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BANQUE DE FRANCE

“The Banque de France,
an institution of trust
and stability serving
the people of France”

François Villeroy de Galhau
Governor of the Banque de France

KEY FIGURES

THE BANQUE DE FRANCE
IN 2021...

105 permanent sites

9,290 full-time equivalent employees



-12.6%
reduction in greenhouse gas emissions compared with 2019

€763_M
net profit for the year

87%
of users very satisfied or satisfied

After 2020 saw an 8% drop in France's gross domestic product, 2021 was the year the economy emerged from the crisis. Conditions nonetheless remained strained on a public health level and were made difficult on an economic level by supply pressures and rising commodity prices. Against this backdrop,

WHAT ACTION DID THE BANQUE DE FRANCE TAKE?

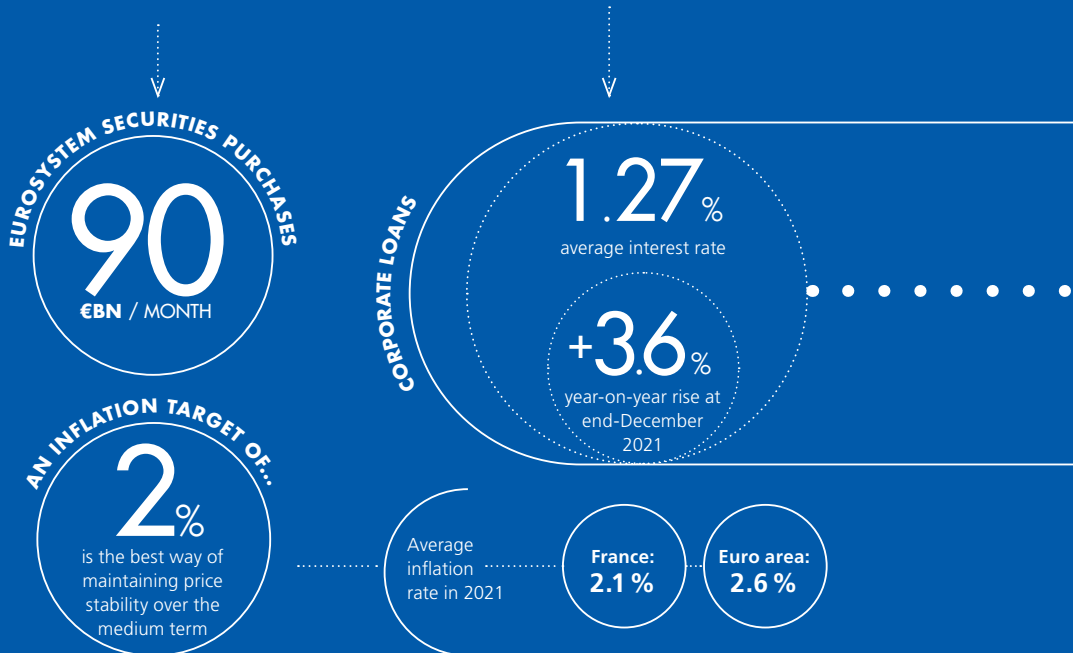


➔ SUPPORT FOR THE ECONOMY THROUGH MONETARY POLICY

- Eurosystem securities purchases of €90 billion per month on average, with the Banque de France purchasing the vast majority of French securities
- Targeted bank refinancing operations at very low rates, which French banks benefited from extensively
- Maintenance of key interest rates at very low levels
- Clear indication that key rates will remain at low levels over the medium term
- The ECB set a clearer and broader inflation target of 2%, which is the best way of maintaining price stability over the medium term

➔ VERY FAVOURABLE FINANCING RATES

- Interest rates on corporate loans kept at a historical low: 1.27% on average
- Robust corporate lending: +3.6% (year-on-year growth at end-December 2021)
- Low level of business failures
- Interest rates on housing loans kept very low: 1.1% in December 2021
- Strong lending to individuals: +6.4% for housing loans (annual rate of growth in December 2021); +2.1% for consumer loans (annual rate of growth in December 2021)



