjustment period for Estonia will end on 1 January 2017, for Latvia on 1 January 2019 and for Lithuania on 1 January 2020.
31 ECB decision of 17 November 2005 (ECB/2005/11) on the distribution of the income of the ECB on euro banknotes in circulation to the NCBs of participating member countries.
Note 15: Euro-denominated liabilities to euro area residents
Securities delivered under repurchase agreements shown in item L3 mainly comprise monetary policy securities at 31 December 2016.

Other euro-denominated liabilities to euro area credit institutions
Liability item L3 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro-denominated liabilities to euro area residents</td>
<td>3,953</td>
<td>10</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,953</td>
<td>10</td>
</tr>
</tbody>
</table>

Note 16: Euro-denominated liabilities to non-euro area residents
This item comprises euro-credit balances (excluding Target) with central banks, commercial banks and non-financial customers in non-Eurosystem member countries. In most cases the assets matching these liabilities are included in asset items A4 or A6 (see Note 5) or asset item A11 (see Note 11), depending on whether they are invested in the same currency or are covered by cross-currency swaps (see Note 28).

Relations within the Eurosystem
Liability item L7 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro-denominated liabilities to the Eurosystem (Target2)</td>
<td>13,803</td>
<td>29,241</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses in respect of monetary income</td>
<td>320</td>
<td>71</td>
</tr>
<tr>
<td>TOTAL</td>
<td>14,123</td>
<td>29,315</td>
</tr>
</tbody>
</table>

Note 17: Euro-denominated liabilities to the Eurosystem
Euro-denominated liabilities to the Eurosystem mostly comprise France’s net debt arising on cross-border transfers via Target with other NCBs in the ESCB.

Note 18: Euro-denominated liabilities to other euro area residents
Liability item L8.1 consists of:

- the Treasury’s account, which as of 1 December 2014, bears interest at the Eonia rate up to a balance of EUR 550 million. Above this amount, interest is charged at the deposit facility rate, which has been negative since 13 June 2014. Interest is credited (or debited) to the Treasury’s account on the last business day of the month;

Euro-denominated liabilities to other euro area residents
Liability item L8 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities vis-à-vis the State</td>
<td>13,886</td>
<td>13,873</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9,407</td>
<td>6,010</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>–4</td>
<td>–4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,288</td>
<td>19,878</td>
</tr>
</tbody>
</table>

Note 19: Items in the course of settlement
Balance sheet item L9, “Items in the course of settlement”, includes only items (primarily cheques) debited or credited to a customer’s account, but not yet credited or debited to a credit institution’s account, and vice versa.

Note 20: Banking transactions
This item mainly comprises overnight and fixed-term deposits denominated in foreign currencies by French or foreign public bodies, or foreign national central banks.
The management of such foreign currency transactions is totally separate from the management of the foreign currency reserves. The assets matching these liabilities, which may be hedged by cross-currency swaps, are included either in asset item A11 (see Note 11), or in items A4 or A6 (see Note 5), depending on whether they are invested in a foreign currency or in euro.

For the record, euro-denominated deposits made by institutional customers (other than monetary and financial institutions) and private customers are recorded in liability item L8.2.

Note 21: Other items
This item mainly includes:

- the capital of the Banque de France Employee Reserve Fund (see Note 30);
- miscellaneous creditors (State, etc.).

Note 22: Provisions for liabilities and charges
Provisions for liabilities and charges mainly include employee-related provisions:

- provisions for restructuring, relating to the “cash activities” and “banknote manufacturing” plans, the “plan to adapt the Banque de France’s branch network”, and the “plan to discontinue retail banking activities”, corresponding to the full coverage of pensionable service credited under early retirement schemes;
- provisions for changing the age pyramid, relating to an early retirement incentive scheme for employees reaching the end of their working life;
- provisions for retirement benefits;
- a provision covering the Bank’s commitment to fund a portion of the supplementary health insurance plan for employees and retirees;
- provisions for various social liabilities for working employees (death benefits, long-service medals, end-of-career leave, extended sick leave, pensions for industrial injuries, unemployment benefits);
- provisions to cover various social obligations granted to retired employees (death benefits, supplementary health cover, etc.) that are not funded by the pension scheme;
- other provisions for, inter alia, major repairs (such as façade repairs, renovations, etc.).

In 2016 the EUR 50 million increase in the supplementary health insurance provision was due to the revaluation of the contribution rates (a rise from 88.8% to 100% for the basic scheme).

It should be noted that the calculation bases for social security provisions remained unchanged: the discount rate of 2.75% and revaluation assumptions based on long-term inflation of 1.75% with effect from 2020.
Provisions for liabilities and charges

Liability item L12

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>Increase</th>
<th>Decrease</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for restructuring and changing the age pyramid</td>
<td>145</td>
<td>3</td>
<td>8</td>
<td>150</td>
</tr>
<tr>
<td>Provisions for retirement benefits</td>
<td>166</td>
<td>6</td>
<td>13</td>
<td>173</td>
</tr>
<tr>
<td>Provisions for the supplementary health insurance plan</td>
<td>288</td>
<td>50</td>
<td>–</td>
<td>238</td>
</tr>
<tr>
<td>Other miscellaneous provisions in relation to current employees</td>
<td>112</td>
<td>19</td>
<td>24</td>
<td>119</td>
</tr>
<tr>
<td>Other miscellaneous provisions in relation to retired employees</td>
<td>180</td>
<td>2</td>
<td>6</td>
<td>184</td>
</tr>
<tr>
<td>Provision relative to monetary policy operations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>4</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>916</td>
<td>83</td>
<td>64</td>
<td>897</td>
</tr>
</tbody>
</table>

Note 23: Revaluation accounts
Gold and foreign exchange assets and liabilities are revalued at the reference prices indicated by the ECB on 31 December 2016.

The revaluation rates used at 31 December 2016 for gold and the main currencies held were the following:

- EUR 35,303 per kilogram of fine gold (compared with EUR 31,289.91 per kilogram at the end of 2015);
- EUR 1 = USD 1.0541 (compared with USD 1.0887 at the end of 2015);
- EUR 1 = SDR 0.78456 (compared with SDR 0.7857 at the end of 2015).

Revaluation accounts
Liability item L13

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation account – gold</td>
<td>66,633</td>
<td>56,859</td>
</tr>
<tr>
<td>Revaluation account – foreign exchange</td>
<td>10,314</td>
<td>9,452</td>
</tr>
<tr>
<td>Revaluation account – securities</td>
<td>2,299</td>
<td>2,127</td>
</tr>
<tr>
<td>Revaluation account – forward financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>79,246</td>
<td>68,438</td>
</tr>
</tbody>
</table>

Note 24: Fund for general risks
The fund for general risks (FRG) is booked as a liability in item L14, with counterparty entries for charges to and releases from this fund recorded through item 3 of the profit and loss account.

It is intended to cover all possible risks to which the Bank is exposed through its activities, except for the exchange rate risk on gold and foreign currency reserves, which is covered by the relevant revaluation accounts and by the RRRODE (see the paragraph on valuation methods).

The amount of the FRG is reviewed each year on the basis of the volume of outstanding operations at the balance sheet closing date and an analysis of the attendant risks, based notably on past losses or stress tests. The allocation to the FRG is not a deductible expense for corporate income tax purposes, and therefore the reversal of the FRG is also not subject to tax. No allocations were made to the FRG in 2016.

Note 25: Revaluation reserve of State gold and foreign currency reserves
See the notes on the RRRODE in the section describing the valuation methods.

