

**FINANCIAL
MANAGEMENT
AND ACCOUNTS**



**ANNUAL
REPORT
2023**



Financial balances

Rigorous management of Banque de France resources since 2015

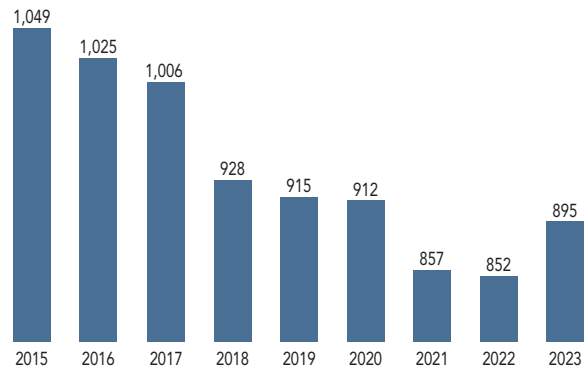
Since its first Ambitions 2020 strategic plan, which began in 2016, the Banque de France has been committed to reducing its workforce and controlling its operating expenses. This commitment was reaffirmed as part of the Building 2024 Together strategic plan launched at the beginning of 2021.

The rigorous management of its resources implemented by the Banque de France means that it has been able to reduce its net operating expenditure by 15% over the 2015-23 period. This represents a reduction of EUR 154 million or 3.9% per year in volume. Staff numbers have been reduced by 27% over the same period, which equates to a cutback in full-time equivalent employees of 3,237.

Significant income for the community, particularly since 2015

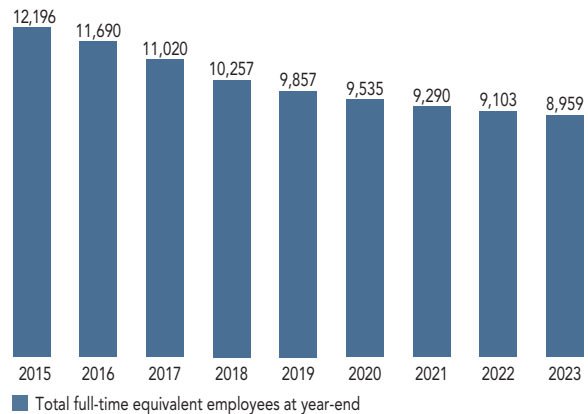
In addition to this exemplary management of its expenses, it is important to highlight the substantial profits made in previous years thanks to income generated by monetary policy and the Banque de France's own assets. More recently, the unconventional monetary policies put in place by the euro area central banks have contributed to a sharp increase in their income, particularly due to the scale of their asset purchase programmes and proceeds from bank deposits as a result of negative interest rates. Thus, between 2015 and 2023, the Banque de France paid a cumulative total of almost EUR 32 billion to the state in corporation tax and dividends, driven by monetary policy income that amounted to EUR 25.7 billion. In addition to these direct payments, monetary policy also helped to substantially reduce the debt burden of the government, which for several years was able to issue at low and even negative rates. Thanks to the Banque de France's productivity drives in recent years, it has also been able to reduce the cost of the services it provides to the state by 28%, or EUR 79 million, over an eight-year period.

Net operating expenditure (EUR millions)



Source: Banque de France.

Total staff



Source: Banque de France.

Exiting unconventional monetary policies reduces central bank income

The normalisation of monetary policy begun in 2022 continued through 2023, with further hikes in key rates against a backdrop of persistently high inflation. This resulted in a sharp fall in monetary policy income for the vast majority of central banks that have conducted unconventional monetary policies, particularly in the United States, Canada and Australia, and in non-euro area European countries such as the United Kingdom, Switzerland and Sweden.

Payments to the state since 2011

(EUR millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Cumulative total since 2015
Corporation tax	2,014	3,110	2,449	2,151	1,902	2,038	2,690	2,400	2,650	1,633	1,895	1,067	0	16,275
Dividends	1,076	2,387	1,699	1,503	1,543	2,464	2,306	3,222	3,478	1,913	568	0	0	15,494
TOTAL PAYMENT TO THE STATE	3,090	5,497	4,148	3,654	3,445	4,502	4,996	5,622	6,128	3,546	2,463	1,067	0	31,769

Within the framework of the asset purchase programmes, the Eurosystem central banks acquired public and private sector bonds with longer maturities to allow interest rates to decrease while key rates had been reduced to close to zero. These long-term, low, and even negative, fixed-rate securities are offset on the liabilities side by bank deposits that bear interest at the deposit facility rate and which thus represent an expense for central banks. This expense rose sharply in 2023, with successive increases in key rates. The asymmetrical impact of interest rate rises on assets characterised by long-term securities compared with liabilities that are highly liquid, explains how monetary policy income has been impacted by the key rate hikes. The gap between interest paid and earned on the liabilities and asset sides will persist until the liquidity surplus (more than EUR 3,500 billion at the end of December 2023 at Eurosystem level) is absorbed. This surplus diminishes as monetary policy securities and targeted longer-term refinancing operations (TLTRO III) reach maturity.