A RAPID AND LARGE-SCALE ECONOMIC REBOUND

- French GDP returned to its pre-crisis level in September 2021 and grew by 7% in 2021

+7% GDP growth in 2021

LOANS TO INDIVIDUALS

Housing loans

11%
average interest rate*

+6.4%
annual growth rate*

Consumer loans

+21%
annual growth rate*

* in December 2021

A DECISIVE ROLE IN FRANCE'S CRISIS-EXIT STRATEGY

Participation in the
crisis-exit action plan

- Providing expert guidance to local committees
- Stepping up our information service for businesses
- Identifying and supporting vulnerable businesses

Credit
mediation

Guidance for VSEs-SMEs
and Tech firms

Adaptation of the Banque
de France rating system

6,473
entrepreneurs assisted

2,000+
start-ups assigned
a rating

301,634
companies assigned
a rating

38.5%
of interventions successful

1,694
businesses safeguarded

21,206
jobs saved

FINANCIAL STABILITY AND ANTICIPATION OF RISKS

Solidity of banks and insurers

- Strong results for French banking groups in the European resilience test
- **15.54%**: average core equity tier one capital ratio of the six main French banking groups at end-2021
- **251%**: average solvency capital requirement coverage ratio for supervised insurers at end-2021

The challenge of the digital transformation

- Monitoring the growing risks linked to crypto-assets
- Preparing for the possible issuance of a central bank digital currency: between September 2020 and December 2021, the Banque de France conducted nine experiments
- Supporting the innovation ecosystem: adoption of the ACPR's Fintech Charter

The challenge of the climate transition

- Pilot exercise to assess climate-related risks: 9 banking groups and 15 insurance groups mobilised
- Creation of the Centre for Climate Change
- Coordination of the Central Banks and Supervisors Network for Greening the Financial System (NGFS)

TECHNICAL ASSISTANCE FOR THE EUROPEAN RECOVERY PLAN

Selected by the European Commission, the Banque de France successfully managed the **first auction of European short-term debt securities** on 15 September 2021

PROTECTION OF THE FINANCIALLY VULNERABLE

Identification and protection
of individuals in
financial difficulty

4 million

bank customers
benefited from the cap on
payment incident fees

Expectations of the general public

1.3 million

the Banque de France's
network branches
responded to

requests

Resolution of overindebtedness

120,000

applications were filed

in 2021, some

MORE ACCESSIBLE COMMUNICATION

*"La Banque de France
à votre écoute"*

17

online Q&A sessions with the public
for clearer, more effective communication

324,000

views for all
events combined

FINANCIAL AND ECONOMIC EDUCATION

Increasing understanding of economics and finance among
the financially vulnerable and young people in France

5.8 million

pageviews for EDUCFI
educational materials

MONETARY STRATEGY IN 2021...



12

updates on business conditions in France

4

macroeconomic projections

**1.2
BILLION**

€20 and €50 banknotes
manufactured in 2021

+7.0%

GROWTH
in activity in France in 2021

+2.1%

INFLATION
annual average rate in 2021

+1.27%

AVERAGE INTEREST RATE
on corporate loans
(at end-December 2021)

+3.6%

GROWTH
in corporate loans
(year-on-year growth at end-December 2021)

MONETARY POLICY IS HELPING THE ECONOMY TO EMERGE FROM THE CRISIS

After the major recession witnessed in 2020, economic activity recovered sharply in 2021 with GDP expanding by 7% in France (and by 5.2% in the euro area). The recovery was fuelled initially by industry then by market services. However, it was also accompanied by price pressures: inflation rose from 0.8% in January 2021 to 3.4% in December, driven by the surge in energy prices – which had fallen sharply in 2020 – and by supply chain disruptions.

Monetary policy continued to support the economy in 2021. Financing conditions remained favourable for corporate loans, with the average interest rate standing at 1.27% at end-December 2021 and total outstanding loans rising by 3.6% over the year. Corporate finances appeared solid while households boosted their financial savings by around EUR 170 billion between 2020 and 2021.

2021 was marked by the Eurosystem monetary policy strategy review. The price stability objective is now defined as a symmetric inflation target of 2% over the medium term. The calculation of inflation will take greater account of housing costs to make it more representative. Monetary policy will also take into consideration the risks generated by climate change.