Capital, reserves and retained earnings

Liability item L17

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>7,362</td>
<td>6,850</td>
</tr>
<tr>
<td>Statutory reserves (a)</td>
<td>701</td>
<td>589</td>
</tr>
<tr>
<td>Long-term capital gains</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Special pension reserve fund (see Note 30)</td>
<td>3,347</td>
<td>2,949</td>
</tr>
<tr>
<td>Other reserves (b)</td>
<td>3,214</td>
<td>3,212</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,368</td>
<td>7,857</td>
</tr>
</tbody>
</table>

a) In accordance with Article R114-4 of the French Monetary and Financial Code, 5% of the net profit for the year is allocated to a special reserve that ceases to be funded when it reaches an amount equal to double the Banque de France’s capital.
b) Other reserves include the investment reserve and the insurance fund to cover claims against the Bank. In accordance with Article R144-2, the Banque de France must maintain reserves to finance its investments. The Bank is also its own insurer with respect to civil liability risks, claims on property it owns and damages to this property by third parties.
Off-balance sheet

Notional amount of financial futures contracts (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outright transactions on organised markets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate contracts denominated in foreign currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>5,980</td>
<td>1,619</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate contracts denominated in euro</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>1,490</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Over-the-counter market operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps denominated in foreign currency</td>
<td>390</td>
<td>417</td>
</tr>
<tr>
<td>Interest rate swaps denominated in euro</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 27: Interest rate futures contracts

These euro-denominated or foreign currency-denominated deposits are invested either in the same currency or in a different currency (euro-denominated investments are recorded in asset items A4 or A6 depending on the area of residence of the counterparty, while foreign currency investments are recorded in item A11). Where appropriate, foreign exchange risk is neutralised by cross-currency swaps of the same amount and maturity as the deposits. These foreign currency deposits and investments, and the related spot and forward foreign currency transactions, form part of an activity that is separate and independent from the management of foreign currency reserves. Consequently, they are recorded in dedicated accounts separate from those used for the management of foreign currency reserves and are valued in accordance with the standards issued by the ANC (see the valuation methods for “Other foreign currency gains/losses” and Note 20, above).

Note 28: Forward foreign currency transactions with customers and the ECB

The Banque de France collects euro-denominated deposits from non-euro area residents, in particular foreign central banks and international bodies, which are recorded in liability item L4. The Banque de France also collects foreign currency denominated deposits, mainly from non-resident institutions; these deposits are recorded in liability item L10.

Foreign currency receivable/deliverable (EUR millions)

<table>
<thead>
<tr>
<th>Column Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro to be received against foreign currency to be delivered</td>
<td>5,946</td>
<td>8,602</td>
</tr>
<tr>
<td>Foreign currency to be delivered</td>
<td>6,202</td>
<td>8,737</td>
</tr>
<tr>
<td>Foreign currency to be received against euro to be delivered</td>
<td>34,362</td>
<td>41,548</td>
</tr>
<tr>
<td>Euro to be delivered</td>
<td>34,030</td>
<td>41,270</td>
</tr>
<tr>
<td>Foreign currency to be received against foreign currency to be delivered</td>
<td>55,754</td>
<td>52,446</td>
</tr>
<tr>
<td>Foreign currency to be delivered against foreign currency to be received</td>
<td>52,527</td>
<td>51,835</td>
</tr>
</tbody>
</table>

Note 29: Off-balance sheet commitments given or received in respect of operations with the IMF

Commitments given by the Banque de France

Following the various financing commitments signed by France since 2010 the total amount of the credit line on which the IMF could draw down was SDR 18.7 billion. In 2016, following the increase of France’s quota in the IMF’s capital, its financing commitment was reduced by a corresponding amount, i.e. to EUR 9.4 billion. At the end of 2016 total loans granted stood at SDR 1.54 billion (SDR 1.8 billion at the end of 2015),
or EUR 2 billion (EUR 2.3 billion at the end of 2015). The balance of this financing commitment totalled SDR 7.9 billion (EUR 9.9 billion) at 31 December 2016.

A new bilateral loan agreement between France and the IMF was signed in October 2012. Under this agreement, France undertakes to provide further financing of EUR 31.4 billion (SDR 24.635 billion at 31 December 2016). No funds have been drawn down under this new agreement.

In addition, the Bank grants loans under the IMF’s “Poverty Reduction and Growth Facility” and “Exogenous Shocks Facility” (PRGF-ESF). These loans form part of a commitment made by France at the annual general meeting of the IMF on 4 October 2009 to grant SDR loans for a maximum amount equivalent to USD 2 billion. When the loan is drawn down, this amount is converted into SDRs at the dollar rate for the day. The repayment schedules are also denominated in SDRs. Drawdowns on the Banque de France were made from 2011 to 2016 for a total amount of SDR 1.2 billion.

Commitments received by the Bank

In the Supplementary Budget Act for 2008 the State extended its guarantee to the loans granted by the Banque de France under the “Poverty Reduction and Growth Facility” and the “Exogenous Shocks Facility” (PRGF-ESF).

Note 30: Pension obligations
Banque de France employees benefit from a pension scheme, which was initially set up by an Imperial Decree of 16 January 1808. This scheme is currently governed by Decree 2007-262 of 27 February 2007, which entered into force on 1 April 2007, amended by Decrees 2008-1514, 2012-701, 2012-847 and 2014-1702, which aligned the Banque de France’s pension scheme with that of the civil service.

The Employee Reserve Fund

The Banque de France has a pension fund known as the “Caisse de réserve des employés de la Banque de France” (CRE – Banque de France Employee Reserve Fund), which is designed to service the pensions of the Bank’s statutory employees. The CRE does not have a legal personality distinct from that of the Bank; it constitutes, as the Conseil d’État set out in its decisions of 5 November 1965 and 28 April 1975, “a means for the Bank to manage itself assets that are assigned to a special purpose and whose separate financial identity has been recognised with the sole purpose of showing the results of this management in a special account”.

As a consequence, the CRE is subject to separate accounting treatment. However, its assets, liabilities, income and expenses are an integral part of the Bank’s accounts.

The pensions provided by the CRE to retirees are partly funded by the income on a securities portfolio, which has been set up over time and is specifically devoted to this purpose. The securities acquired by the CRE appear in balance sheet item A12, “Other items”. The CRE’s capital is shown in liability item L11, “Other items”.

Fixed-income securities purchased by the CRE are recorded as available-for-sale and held-to-maturity securities. Differences between the acquisition and redemption price of held-to-maturity fixed-income securities are
spread over the remaining life of the securities using the internal rate of return method. Unrealised losses on available-for-sale securities are provided for on a line-by-line basis. However, realised gains and losses, unrealised losses and contributions paid recognised in the profit and loss account require a matching charge to or withdrawal from the CRE’s capital.

Pension expenses are included in profit and loss account item 2.2, “Pensions and related expenses”. The income from the CRE’s securities portfolios is recorded in profit and loss account item 1.6 “Net other income and expenses”.

Other sources of financing for pensions

In order to ensure the progressive financing of the unfunded portion of liabilities in respect of pension rights vested before the entry into force of Decree 2007-262 of 27 February 2007, in 2007 the General Council set up a “special reserve fund”, in accordance with the third paragraph of Article R144-4 of the French Monetary and Financial Code. This reserve fund is regularly replenished, within the limits permitted by the gross income of the Banque de France and the payment to the State of the predominant share incumbent on it. The special reserve fund for pensions appears in liability item L17, “Capital, reserves and retained earnings”.

In addition, liabilities in respect of the additional seniority granted as part of restructuring plans (see Note 22) are provisioned in full. The resources constituted by this reserve fund and these provisions have been invested in a securities portfolio that appears in asset item A12. This portfolio is recorded in accordance with the rules set out in the section on the valuation methods used for securities portfolios. The income from this portfolio is shown, as appropriate, in items 1.1, “Net interest income”, 1.2.3, “Net other income and expenses on financial transactions” or 1.4, “Income from equity securities and participating interests” of the profit and loss account.

Actuarial assumptions

Total pension liabilities have been calculated in accordance with actuarial standards (using the projected unit credit method), taking into account all current employees, retirees and their dependants. Obligations to current employees were determined using a prospective method with assumptions concerning future career and salary developments.

The TGH-TGF 2005 statutory mortality tables applicable to life insurance contracts were used to calculate pension liabilities at 31 December 2016. These tables take into account the increase in the working lives of the employees concerned and, as in previous years, are broken down by gender.

| Pension liabilities and funding (EUR millions) | Liabilities | Funding | | |
| | 2016 | 2015 | 2016 | 2015 |
| Liabilities in respect of the special pension scheme | 13,209 | 13,185 | Funding | 8,701 | 7,778 |
| of which to current employees | 5,170 | 5,333 | of which to Employee Reserve Fund | 5,354 | 4,829 |
| of which to retirees | 8,039 | 7,852 | of which to special reserve fund | 3,347 | 2,949 |
| Liabilities in respect of the additional seniority granted as part of restructuring plans | 141 | 146 | Provision | 141 | 146 |
| Total gross liabilities | 13,350 | 13,331 | Total funding | 8,842 | 7,924 |
| Net liabilities | 4,508 | 5,407 | | |
With the new reform that entered into force on 1 January 2016 the retirement age is being gradually raised to 62 and the upper limit for the pension age to 67. The required number of quarterly periods is being gradually increased to 172.