Over the longer term, income from bond and other asset holdings and loans will increase. Ultimately, restoring a positive interest rate environment will support the profitability of the Eurosystem in the medium term.

For the Banque de France, the tightening of monetary policy in 2023 led to significant expenses related to the remuneration of excess liquidity. This situation is expected to continue over the coming financial periods as it is very gradually absorbed. Estimating the scale of that future expenditure remains highly uncertain as it depends on future monetary policy decisions, which in turn depend on changes in inflation.

The primary objective of the Eurosystem's monetary policy is price stability, not profitability. However, the

credibility and the capacity to act of central banks relies on the financial solidity of their balance sheets, i.e. their levels of capitalised reserves, with appropriate provisioning of risks.

Against this backdrop, the reserves put aside by the Banque de France in previous financial periods and the capital gains realised on certain asset holdings will be used to maintain balanced results over the coming years without having to turn to recapitalisation from its shareholder, the French state, or reporting negative capital. As a result, the loss reported for 2023 (presented later in this chapter) before writing back provisions was entirely absorbed by the fund for general risks (FRG), which had been increased to EUR 16.4 billion following the allocation of profit for 2022.

Financial statements of the Banque de France

The Banque de France General Council approved the financial statements for the year ended 31 December 2023 at its meeting of 15 March 2024.

The Banque de France's balance sheet decreased from EUR 1,884 billion at 31 December 2022 to EUR 1,597 billion at 31 December 2023. This EUR 287 billion contraction is the direct result of continued monetary policy normalisation measures, particularly reducing (i) loans to credit institutions, and (ii) the portfolio of monetary policy securities purchased as part of the APP (asset purchase programme) with only partial reinvestment of redemptions from March 2023 and no reinvestments as of July 2023. For the PEPP (pandemic emergency purchase programme), purchases continued to be limited to the reinvestment of maturities in 2023.

As a result, outstanding loans to credit institutions reduced at a faster pace (down EUR 222 billion in 2023 compared with a decrease of EUR 159 billion in 2022) and outstanding amounts of euro-denominated securities acquired under purchase programmes dropped by EUR 43.8 billion in 2023 (compared with prior-year increases of EUR 51 billion and EUR 207 billion in 2022 and 2021, respectively). On the liabilities side, there was a significant decline in euro-denominated liabilities to credit institutions related to monetary policy operations (down EUR 201 billion).

Net income from the Banque de France's activities amounted to an expense of EUR 10,086 million in 2023, following income of EUR 7,722 million reported in 2022. This was due to the sharp increase in costs related to remunerating excess liquidity at the deposit facility rate, which became strictly positive on 14 September 2022 and was then raised on eight separate occasions, from 0.75% in September 2022 to 4% in September 2023. The new terms and conditions for the remuneration of targeted longer-term refinancing operations (TLTRO III) to align their rate of return with that of excess liquidity from 23 November 2022, have not offset the sharp increase in interest expenses reported in 2023 on the remuneration of deposits. Income from inflation-linked

securities held as part of the APP and PEPP purchase programmes declined in line with lower inflation

Operating expenses rose 5% year-on-year in 2023, by EUR 115 million to EUR 2,360 million, mainly due to the increase in other provisions for liabilities and charges. After operating expenses, profit/loss before tax recorded a loss of EUR 12,446 million, down EUR 17,923 million compared with 2022. This loss before write-back of provisions was entirely absorbed by the fund for general risks (FRG), which had been increased to EUR 16,362 million in 2022 (*see the above section on financial balances*). After accounting for this provision reversal, net profit for 2023 was zero.