On 1 January 2022, 20 years after the introduction of the euro in its physical form, the Banque de France was still the leading manufacturer of euro banknotes in the Eurosystem. In December 2021, the European Central Bank launched a project to redesign euro notes, and will invite contributions from the public before the Governing Council makes its final decision in 2024.

FINANCIAL STABILITY IN 2021...

215

on-site inspections
of banks and insurers
(excl. SSM inspections)
and their business practices

33

inspections on behalf
of the ECB as part
of the Single Supervisory
Mechanism (SSM)

254%

average solvency capital
requirement coverage ratio
for supervised insurers

15.54%

core equity tier one
capital ratio of the six main
French banking groups

SHARE OF FRENCH BANKS' BALANCE SHEET



34%

(provisional data)

in euro area total

SHARE OF FRENCH INSURERS' BALANCE SHEET

33%

(provisional data)

in euro area total

MITIGATING TODAY'S RISKS AND ANTICIPATING TOMORROW'S CHALLENGES

The Banque de France, together with the *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability), is responsible for ensuring the smooth functioning of the financial system. The *Autorité de contrôle prudentiel et de résolution* (ACPR – Prudential Supervision and Resolution Authority), an administrative authority attached to the Banque de France, also contributes to this task by supervising banks and insurers and protecting their customers. In 2021, French banks reported improvements in their performance, solvency and liquidity, as testified by the strong results they obtained in the European Banking Authority's resilience tests. French insurers, for their part, enjoy a strong solvency position, but it could be negatively affected by the persistently low interest rate environment.

2021 was marked by a stabilisation of short-term vulnerabilities and a confirmation of the medium and long-term structural risks. At the end of 2021, a number of stock market indicators were pointing to a probable overvaluation of prices, raising the threat of a brutal correction in asset markets. Non-financial corporations' gross debt stabilised in 2021 and government support measures helped to avert a rise in business failures. Although households had high levels of debt, their financial position appeared sound overall and the number of households in difficulty declined.

The Banque de France is helping to find responses to the structural changes in the financial system. It is preparing for the possible issuance of a central bank digital currency (CBDC) to accompany the digitalisation of payments and innovation. It is also at the forefront in tackling the challenge of the climate transition and is putting together numerous proposals. The Central Banks and Supervisors Network for Greening the Financial System (NGFS), which was set up at the Banque de France's initiative in 2017 with seven other central banks, now counts some one hundred members.

SERVICES TO THE ECONOMY AND SOCIETY IN 2021 ...

34,595

bank accounts opened at the Banque de France's behest
under the right to a bank account procedure

130,110

cases handled by the Household Debt Commissions
(-45% compared with 2015)

1,310,154

requests received from individuals via the Banque de France's
multi-channel platform

8,500

companies surveyed each month
for the Banque de France business surveys

6,473

applications for assistance submitted
to our 102 VSE-SME correspondents

301,634

non-financial corporations (mainly SMEs)
assigned a Banque de France rating

21,206

jobs saved in 2021 at 1,694 companies
thanks to Credit Mediation

THE BANQUE DE FRANCE IS HELPING HOUSEHOLDS AND BUSINESSES EMERGE FROM THE CRISIS

The Banque de France has played a decisive role in France’s crisis-exit strategy. Its branch network has relayed information to businesses on the available government support mechanisms, and each branch uses the data at its disposal to identify and assist businesses in financial difficulty. In 2021, the Credit Mediation service helped to safeguard 1,694 businesses and save over 21,000 jobs. The Banque de France rating system, which rates over 300,000 businesses, was also updated to take account of the economic and financial situation.

Our branch network strives to ensure that everyone has access to basic financial services. It guarantees individuals the right to a basic bank account. In 2021, it responded to more than 1.3 million requests from the public for information on banking inclusion and banking practices. Banque de France teams are on hand in each of France’s departments to help households get out of excess debt. Although the number of applications for debt resolution increased again slightly in 2021, it remained 45% lower than in 2015.