In addition, a system of supplements/reductions has progressively been put in place from 1 January 2009 and applies to employees who start drawing their pension with a greater/smaller number of quarterly periods than that required to obtain a full pension.

The level of pensions is adjusted on 1 October every year with reference to projected developments in the household consumer price index excluding tobacco.

Calculations of pension liabilities and the underlying assumptions used are validated and monitored by the Bank’s actuary. The discount rate remained stable at 2.75% in 2016. Revaluation assumptions based on long-term inflation will rise to 1.75% with effect from 2020 (see Note 22).

### Profit and loss account

**Note 31: Net interest income**

The net interest income of EUR 6.8 billion includes significant interest income due to negative interest rates; interest on deposit facilities, interest on excess reserves on top of the minimum reserves and excess reserves in the Treasury’s account.

**Net interest income**

 Profit and loss item 1.1 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on foreign exchange assets</td>
<td>865</td>
<td>833</td>
</tr>
<tr>
<td>Of which is interest on held-to-maturity securities</td>
<td>432</td>
<td>518</td>
</tr>
<tr>
<td>Interest on claims on the IMF</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Interest on euro-denominated claims on non-residents</td>
<td>844</td>
<td>279</td>
</tr>
<tr>
<td>Interest on euro-denominated securities</td>
<td>4,536</td>
<td>4,470</td>
</tr>
<tr>
<td>Of which interest on held-to-maturity securities</td>
<td>2,373</td>
<td>2,566</td>
</tr>
<tr>
<td>interest on securities held for monetary policy purposes</td>
<td>2,152</td>
<td>1,891</td>
</tr>
<tr>
<td>Interest on claims arising on the transfer of reserve assets to the ECB</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Interest on net claims on the Eurosystem (1)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Interest on the net euro banknote position</td>
<td>9</td>
<td>43</td>
</tr>
<tr>
<td>Interest on other euro and foreign currency denominated financial assets</td>
<td>826</td>
<td>725</td>
</tr>
<tr>
<td>Of which interest on available-for-sale securities</td>
<td>-67</td>
<td>25</td>
</tr>
<tr>
<td>of which interest on held-to-maturity securities</td>
<td>893</td>
<td>700</td>
</tr>
<tr>
<td>Total interest and related income (A)</td>
<td>7,094</td>
<td>6,362</td>
</tr>
<tr>
<td>Interest on euro-denominated liabilities to monetary financial institutions in the euro area</td>
<td>-1</td>
<td>-12</td>
</tr>
<tr>
<td>Of which interest paid on minimum reserves</td>
<td>-1</td>
<td>-10</td>
</tr>
<tr>
<td>Interest on euro-denominated liabilities to non-euro area residents</td>
<td>-466</td>
<td>-360</td>
</tr>
<tr>
<td>Interest on foreign exchange liabilities</td>
<td>-13</td>
<td>-10</td>
</tr>
<tr>
<td>Interest on counterpart to SDR allocations</td>
<td>-11</td>
<td>-6</td>
</tr>
<tr>
<td>Interest on net claims on the Eurosystem (1)</td>
<td>-6</td>
<td>-31</td>
</tr>
<tr>
<td>Interest paid on the Treasury’s account</td>
<td>+ 104</td>
<td>+ 34</td>
</tr>
<tr>
<td>Other interest</td>
<td>+ 73</td>
<td>-49</td>
</tr>
<tr>
<td>Total interest and related expenses (B)</td>
<td>-320</td>
<td>-434</td>
</tr>
<tr>
<td>Net interest income (C = A + B)</td>
<td>6,773</td>
<td>5,928</td>
</tr>
</tbody>
</table>

(1) Interest on the Banque de France’s net position within the Target system (see Notes 9 and 17).

**Note 32: Net income/loss on financial transactions**

This profit and loss account item shows the net balance resulting from sales transactions and gold and foreign currency re-evaluations on the one hand, and financial instrument transactions that do not fall within the scope of operations for monetary policy purposes on the other.
Net other income and expenses on financial transactions
Extract from profit and loss item 1.2.3
(EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain/loss on foreign currency denominated securities (a) (b) (c)</td>
<td>191</td>
<td>3</td>
</tr>
<tr>
<td>Net gain/loss on euro-denominated securities included in item A7.2 (b) (c)</td>
<td>60</td>
<td>49</td>
</tr>
<tr>
<td>Net gain/loss on available-for-sale securities included in item A11 (b)</td>
<td>46</td>
<td>2</td>
</tr>
<tr>
<td>Net foreign exchange gain/loss (excluding foreign currency reserve management)</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>305</td>
<td>63</td>
</tr>
</tbody>
</table>

(a) Excluding the impact of foreign exchange fluctuations, shown in profit and loss item 1.2.1.
(b) These items include realised gains and losses, and unrealised losses at year-end.
(c) These items also include margin calls on interest rate futures, and profits and losses on synthetic instruments.

In 2016 the net balance of realised gold and foreign exchange gains and losses (EUR 354 million) and unrealised foreign currency losses (EUR 73 million) constituted net income of EUR 281 million. In accordance with the agreement of 2 February 2011 between the State and the Banque de France on the management of and accounting for foreign currency reserves, this net balance was allocated to the RRRODE, with the matching entry taken to the profit and loss account (item 1.2.2).

The net balance from sales and re-evaluations concerning financial instruments (primarily securities) that do not relate to monetary policy operations is broken down in the table above.

Note 33: Income from equity securities and participating interests
For 2016 the Governing Council decided to distribute the ECB’s share of seigniorage income and income from SMP, CBPP3, ABSPP, PSPP and CSPP securities to the national central banks. The ECB made an interim profit distribution of EUR 966 million, of which EUR 195 million was for the Banque de France. In 2016 it distributed an additional dividend in respect of 2015, of which EUR 54 million was for the Banque de France.

Note 34: Net result of pooling of monetary income
This item comprises the annual net result of the pooling of monetary income, which in 2016 corresponded to a EUR 321 million expense (compared to a EUR 70 million expense in 2015), to which was added a very small expense adjustment in respect of 2015.

The monetary income pooled by the Eurosystem is allocated between NCBs according to their share in the ECB’s capital. The difference between the monetary income pooled by the Banque de France (EUR 2,317 million) and that reallocated to the Bank (EUR 1,996 million) constitutes the net result of the pooling of monetary income recorded in profit and loss item 1.5.

The monetary income of each NCB reflects the income derived from the earmarkable assets held against its liability base.
The liability base consists of the following items: banknotes in circulation; liabilities to credit institutions in connection with euro-denominated monetary policy operations; intra-Eurosystem liabilities arising from Target transactions, and net intra-Eurosystem liabilities arising from the allocation of euro banknotes within the Eurosystem. Any interest accruing on liabilities included in the liability base is deducted from the monetary income to be pooled.

Earmarkable assets consist of the following items: euro-denominated lending to euro area credit institutions within the framework of monetary policy operations, securities held for monetary policy purposes, claims arising on the transfer of reserve assets to the ECB, net intra-Eurosystem claims arising from Target transactions, net intra Eurosystem claims arising from the allocation of euro banknotes within the Eurosystem and a limited amount of gold in proportion to each NCB’s interest in the ECB’s capital under the capital key. Where the value of an NCB’s earmarkable assets exceeds or falls short of the value of its liability base, the contribution of this difference to the monetary income is offset by applying the marginal rate of main refinancing operations to the value of the difference.

Note 35: Net other income and expenses
This balance includes income and expenses generated by service activities carried out on behalf of third parties. These activities mainly relate to public service activities entrusted to the Banque de France by law or by agreements signed with the State. To a certain extent they also concern activities carried out to support the economy, for which the cost is reinvoiced.

Income includes the contribution for the cost of supervision by the Autorité de contrôle prudentiel et de résolution (ACPR – the French Prudential Supervisory and Resolution Authority), which was established by Order 2010-76 of 21/01/2010 merging the licensing and supervisory authorities of the banking and insurance sectors. It is a financially autonomous, independent administrative authority without legal personality. It is chaired by the Governor of the Banque de France and its budget is a sub-budget of the Banque de France. The expenses and income of the ACPR are recognised in the financial statements of the Banque de France. Expenses are booked as operating expenses according to their nature and income consists of levies raised from the organisations under ACPR supervision. In 2016 levies for supervisory expenses generated EUR 192 million (EUR 188 million in 2015), recorded in profit and loss account item 1.6, “Net other income and expenses”.