The balance sheet and profit and loss account

Balance sheet at 31 December 2023

(EUR millions)

Notes to the balance sheet		ASSETS	At 31 Dec. 2023	At 31 Dec. 2022	Notes to the balance sheet		LIABILITIES	At 31 Dec. 2023	At 31 Dec. 2022
1	A1	Gold	146,345	133,661	12	L1	Banknotes in circulation	292,115	295,393
2	A2	Foreign currency assets (excluding relations with the IMF)	31,625	59,083	4	L2	Euro-denominated liabilities to euro area credit institutions related to monetary policy operations	883,661	1,084,184
		2.1 Foreign currency assets held with non-euro area residents	26,820	49,546			2.1 Current accounts	31,318	50,726
		2.2 Foreign currency assets held with euro area residents	4,805	9,537			2.2 Other liabilities	852,342	1,033,457
3	A3	Relations with the IMF	45,197	44,949	13	L3	Other euro-denominated liabilities to euro area credit institutions	14,660	26,984
5	A4	Euro-denominated claims on non-euro area residents	1,735	438	14	L4	Euro-denominated liabilities to non-euro area residents	45,764	49,545
4	A5	Euro-denominated loans to euro area credit institutions related to monetary policy operations	99,006	321,145	2	L5	Foreign currency liabilities	2,514	1,118
5	A6	Other euro-denominated loans to euro area credit institutions	18,178	18,665	3	L6	Counterpart of SDRs allocated by the IMF	36,054	37,034
6	A7	Euro-denominated securities issued by euro area residents	1,034,043	1,058,324	15	L7	Relations within the Eurosystem	27,945	14,799
		7.1 Securities held for monetary policy purposes	983,571	1,027,386	16	L8	Euro-denominated liabilities to other euro area residents	25,082	91,407
		7.2 Other securities	50,472	30,937			8.1 Liabilities vis-à-vis the state and government agencies	14,947	79,647
	A8	Relations within the Eurosystem	96,391	107,839			8.2 Other liabilities	10,134	11,759
11		8.1 Participating interest in the ECB	1,901	1,901	17	L9	Items in course of settlement	28	41
7		8.2 Claims arising on the transfer of reserve assets to the ECB	8,510	8,281	18	L10	Banking transactions	87,095	96,415
		8.3 Claims on the Eurosystem for euro banknotes in circulation	83,810	97,657	19	L11	Other items	11,466	11,604
7		8.4 Other claims on the Eurosystem	2,170	0	20	L12	Provisions for liabilities and charges	684	650
8	A9	Advance to the IEDOM	7,407	7,525	21	L13	Revaluation accounts	134,216	126,543
	A10	Claims on the French Treasury	0	0	22	L14	Fund for general risks and tax-regulated provisions	3,996	16,441
9	A11	Other euro and foreign currency denominated financial assets	108,556	118,142	23	L15	Revaluation reserve for state gold and foreign exchange reserves	22,771	22,771
10	A12	Other items	6,529	12,116	24	L17	Capital, reserves and retained earnings	8,932	8,932
11	A13	Fixed assets	1,972	1,973		L18	Net profit	0	0
		13.1 Tangible and intangible fixed assets	1,286	1,287					
		13.2 Participating interests other than the ECB	686	686					
TOTAL ASSETS			1,596,984	1,883,860	TOTAL LIABILITIES			1,596,984	1,883,860

Note: Each item of the balance sheet and profit and loss account is rounded up or down to the nearest EUR million. For this reason, discrepancies between totals or sub-totals and the items underlying them may arise. This also applies to the figures presented in the Notes to the financial statements.

Profit and loss account for 2023

(EUR millions)

Notes to the P&L		2023	2022
1	Net income from Banque de France activities	-10,086	7,722
29	1.1 Net interest income	-16,838	7,458
	1.1.1 Interest and related income	26,009	16,869
	1.1.2 Interest and related expenses	-42,848	-9,411
30	1.2 Net income from financial transactions	3,821	-446
	1.2.1 Net realised gains/losses and unrealised losses on foreign exchange	4,648	235
	1.2.2 Net allocations to/reversals from the foreign currency revaluation reserve	0	-235
	1.2.3 Other income and expenses on financial transactions, net	-827	-446
	1.3 Fees and commission	-18	-10
	1.3.1 Fees and commission income	36	38
	1.3.2 Fees and commissions expenses	-54	-48
31	1.4 Income from equity securities and participating interests	50	56
32	1.5 Net result of pooling of monetary income	2,159	-94
33	1.6 Other income and expenses, net	740	757
2	Operating expenses	-2,360	-2,245
34	2.1 Staff costs and related expenses	-1,026	-1,009
	2.2 Pensions and related expenses	-540	-526
	2.3 Taxes other than income tax	-33	-36
	2.4 Provisions, depreciation and amortisation	-168	-163
	2.5 Other operating income and expenses, net	-593	-511
	Profit before tax and exceptional items (1 + 2)	-12,446	5,477
22	3 Net additions to fund for general risks and tax-regulated provisions	12,446	-4,410
4	Exceptional items	0	0
	4.1 Exceptional income	0	0
	4.2 Exceptional expenses	0	0
35	5 Corporate income tax	0	-1,067
	Net profit for the year (1 + 2 + 3 + 4 + 5)	0	0