As the national steering body for France’s financial and economic education strategy, the Banque de France conducts awareness-raising initiatives to ensure all citizens have the basic knowledge they need to make informed financial decisions. It manages the online information portals *Mes questions d’argent* and *Mes questions d’entrepreneur*, and works with teachers and trainers to target young people, the financially vulnerable and entrepreneurs.

The Banque de France provides financial services to the state and to Europe. It manages the French Treasury’s account. In 2021, it was selected by the European Commission to manage the issuance of short-term debt securities to finance the NextGenerationEU recovery plan.

“BUILDING 2024 TOGETHER”, a reinforcement plan to meet the challenges of our time

The Banque de France has embarked on a new strategic cycle, “Building 2024 Together”. It aims to meet six challenges.



3 INDICATORS FOR OUR RESOURCES

Stabilisation of the net expenditure of our activities: €857m in 2021 (≤ €912m per year)

New hires: 402 in 2021 (1,200 by 2024)

Investment: €175.5m in 2021 (up to €800m over the duration of the plan)

10 RESULTS INDICATORS

to gauge the success of the plan by 2024

Through our
EXPERTISE
and
INDEPENDENCE

–
Support the
economy

Maintain or increase the French public's confidence:

confidence in the euro, **74%** in France (79% in the euro area); confidence in the ECB, **40%** in France (47% in the euro area)

Publication by the 26 largest French banks and insurers of their exposure to climate risks,

in accordance with a shared framework (target: 20)

Increase the security of our payment instruments:

15 counterfeit banknotes per million banknotes in circulation in France in 2021 (target of under 20 per million by 2024); **€644m** of cashless payment fraud in the first half of 2021 (target of under €1bn in 2024)

Through our
OPENNESS

–
Serve society
and Europe

87% of users satisfied

with Banque de France services (target: 90%)

3 million people provided with information or guidance on financial inclusion

(target: 4 million)

5.8 million pageviews

for EDUCFI financial education materials (target: 6 million per year)

Through our
sustainable
PERFORMANCE

–
Secure
the future

12.6% reduction in greenhouse gas emissions

in 2021 (target of -10% over 5 years)

60% of staff had confidence

in the Banque de France's future in 2020* (target: 60%)

Through our
SOLIDARITY

–
Be an attractive
employer

62% of internal users satisfied with our IT tools

and **31%** satisfied with our **simplified methods** (2020 data)*

Internal promotions:


155 staff promoted in 2021 (target of 380 by 2024)

* Two-yearly survey; next results in 2022.

A NEW CSER STRATEGY

to better meet the Bank's future challenges

The Banque de France has been pursuing a Corporate Social and Environmental Responsibility (CSER) policy for a number of years. As part of the new strategic cycle, "Building 2024 Together", it is focusing this policy on four main areas: preserving the environment; HR inclusion and collaborative initiatives; sponsorship; sustainable investments and procurement.

FIELD OF ACTION	OBJECTIVES	INDICATORS MONITORED	LEVEL ACHIEVED IN 2021
 <p>PRESERVING THE ENVIRONMENT</p>	Pilot and implement a carbon neutral strategy	<ol style="list-style-type: none"> 1. Reduce our greenhouse gas emissions by at least 10% by 2024 (compared with 2019) 	<ol style="list-style-type: none"> 1. Reduction in 2021 (compared with 2019): -12.6%
	Engage the directorates and staff in reducing our carbon footprint	<ol style="list-style-type: none"> 2. Provide all staff with a personal digital profile, and enrich and increase its use 	<ol style="list-style-type: none"> 2. First stage completed in 2021: provision of a personal digital profile to all staff
	Use our resources sustainably and help to preserve biodiversity		



**HR INCLUSION
AND COLLABORATIVE
INITIATIVES**

Promote diversity in our hiring and guarantee equal treatment for all

Guarantee career-long employability for staff

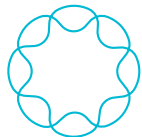
Co-construct a working environment that fosters wellbeing and initiative-taking