Services provided by the Banque de France to the State – particularly the operation of the departmental commissions for handling cases of household over-indebtedness and managing the Treasury’s account – are remunerated on a full-cost basis.

### Net other income and expenses
Profit and loss item 1.6 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for services rendered to the State</td>
<td>250</td>
<td>273</td>
</tr>
<tr>
<td>Payments for ACPR’s supervisory expenses</td>
<td>192</td>
<td>188</td>
</tr>
<tr>
<td>Other income (a)</td>
<td>316</td>
<td>296</td>
</tr>
<tr>
<td><strong>Total other income (A)</strong></td>
<td>758</td>
<td>757</td>
</tr>
<tr>
<td><strong>Total other expenses (B)</strong></td>
<td>-83</td>
<td>-33</td>
</tr>
<tr>
<td><strong>Net other income and expenses (C = A + B)</strong></td>
<td>675</td>
<td>724</td>
</tr>
</tbody>
</table>

(a) This item mainly includes fees charged for use of the databases managed by the Banque de France (FNCL, FCP, FCC, FIBEN).

32 Gold is deemed to generate no income.
Note 36: Personnel and related expenses

**Personnel and related expenses**

Profit and loss item 2.1

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>639</td>
<td>658</td>
</tr>
<tr>
<td>Taxes on salaries and wages</td>
<td>105</td>
<td>111</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>181</td>
<td>194</td>
</tr>
<tr>
<td>Profit-sharing and incentive plans</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Total personnel expenses</td>
<td>954</td>
<td>997</td>
</tr>
</tbody>
</table>

Profit and loss item 2.2

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions and related expenses</td>
<td>467</td>
<td>461</td>
</tr>
<tr>
<td>Total pension expenses</td>
<td>467</td>
<td>461</td>
</tr>
</tbody>
</table>

The Governor’s total gross remuneration for 2016 was EUR 283,129. The Deputy Governors’ remuneration was EUR 223,255. They do benefit from employer-owned accommodation. They each receive a gross housing allowance of EUR 5,643 per month, which is subject to tax. These provisions are governed by Article R142-19 of the French Monetary and Financial Code.

Note 37: Corporate income tax

In accordance with Article 8 of Act 2007-212 of 20 February 2007 on various measures concerning the Banque de France, the taxable profit or loss of the Banque de France is calculated using accounting rules defined in accordance with Article L144-4 of the French Monetary and Financial Code and the agreement in Article L141-2 of the said Code.

The Supplementary Budget Act for 2011 provided for an exceptional contribution to corporate income tax amounting to 5% of statutory corporate income tax in 2011 and 10.7% in 2013. This exceptional contribution was not renewed in 2016. The Supplementary Budget Act for 2012 introduced a 3% tax on amounts distributed on or after 1 August 2012.
Auditors’ report on the financial statements of the Banque de France

KPMG S.A.
2 avenue Gambetta
92066 Paris-La Défense Cedex

Deloitte & associés
185 avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS
Year ended 31 December 2016

In accordance with the assignment entrusted to us by the Banque de France’s General Council, we hereby report to you for the year ended 31 December 2016 on:

• our audit of the accompanying financial statements of the Banque de France;

• the basis for our assessments;

• the specific procedures required by Article R144-8 of the French Monetary and Financial Code.

The financial statements have been approved by the Governor. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit in such a way as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis or via other selection methods, evidence supporting the figures and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made as well as evaluating the overall presentation of the combined financial statements. We believe that the information we have collected provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Banque de France give a true and fair view of the results of its operations for the year ended 31 December 2016, and of its financial position and assets and liabilities at that date, in accordance with the accounting rules and principles set out in Article R144-6 of the French Monetary and Financial Code.
Without prejudice to our opinion, we draw your attention to the following points:

• the introduction to the Notes to the financial statements describes the accounting principles and valuation methods applicable to the Banque de France, some of which are specific to the European System of Central Banks;

• the General Council has determined the level of detail of the financial information published in accordance with its right provided for in Article R144-6 of the French Monetary and Financial Code.

Basis for our assessments

In accordance with the provisions of Article L823-9 of the French Commercial Code regarding the basis for our assessments, we draw your attention to the following matters:

• the section “Valuation methods” and Note 6 to the financial statements describe the methods used to value the securities held by the Banque de France and, in particular, the impairment methods applicable to held-to-maturity securities. We reviewed the processes put in place by management in order to assess the risk of non-recovery of securities carried at amortised cost, and also reviewed the assumptions used and documentation held in relation to these estimates;

• Note 30 to the financial statements sets out the method for assessing pension obligations and other related liabilities. These obligations were assessed by actuaries. Our work consisted in examining the data used and evaluating the assumptions applied.

Our assessment of these issues was made within the context of our audit approach to the financial statements taken as a whole, and contributed to the opinion expressed in the first part of this report.

Specific procedures

In accordance with the standards of the profession applicable in France, we have also carried out the specific procedures required by law.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the report on the Bank’s assets, liabilities and results.

Paris-La Défense and Neuilly-sur-Seine, 13 March 2017

The Auditors

KPMG S.A.
Pascal Brouard
Partner

Deloitte & associés
Pascal Colin
Partner
Marjorie Blanc Lourme
Partner
# Combined financial statements

## The combined balance sheet and profit and loss account

### Combined balance sheet at 31 December 2016

<table>
<thead>
<tr>
<th>Notes to the balance sheet</th>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 Gold</td>
<td>85,993</td>
<td>76,211</td>
<td></td>
</tr>
<tr>
<td>A2 Foreign exchange assets (excl. relations with the IMF)</td>
<td>51,295</td>
<td>51,750</td>
<td></td>
</tr>
<tr>
<td>2.1 Foreign exchange assets held with non-euro area residents</td>
<td>39,238</td>
<td>32,799</td>
<td></td>
</tr>
<tr>
<td>2.2 Foreign exchange assets held with euro area residents</td>
<td>12,057</td>
<td>18,951</td>
<td></td>
</tr>
<tr>
<td>A3 Relations with the IMF</td>
<td>16,071</td>
<td>17,292</td>
<td></td>
</tr>
<tr>
<td>3.1 Financing provided to the IMF</td>
<td>4,894</td>
<td>3,782</td>
<td></td>
</tr>
<tr>
<td>3.2 Acquisitions of Special Drawing Rights</td>
<td>11,177</td>
<td>13,511</td>
<td></td>
</tr>
<tr>
<td>A4 Euro-denominated claims on non-euro area residents</td>
<td>3,778</td>
<td>4,736</td>
<td></td>
</tr>
<tr>
<td>A5 Euro-denominated loans to euro area credit institutions within the framework of monetary policy operations</td>
<td>70,625</td>
<td>89,303</td>
<td></td>
</tr>
<tr>
<td>A6 Other euro-denominated loans to euro area credit institutions</td>
<td>15,378</td>
<td>30,539</td>
<td></td>
</tr>
<tr>
<td>A7 Euro-denominated securities issued by euro area residents</td>
<td>408,589</td>
<td>243,312</td>
<td></td>
</tr>
<tr>
<td>7.1 Securities held for monetary policy purposes</td>
<td>335,299</td>
<td>162,655</td>
<td></td>
</tr>
<tr>
<td>7.2 Other securities</td>
<td>73,290</td>
<td>80,656</td>
<td></td>
</tr>
<tr>
<td>A8 Relations within the Eurosystem</td>
<td>98,822</td>
<td>97,951</td>
<td></td>
</tr>
<tr>
<td>8.1 Participating interest in the ECB</td>
<td>1,545</td>
<td>1,545</td>
<td></td>
</tr>
<tr>
<td>8.2 Claims arising on the transfer of reserve assets to the ECB</td>
<td>8,218</td>
<td>8,221</td>
<td></td>
</tr>
<tr>
<td>8.3 Claims arising on the Eurosystem for euro banknotes in circulation</td>
<td>88,864</td>
<td>88,022</td>
<td></td>
</tr>
<tr>
<td>8.4 Other claims on the Eurosystem</td>
<td>195</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>2 A9 Claims on the French Treasury in respect of coins</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>A10 Other euro and foreign currency denominated financial assets</td>
<td>79,673</td>
<td>87,822</td>
<td></td>
</tr>
<tr>
<td>1 A11 Other items</td>
<td>11,110</td>
<td>8,401</td>
<td></td>
</tr>
<tr>
<td>A12 Fixed assets</td>
<td>1,663</td>
<td>1,529</td>
<td></td>
</tr>
<tr>
<td>12.1 Tangible and intangible fixed assets</td>
<td>1,255</td>
<td>1,121</td>
<td></td>
</tr>
<tr>
<td>12.2 Participating interests (other than interest in the ECB)</td>
<td>408</td>
<td>408</td>
<td></td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>842,999</td>
<td>708,488</td>
<td></td>
</tr>
</tbody>
</table>