3. Share of managerial positions held by women: **35%** at end-2024

4. Share of disabled staff maintained at **6%**

3. Share of managerial positions held by women: **32%** at end-2021

4. Share of disabled staff in 2021: **NA at date of publication**
Reminder: share in 2020 **6.41%**



SPONSORSHIP

Preserve and promote our cultural heritage

Commit to increasing economic and social inclusion

Promote the ecological transition

5. Annual rate of staff participation in solidarity initiatives **>10%** with an increase of **15%** between 2020 and 2024

6. At least **350 sponsorship initiatives** supported and a budget of at least **€25m** over the period 2021-24

5. Rate of participation in 2021: **16.9%**
Rise of **38%** versus 2020 (12.2%)

6. 2021: **110 initiatives**
Budget of **€7.2m**



**BUILDING A
SUSTAINABLE
ECONOMY THROUGH
OUR INVESTMENT
AND PROCUREMENT**

Incorporate extra-financial criteria into our project engagement and follow-up

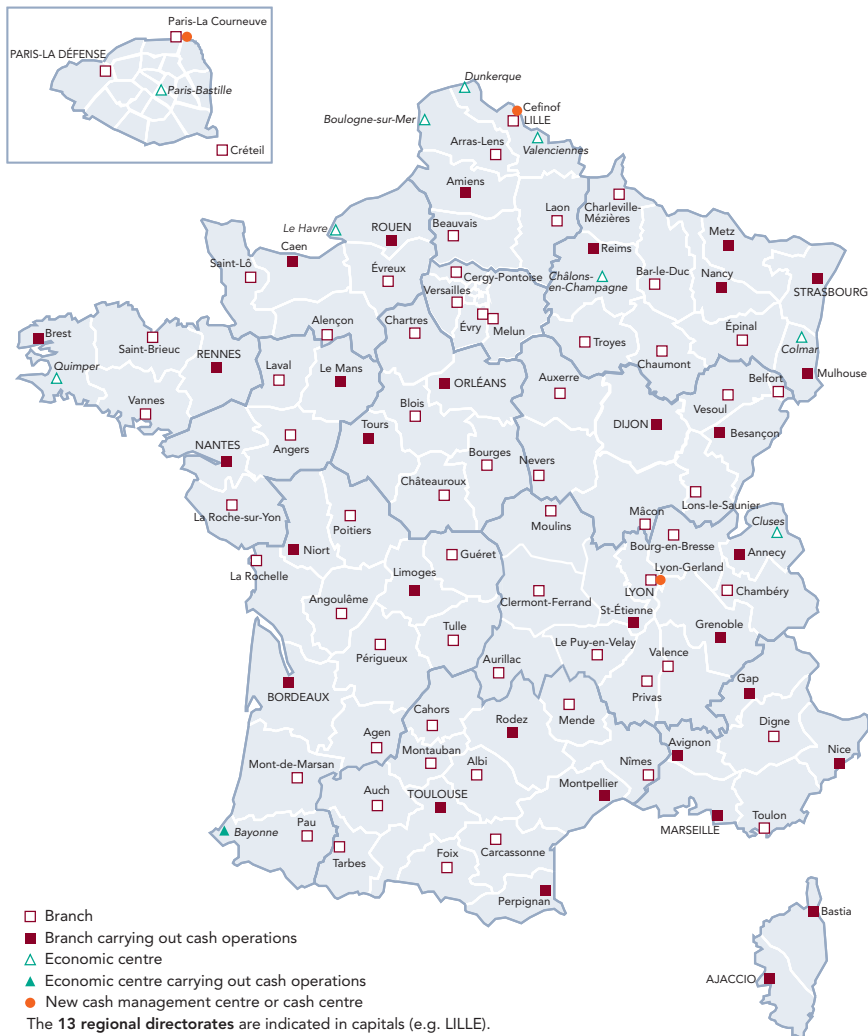
Continue and disseminate our responsible procurement strategy

Strengthen our responsible investment approach

7. **2°C** alignment of the equity component of the pension liabilities portfolio

7. Objective reached in 2021: **2°C** alignment of the equity component of the pension liabilities portfolio

THE BANQUE DE FRANCE NETWORK AS AT 1 JANUARY 2022







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