### Notes to the balance sheet

<table>
<thead>
<tr>
<th>Notes to the balance sheet</th>
<th>LIABILITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1 Banknotes in circulation</td>
<td>208,710</td>
<td>200,781</td>
<td></td>
</tr>
<tr>
<td>L2 Euro-denominated liabilities to euro area credit institutions within the framework of monetary policy operations</td>
<td>328,789</td>
<td>219,802</td>
<td></td>
</tr>
<tr>
<td>2.1 Current accounts</td>
<td>181,596</td>
<td>133,034</td>
<td></td>
</tr>
<tr>
<td>2.2 Other liabilities</td>
<td>147,192</td>
<td>86,768</td>
<td></td>
</tr>
<tr>
<td>L3 Other euro-denominated liabilities to euro area credit institutions</td>
<td>3,953</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>L4 Euro-denominated liabilities to non-euro area residents</td>
<td>36,447</td>
<td>15,039</td>
<td></td>
</tr>
<tr>
<td>L5 Foreign exchange liabilities</td>
<td>976</td>
<td>933</td>
<td></td>
</tr>
<tr>
<td>L6 Counterpart to SDR allocations</td>
<td>12,922</td>
<td>12,900</td>
<td></td>
</tr>
<tr>
<td>L7 Relations within the Eurosystem</td>
<td>14,124</td>
<td>29,315</td>
<td></td>
</tr>
<tr>
<td>L8 Euro-denominated liabilities to other euro area residents</td>
<td>20,033</td>
<td>16,948</td>
<td></td>
</tr>
<tr>
<td>8.1 Liabilities vis-à-vis the State</td>
<td>13,882</td>
<td>13,869</td>
<td></td>
</tr>
<tr>
<td>8.2 Other liabilities</td>
<td>6,151</td>
<td>3,079</td>
<td></td>
</tr>
<tr>
<td>L9 Items in the course of settlement</td>
<td>125</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>L10 Banking transactions</td>
<td>87,609</td>
<td>95,844</td>
<td></td>
</tr>
<tr>
<td>L11 Other items</td>
<td>5,853</td>
<td>6,149</td>
<td></td>
</tr>
<tr>
<td>L12 Provisions for liabilities and charges</td>
<td>941</td>
<td>922</td>
<td></td>
</tr>
<tr>
<td>L13 Revaluation accounts</td>
<td>79,246</td>
<td>68,438</td>
<td></td>
</tr>
<tr>
<td>L14 Fund for general risks</td>
<td>8,000</td>
<td>8,000</td>
<td></td>
</tr>
<tr>
<td>L15 Revaluation reserve of State gold reserves</td>
<td>22,340</td>
<td>22,060</td>
<td></td>
</tr>
<tr>
<td>L16 Revaluation reserve of State foreign currency reserves</td>
<td>1 L17 Capital, reserves and retained earnings</td>
<td>9,528</td>
<td>8,911</td>
</tr>
<tr>
<td>17.1 IEDOM capital grant, reserves and retained earnings</td>
<td>151</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td>17.2 Capital, reserves and retained earnings of the Banque de France</td>
<td>9,377</td>
<td>8,762</td>
<td></td>
</tr>
<tr>
<td>L18 Net profit</td>
<td>3,402</td>
<td>2,334</td>
<td></td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>842,999</td>
<td>708,488</td>
<td></td>
</tr>
</tbody>
</table>

NB : Each item of the balance sheet and profit and loss account is rounded up or down to the nearest one million euro. For this reason, discrepancies between totals or sub-totals and their components may arise.
2016 Combined profit and loss account

Notes to the combined financial statements

Scope of consolidation

Consolidation of the subsidiaries and the Bank’s participating interests

At 31 December 2016 the Banque de France held participating interests in five undertakings (see Note 13 to the balance sheet of the Banque de France). The Banque de France holds an interest of over 20% in four of these undertakings.

The interests held in Banque de France Gestion and La Prévoyance immobilière are excluded from the scope of consolidation as they are not material. Europafi, which was established on 27 October 2015 and is a wholly-owned subsidiary of the Banque de France, is fully consolidated.

Under the Statute of the ESCB and ECB, the ECB Governing Council functions in such a way that the Banque de France does not exert control or significant influence over the ECB. Monetary policy is defined by the Governing Council, composed of 19 members since 2015, on the basis of the “one man, one vote” principle in accordance with Article 10.2 of the Statute.

Consolidation of the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements)

In compliance with Order No. 2000-347 of 19 April 2000, amending Order No. 59-74 of 7 January 1959 reforming issuance arrangements in the overseas départements of Guadeloupe, French Guiana, Martinique, Mayotte and Réunion, the IEDOM came under the control of the Banque de France as from 1 July 2000. The Banque de France does not, however, hold an equity interest in the IEDOM.
The IEDOM is a national, financially autonomous, public institution with legal personality. It receives a capital grant from the State.

It is administered by a supervisory board composed of seven members, three of whom are appointed by the Governor of the Banque de France for a four-year term. The Governor, or his representative, chairs the supervisory board.

The Director General of the IEDOM is appointed by the chairman of the supervisory board.

The IEDOM pays the balance of its net profits, after the constitution of reserves, to the Banque de France. Any losses are borne by the Banque de France.

In accordance with Article 711-9 of the French Monetary and Financial Code the financial statements of the IEDOM are consolidated with those of the Banque de France.

In early 2017 the IEDOM was converted into a simplified joint stock company (SAS) whose capital is fully subscribed by the Bank. From 2017 onwards the financial statements of the IEDOM will be fully consolidated with those of the Banque de France.

The IEDOM’s catchment area is the five overseas départements and the overseas collectivities of Saint Pierre and Miquelon, Saint Barthélemy and Saint Martin.

The role of the IEDOM can be split into three categories:

- central banking tasks: issuing and managing the circulation of banknotes; the rating of companies for the use of private loans as part of Eurosystem refinancing operations; supervision of systems and means of payment; acting as an intermediary between national authorities (ACPR, AMF) and European authorities (ECB);
- the provision of public services in compliance with national law: putting coins into circulation; providing the secretariat for household debt commissions; managing local interbank registers (the FICOM or overseas territories accounts register, the FCC or central cheque register, and the FICP or register of household credit repayment incidents); providing information to the public (rights of access to these registers, rights of access to banking services); monitoring banking fees;
- the provision of services of general interest to public or private bodies: acting as an economic and financial observatory; providing credit mediation for businesses; managing information on businesses; producing information for the banking community.

Accounting principles and valuation methods used in the combined financial statements

The same accounting principles and valuation methods apply to both the combined financial statements and the individual financial statements of the Banque de France, except in the computation of corporate income tax which, in the combined financial statements, takes into account all temporary timing differences arising for tax purposes.

Information on individual items in the combined balance sheet and profit and loss account

Note 1: Deferred taxes
A net deferred tax asset of EUR 783 million is included in item A11, “Other items”, in the combined balance sheet. It arises solely on temporary timing differences between the recognition of expenses and income for accounting purposes and their
Deferred tax assets and liabilities (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>Deferred tax assets</th>
<th>Deferred tax liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income temporarily exempted from taxation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tax on unrealised gains and losses on mutual funds</td>
<td>509</td>
<td></td>
</tr>
<tr>
<td>Other deferred tax relating to securities</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Provisions not deductible for tax purposes</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other recurring timing differences</td>
<td>304</td>
<td></td>
</tr>
<tr>
<td>Charges deducted for tax purposes but not yet recognised in the financial statements</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>819</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

A balance of EUR 811 million representing the net deferred tax asset at the start of the financial year.

Apart from recognition of deferred taxes, the principal consolidation adjustments are (i) the elimination of inter-institutional transactions with the IEDOM and (ii) the elimination of tax-regulated provisions from the balance sheet and of the related charges to/releases from the profit and loss account.

Note 2: Elimination of inter-institutional transactions

**IEDOM**

Elimination of inter-institutional transactions relates to:

- the advance to the IEDOM (asset item A9 in the individual balance sheet of the Banque de France);
- the IEDOM’s current account with the Banque de France (included in liability item L8.2 in the individual balance sheet);
- interest paid on the IEDOM current account (included in item 1.1.2, “Interest and related expenses”, in the individual profit and loss account);
- the dividend paid by the IEDOM (included in item 1.4, “Income from equity securities and participating interests”, in the individual profit and loss account) and the related ongoing management expenses and income.

**Europafi**

Elimination of inter-institutional transactions relates to:

- sales of paper for producing banknotes;
- provision of staff to Europafi by the Bank;
- provision of services between the Bank and Europafi.
Auditors’ report on the combined financial statements of the Banque de France

In accordance with the assignment entrusted to us by the Banque de France’s General Council, we hereby report to you for the year ended 31 December 2016 on:

• our audit of the accompanying combined financial statements of the Banque de France and the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements), prepared in accordance with Order No. 2000-347 of 19 April 2000, and of Europafi;

• the basis for our assessments.

The combined financial statements have been approved by the Governor. Our responsibility is to express an opinion on these combined financial statements based on our audit.

Opinion on the combined financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit in such a way as to obtain reasonable assurance that the combined financial statements are free from material misstatement. An audit includes examining, on a test basis or via other selection methods, evidence supporting the figures and disclosures in the combined financial statements. It also includes assessing the accounting principles used and significant estimates made as well as evaluating the overall presentation of the combined financial statements. We believe that the information we have collected provides a reasonable basis for our opinion.

In our opinion, the combined financial statements of the Banque de France, the IEDOM and Europafi give a true and fair view of the results of their operations for the year ended 31 December 2016 and of their financial position, assets and liabilities at that date, in accordance with the accounting rules and principles set out in Article R144-6 of the French Monetary and Financial Code.
Without prejudice to our opinion, we draw your attention to the following points:

- for a description of the accounting principles and valuation methods used to prepare the combined financial statements, the Notes to the combined financial statements refer back to the Notes to the individual financial statements. The introduction to the Notes to the individual financial statements describes the accounting principles and valuation methods applicable to the Banque de France, some of which are specific to the European System of Central Banks;

- as explained in the Notes to the individual financial statements, the Banque de France's General Council has determined the level of detail of the financial information published, in accordance with its right provided for in Article R144-6 of the French Monetary and Financial Code.

_Basis for our assessments_

In accordance with the provisions of Article L823-9 of the French Commercial Code regarding the basis for our assessments, we draw your attention to the following matters:

- the section “Valuation methods” and Note 6 to the individual financial statements describe the methods used to value the securities held by the Banque de France and, in particular, the impairment methods applicable to held-to-maturity securities. We reviewed the processes put in place by management in order to assess the risk of non-recovery of securities carried at amortised cost, and also reviewed the assumptions used and documentation held in relation to these estimates;

- Note 30 to the individual financial statements sets out the method for assessing pension obligations and other related liabilities. These obligations were assessed by actuaries. Our work consisted in examining the data used and evaluating the assumptions applied;

- as indicated in Note 1 to the combined financial statements, the Banque de France recognised deferred tax assets. We reviewed the main estimates and assumptions resulting in the recognition of these deferred taxes.

Our assessments of these issues were made within the context of our audit approach to the combined financial statements taken as a whole, and contributed to our opinion expressed in the first part of this report.

Paris-La Défense and Neuilly-sur-Seine, 13 March 2017

The Auditors

**KPMG S.A.**

Pascal Brouard
Partner

**Deloitte & associés**

Pascal Colin
Partner

Marjorie Blanc Lourme
Partner
Appendices

recirculation and coins
organisation chart
of banknotes
over-indebtedness cases
activity of the Household Debt Commissions
measures
Appendix 1

The scope of the Banque de France

IEDOM

The Law of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy transformed the Institut d’émission des départements d’outre-mer (IEDOM – the French note-issuing bank for the overseas départements) into a wholly-owned subsidiary of the Banque de France, with effect as of 1 January 2017. Prior to this decision, the IEDOM was a state-owned body and, for historical reasons, was still largely controlled by the Agence française de développement (AFD – French Development Agency). However, following the introduction of the euro, the IEDOM began consolidating its operations with the Banque de France. Its missions remain unchanged and consist primarily in the provision of central bank functions to the French overseas départements and collectivities, under the aegis of the Banque de France.

EUROPAFI

EUROPAFI was created on 27 October 2015 to set up a public paper centre within the Eurosystem, and aims to make the paper mill in Vic-le-Comte the main publicly-owned producer of banknote paper in the euro area. Several partner central banks will acquire stakes in its capital by the end of 2017.
VICTOIRES PAIEMENTS

VICTOIRES PAIEMENTS, created on 22 May 2012, is an economic interest grouping which brings together the Banque de France and the Caisse des Dépôts et Consignations. Its mission is to process retail payments (large volumes, small amounts). It pools investments and reduces transaction processing costs thanks to a common platform and flows between the Banque de France and the Caisse des Dépôts, which are processed via the intrabank channel, outside exchange systems.

BDF GESTION

BDF GESTION, created on 27 December 1995, is the asset management subsidiary of the Banque de France. It manages a range of 30 collective investment schemes (dedicated, open to the public, employee savings) and individual mandates for institutional investors.
Appendix 2

Organisation of the Banque de France as at 16 January 2017

PRUDENTIAL SUPERVISION AND RESOLUTION AUTHORITY

Chairman: François Villeroy de Galhau
Vice-Chairman: Bernard Delas

General Secretariat
Secretary General
Édouard Fernandez-Bello
First Deputy Secretary General: Sandrine Lemery
Deputy Secretaries General:
Patrick Montagnier
Frédéric Violovskey

Insurance Supervision – Directorate 1
Paul Coulibul, Director
Clémence Bourdon, Deputy
Insurance Supervision – Directorate 2
Bertrand Peyret, Director
Évelyne Masset, Deputy
Cross-Functional and Specialised Supervision
Bruno Longuet, Director
Marie-Cécile Duchon, Deputy
Bank Supervision – Directorate 1
Violette Clerc, Director
Ludovic Labran, Deputy
Bank Supervision – Directorate 2
Philippe Bartho, Director
Jean-Gaspard D’Alfred de Briais, Deputy
Delegation Charged with the On-Site Inspection of Credit Institutions and Investment Firms
Jérôme Schmidt, Representative
Anne-Laurence Semih, Deputy
Authorisation, Licensing and Regulation
Jean-Claude Hayssen, Director
Geoffroy Goffinet, Deputy
Legal Affairs
Henry de Ganay, Director
Anne-Marie Moulin, Deputy
Barbara Souvenir-Oz, Deputy
Supervision of Business Practices
Olivier Fliche, Director
Mark Beugry, Deputy
International Affairs
Frédéric Hervo, Director
Nicolas Philippi, Deputy
Émile Quema, Deputy
Research
Olivier de Bandit, Director
Dominique Durant, Deputy
Anne-Sophie Brie-Teissier, Deputy
Human Resources and Means
François Barrier, Director
Jean-Marc Serrot, Deputy
Martine Bodrel, Deputy
Residence
Olivier Jaudoin, Director
David Bracé, Deputy

Logistic

IT Projects
Pierre Pouilain, Director
Vincent Cremnulnyck, Deputy
Français Lefort, Deputy
Data Processing and Telecommunications
Alain Busac, Director
Daniel Cukier, Deputy
Pascal Desgranges, Deputy
Management Control and Finance
David Adam, Director
Marc Jacob, Deputy
Accounts
Didier Perz, Director
Jean-Luc Duron, Deputy
Process
Michel Chevallier, Director
Claude Marzouki, Deputy
Property and General Services
Marc Morau, Director
Patrick Laforest, Deputy
Solange Darbeau-Pequet, Deputy
Security
Denis Laurène, Director
Michel Pozzo di Borgo, Deputy
Administrative Centre and Sustainable Development
Philippe Jeannin, Director
Press and Communication
Barbara Frugier, Director
Dominique Rouges, Deputy

Cash Management
Pascal Khayat, Director
Cécile Seller, Deputy
Hélène Tanguy, Deputy
Large Cash Management Projects
Pascal Khayat, Chairman
Thierry Para, Deputy
Branch Network
Jean-Yves Haussaine, Director
Hassiba Kaoche, Deputy
Laurent Desius, Deputy
Companies
Alain Gertier, Director
Jean-Stranjakovitch, Deputy
Consumer Affairs
Stéphane Tourre, Director
Isabelle Thouzery, Deputy
Large Companies and Individual Projects
Pascal Tachon, Director
Bruno Juliak, Deputy

Operations Risk and Compliance
Philippe Monga, Director
Marc Baran, Deputy
Market Operations
Alexandre Gauthier, Director
Imène Rahnouni-Roussau, Deputy
Back Office
Olivier Coussan, Director
Jean-Michel Boucoudat, Deputy
European Market Infrastructure
Philippe Leblanc, Director
Valérie Faquéville, Deputy
Bertrand Manoury, Deputy
Payment Systems and Market Infrastructure
Emmanuelle Assouan, Chairman
TBA, Deputy
Banking Services
Christine Sampe, Director
Stéphane Kunac, Deputy
Financial Stability
Laurent Clerc, Director
Vichet Oung, Deputy

General Council
François Villeroy de Galhau
Governor
Anne Le Lorier
First Deputy Governor
Robert Ophèle
Second Deputy Governor
Philippe Auburgh
Catherine Barthélémy
Agnes Bánassy-Quiré
François Calvin
Bernard Delas
Elisabeth Ducucet
Marianne Laigle
Michel Felce, Staff Representative
Corin Boivagne, Censor
Antoine Santoyant, Alternate

General Secretariat of the Advisory Committee on the Financial Sector
Chairman: Corinne Droemer

General Secretariat of the Advisory Committee on Financial Legislation and Regulation
Secretary General: Frédéric Violovskey

Observatory for Payment Card Security
Observatory for Regulated Savings
Observatory for Banking Inclusion

First Deputy Governor
Anne-Laurence Semih, Deputy
Claire Bourdon, Deputy
Bernard Delas
Michel Chevalier
José Marie Fasquelle
Jean-Yves Greuet

2 The Governor chairs the Observatory for the Security of Payment Means, the Observatory for Regulated Savings and the Observatory for Banking Inclusion.

95 departmental directorates, including 13 regional directorates
Appendix 3

The recirculation of euro banknotes and coins by private operators in 2016

Under Article L141-5 of the French Monetary and Financial Code, the Banque de France is tasked with maintaining the fiduciary currency and ensuring the quality of the banknotes and coins in circulation within French national territory. Article R122-8 of the Code requires operators (credit institutions, cash-in-transit companies and retail sector service providers) contributing to the processing and recirculation of banknotes that have not come from a Eurosystem central bank to sign an agreement with the Banque de France before undertaking such activities.

As at the end of 2016, 81 credit institutions had signed agreements with the Banque de France authorising them to distribute recirculated banknotes to the public via ATMs; 174 operators had signed processing agreements setting out the criteria for sorting banknotes; and 31 operators had been authorised to process coins.

In 2016, recirculation by bank branches continued to rise, with 6,787 branches carrying out these activities by the end of the year. As at the end of 2016, 44% of the equipment used was made up of self-service, automated sorting machines, exceeding by one point the back office automatic sorting machines.

Recirculation by cash-in-transit companies continued to grow, with the number of bank branches supplied in this way increasing by 16%.

In total, 20.1% of the total number of banknotes put into circulation in the first half of 2016 (last known figures) were processed by private operators.

### Agreements signed with private operators

<table>
<thead>
<tr>
<th>Type of agreement</th>
<th>Type of operator</th>
<th>Number of agreements signed in 2016</th>
<th>Total number signed at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coins</strong></td>
<td>Professional operators</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Non-professional operators</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td><strong>Banknotes</strong></td>
<td>Distribution agreements</td>
<td>4</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>Processing agreements</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Credit institutions</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Cash-in-transit companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retailers providing recirculation services</td>
<td>19</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>Other professionals (La Poste)</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Banque de France inspections of operators

The Banque de France inspects operators processing and recirculating via ATMs banknotes that have not come from a central bank.
In 2016, it carried out 315 on-site inspections of bank branches and workshops processing banknotes for ATMs.

Three sanctions were issued giving rise to one formal notice to take corrective action and two suspensions of recirculation authorisations for a cash-in-transit company.

Document-checking resulted in the resolution of one instance of unauthorised banknote processing (where an agreement had not been signed) and seven requests for an explanation of failure to comply with contractual obligations.

**Banque de France inspections of coin-processing sites**

Throughout the year, the Banque de France performed 58 on-site inspections of coin-processing sites.

**Banque de France inspections of auxiliary coin deposits**

Since 2014, the Banque de France has entrusted cash-in-transit companies with the custody and the operational management of a stock of coins, of which it remains the owner. As part of this arrangement, the Banque de France carried out four inspections in 2016.

The Banque de France has charged the French note-issuing bank for the overseas départements (IEDOM) with the administration of the system for institutions headquartered in the overseas départements and collectivities. Under this framework, the Banque de France provided training for 15 employees in five overseas departments.

As at the end of 2016, 13 processing agreements and 13 agreements authorising the delivery of recirculated banknotes via ATMs had been signed. The IEDOM inspected 40 of the 83 corresponding sites. There were also eight automatic coin-processing agreements in place at nine production sites, four of which were inspected.

NB: Report prepared pursuant to Article R123-3 of the French Monetary and Financial Code.

1 Or similar: retailers or casinos that recirculate banknotes on behalf of credit institutions.

2 The year 2016 was a challenging year for the Banque de France, due to repeated economic uncertainties and insufficient growth, but also promising in terms of discussions and projects for the future and the Bank’s three core tasks: monetary strategy, financial stability and services to the economy.
Banknote authentication training for bank employees

In compliance with Article R122-6 of the French Monetary and Financial Code, the Banque de France continued to support banks in training their employees in the manual distribution of banknotes. As such, in 2016 the Banque de France provided banknote authentication training for 1,486 credit institution employees.
Appendix 4

Summary of the Household Debt Commissions’
activity reports

For 2016

In accordance with the provisions of Article L331-12 of the French Consumer Code, each Household Debt Commission draws up an annual activity report setting out the number of cases processed, the measures taken, the type of debt involved and any difficulties encountered. These reports are submitted to the Banque de France, which is responsible for summarising and disclosing them in its annual report.

2016 saw further declines in the number of applications filed...

In 2016, the number of over-indebtedness applications filed declined for the second consecutive year, falling to 194,194. Significantly, at 10.6%, the decrease was substantially greater than the 5.9% decline reported the previous year.

... and a further increase in definitive solutions, as opposed to temporary measures

The legislative and regulatory changes implemented in recent years\(^1\) have simplified and accelerated the handling of over-indebtedness cases. Thus, 209,748 cases were definitively resolved by the commissions in 2016, leading to a historically low level of outstanding cases at the end of the year. This demonstrates the determination of the commissions to provide applicants with increasingly rapid and efficient solutions.

---

Key data on the commissions’ activity
(in number of applications)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications filed</td>
<td>194,194</td>
<td>217,302</td>
</tr>
<tr>
<td>o/w refiles (as a %)</td>
<td>45.50</td>
<td>44.40</td>
</tr>
<tr>
<td>Admissible applications</td>
<td>175,098</td>
<td>197,823</td>
</tr>
<tr>
<td>Non-admissible applications (A)</td>
<td>14,704</td>
<td>15,802</td>
</tr>
<tr>
<td>Directed towards a debt restructuring programme</td>
<td>101,946</td>
<td>125,259</td>
</tr>
<tr>
<td>Directed towards a Personal Recovery Procedure</td>
<td>76,892</td>
<td>75,466</td>
</tr>
<tr>
<td>Recommended for a Personal Recovery Procedure without judicial liquidation (B)</td>
<td>73,686</td>
<td>72,984</td>
</tr>
<tr>
<td>Agreement by debtor to a Personal Recovery Procedure with judicial liquidation (C)</td>
<td>1,633</td>
<td>1,629</td>
</tr>
<tr>
<td>Agreed debt repayment plans (D)</td>
<td>22,530</td>
<td>26,994</td>
</tr>
<tr>
<td>Measures imposed or recommended by the commissions (E)</td>
<td>79,248</td>
<td>97,878</td>
</tr>
<tr>
<td>o/w measures imposed or recommended for immediate application</td>
<td>53,630</td>
<td>68,250</td>
</tr>
<tr>
<td>Cases closed (F)</td>
<td>15,978</td>
<td>19,990</td>
</tr>
<tr>
<td>Other outcomes (including cases found non-admissible by a court) (G)</td>
<td>1,969</td>
<td>1,982</td>
</tr>
<tr>
<td>Cases handled (A+B+C+D+E+F+G)</td>
<td>209,748</td>
<td>237,259</td>
</tr>
</tbody>
</table>

---

\(^1\) Particularly Law 2013-672 of 26 July 2013 on the Separation and Regulation of Banking Activities, which allowed the commissions to impose or recommend measures for immediate application.
In accordance with the expectations of the public authorities, the commissions and their secretariats succeeded in finding definitive solutions for 82% of cases, up from 77% the previous year. Conversely, the proportion of temporary measures (e.g. suspensions of debt repayments) declined. It is also worth noting the increase in debt write-off recommendations, which provide a more lasting solution that is often better-suited to the borrower’s financial situation. In 2016, 36% of processed applications led to debt write-offs. Moreover, several reports highlighted an increase in cases where repeated Personal Recovery Procedures (PRPs) were implemented, including for small amounts.

The effectiveness of the over-indebtedness procedure has also been reinforced by the introduction of further legislative changes since 1 July 2016. The maximum legal duration of debt resolution measures has been reduced from eight to seven years, making it possible to offer solutions that are generally faster and more robust. In addition, the seven-year ceiling can be removed if this will enable homeowners to keep their main residence. While it is still too early to draw any conclusions on the impact of these measures after just six months of implementation, the initial signs are that there has been an increase in the share of homeowners able to keep their main residence.

Particular attention is paid to ensuring closer coordination with all the parties involved in the procedure. In 2016, a large number of initiatives were undertaken with the different parties involved in the over-indebtedness procedure: associations, welfare groups, courts and creditors. These actions included the provision of training and information on the procedure and its developments, and the organisation of meetings to better coordinate the different mechanisms in place.
There is a strong need for social workers to provide ongoing assistance to applicants, both upstream and downstream of the procedure

In 2016, the commissions focused on increasing the provision of information and training on the different stages of the procedure and on the preparation of applications. In total, they met more than 12,500 social workers and representatives of welfare groups, social action centres, benefits offices, and consumer, family or charity associations, to help them to better assist over-indebted individuals when filing an application and throughout the entire procedure. The Banque de France naturally supported the creation of the budget advice offices (PCB – Points conseils budget) by providing awareness-raising sessions for all the teams in the four pilot regions. In 2016, in 49% of cases, the applicant benefited from the support of a social worker.

The commissions also stressed the strong need to support over-indebted persons once measures have been adopted. Individuals frequently have difficulty sticking to the measures either due to insufficient preparation or simply because they do not fully understand the concrete steps they need to take right at the start. Providing assistance at these stages is vital for ensuring the success of the procedure and for reducing the number of potential reapplications.

Along the same lines, many reports expressed concerns over the fact that over-indebted individuals tend to not follow the recommended personal budgeting and monitoring measures.

**Improved coordination with housing schemes: an essential issue for improving the efficiency of the procedure**

A number of commissions underlined the need for increased action to prevent evictions, especially in areas where the local housing market is tight and/or where the possibilities for rehousing debtors are limited.

In the case of debtors who own their main residence or are first-time buyers, the option introduced on 1 July 2016 of removing the legal ceiling on the duration of debt resolution measures should allow an increased number to keep their homes.

Meanwhile, for tenants, all the commissions stressed that they now maintain regular dialogue with the 

Commission de coordination des actions de prévention des expulsions locatives (CCAPEX – coordination commissions for the prevention of evictions), following the appointment of a CCAPEX correspondent under the ALUR Law on access to housing and renewed urban planning. This ensures greater coordination and information-sharing between stakeholders, and is particularly useful for implementing initiatives to help tenants keep their home. The range of information exchanged could be expanded, to improve the assessment of individuals’ situations and provide the various organisations involved with more scope to intervene.

Beyond this generally well-established cooperation, the commissions noted the need to better coordinate the various debt-resolution systems in place, and highlighted the risk that individuals might lose their home as a result of PRPs. Although rental debts may indeed be written off under a PRP, this decision does not carry the same legal weight as a write-off of other debts. As a result, eviction procedures may be resumed, leading to an increased risk of social exclusion and potentially to a refiling of the over-indebtedness application.
In addition to these difficulties, there is also the problem that once an application has been declared admissible, rental arrears cannot be repaid, even in cases where a social cohesion protocol has been put in place. This notably causes complications in cases where a court has ruled that the payment of the rental arrears should be rescheduled to avoid eviction. One solution would be to introduce a principle whereby court rulings or agreements signed between lessors and over-indebted individuals are automatically replaced by the commissions’ measures. The legislative changes proposed by the Délegation interministérielle à l’habitat et au logement (DIHAL – the Interministerial Delegation for Housing) go some way towards resolving this.

Consultation with magistrates helps to improve the quality and consistency of the way in which situations of over-indebtedness are managed

In 2016, almost all the commissions organised at least one meeting with judges and/or registrars of the magistrates’ courts in their region, illustrating the strengthening of their ties. These meetings on legislative developments are also an opportunity to share information on respective practices and on the decisions taken by the magistrates. Once again, several commissions flagged up persistent differences of opinion with certain judges on the admissibility of the notion of good faith, or, in the case of PRPs, on whether or not a debtor’s situation qualifies as “irretrievable”. In this respect, a number of cases were highlighted where young debtors or first-time applicants are systematically refused access to a PRP.

The commissions also noted significant delays in the approval of their recommendations, which can lengthen the procedure. Law 2016-1547 of 18 November 2016 will provide a solution to this problem by enabling commissions to directly impose write-off measures as of 1 January 2018.

Creditors: an essential partner in guaranteeing the efficiency and smooth functioning of the system

Creditors, who are also represented on the commissions, are vital partners in helping to ensure the smooth functioning of the over-indebtedness procedure, in particular with the increased digitisation of information exchanges.

A procedure that is constantly being improved and adapted to take account of new practices

Access to the procedure to be further extended

One of the points regularly raised is the lack of access to the over-indebtedness procedure for the increasing number of non-salaried professionals. At present,
individuals who are both self-employed and in salaried employment, or who are classified as “micro-entrepreneurs” do not qualify for the procedure. Moreover, former self-employed professionals may also struggle to qualify, due to a lack of coordination between collective debt resolution procedures and the Household Debt Commissions’ procedure: under the latter, any outstanding social security debts owed by former self-employed workers (RSI, Urssaf) are regarded as professional debts, whereas the commercial courts classify them as personal debts for the purposes of collective bankruptcy proceedings. The professional resolution procedure provided for in Articles L645-1 and L645-2 of the French Commercial Code does not appear to be either known or used.

In addition, a large number of commissions said they encountered problems in implementing PRPs with a judicial liquidation. Difficulties finding and paying agents to carry out this task were both cited as significant obstacles, with the commissions noting that they frequently led to an increase in case-handling times.

**A procedure that needs to be adapted to take account of new practices**

The commissions’ reports regularly highlight increases in the number of applications where assets are owned jointly. This creates a number of difficulties, such as how to value the assets and how to separate ownership.
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<td>109</td>
</tr>
<tr>
<td>within the framework of monetary policy operations</td>
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<tr>
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<td>113</td>
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<td>113</td>
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<td>113</td>
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</table>
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Other euro-denominated liabilities to euro area residents
Euro-denominated liabilities to non-euro area residents
Euro-denominated liabilities to the Eurosystem
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Banking transactions
Other items
Provisions for liabilities and charges
Revaluation accounts
Capital, reserves and retained earnings
Notional amount of financial futures contracts
Foreign currency receivable/deliverable
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Net interest income
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Net other income and expenses on financial transactions
Income from equity securities and participating interests
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Personnel and related expenses
Remuneration of management bodies
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