Notes to the financial statements

Accounting principles and valuation methods

Legal framework

The annual financial statements of the Banque de France are presented in accordance with a format decided by its General Council¹ and with the provisions of the Order of the Minister of the Economy, Finance and Industry of 7 February 2000, which was amended on 16 November 2010. Their structure is designed to reflect the specific nature of the tasks carried out by the Banque de France as part of the European System of Central Banks (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 R. 144 6 of the French Monetary and Financial Code, which specifies the following provisions.

- For all activities carried out within the ESCB framework, the Banque de France must comply with the accounting and valuation methods laid down by the European Central Bank (ECB) in its Guideline of 3 November 2016 (ECB/2016/34), amended in 2019 (ECB/2019/34) and in 2021 (ECB/2021/51). 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

exchange reserve management, and the issue of banknotes.

- The accounting rules established by the *Autorité des normes comptables* (ANC – the French accounting standards authority) apply to all the Banque de France’s other activities. However, the Banque de France General Council may also decide to apply the accounting and valuation methods recommended by the ECB.

With effect from 1 January 2003, the General Council extended the accounting methods laid down by the ECB Governing Council to securities portfolios recorded in asset item A11. Since 1 January 2018, and by decision of the General Council, this provision has also applied to securities portfolios held in the Banque de France Employee Reserve Fund recorded in asset item A12.

General accounting principles

The accounting rules are applied in accordance with the principles of prudence, going concern, consistency (of methods between reporting periods), accruals, matching and revenue recognition (independence of reporting periods), cost (economic reality), full disclosure, and recognition of significant post-balance sheet events.

Valuation methods

Foreign currency transactions and resulting gains and 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.

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

Foreign currency gains and losses on gold and foreign exchange reserves

Realised gains and losses are calculated for each currency. A weighted average price is calculated daily, firstly on inflows (spot or forward purchases on the trade date, and foreign currency denominated income,

in particular daily accrued interest), and secondly on outflows (spot or forward sales on the trade date, and foreign currency denominated expenses). The realised gain or loss is calculated by applying the difference between these average prices to the lower of the day’s inflows or outflows.

When outflows exceed inflows, a second realised gain or loss is calculated, which equates to the difference between (i) the net outflows of the day valued at the average outflow price and (ii) the net outflows of the day valued at the average price of the day’s opening position. When inflows exceed outflows, the net inflow is added to assets held at the beginning of the day, thereby changing the average price of the position.

Revaluation reserve for state gold and foreign exchange reserves (RRRODE)

The agreement between the state and the Banque de France dated 20 December 2010 and published on 2 February 2011 neutralises the impact on the Banque de France’s profit and loss account of realised gold and foreign currency gains and losses (including currency option premiums) and unrealised losses at year-end, thanks to a mechanism whereby the counterpart in the profit and loss account is symmetrically offset against the RRRODE. The amount of net foreign currency gains taken to the RRRODE is limited to the net profit for the year before transfers to the reserves.

The agreement also stipulates that:

- the amount of the RRRODE must be at least equal to 12% of the gold and foreign currency positions and must also be sufficient to cover the losses that would arise if prices fell to their worst level of the past ten years;
- if the RRRODE falls below its minimum amount as defined above, it shall be replenished by way of an appropriation from profit for the financial year (not exceeding 20% of net profit).

¹ In accordance with Article R. 144-6 of the French Monetary and Financial Code that stipulates that the “General Council approves the presentation of

the published financial statements” and that the General Council “may restrict the details of publicly disclosed information”.

Foreign currency gains and losses other than on gold and foreign exchange reserves

The Banque de France applies ANC Regulation 2014-03 to foreign currency transactions that are not connected to its main responsibilities as a 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 recorded in profit and loss item 1.2.3, "Other income and expenses on financial transactions, net". 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

Securities held by the Banque de France are recorded in the following balance sheet items:

- A2 for foreign currency denominated securities held in connection with foreign exchange reserve management;
- A7.1 for securities held for monetary policy purposes;
- A11 for euro-denominated securities earmarked against the Banque de France's own funds, provisions and customer deposits recorded in items L4 or L10;
- A12 for securities held in the Banque de France Employee Reserve Fund;
- A4 or A7.2 for other euro-denominated securities depending on whether they are issued by non-residents or residents.

Securities held for monetary policy purposes

Debt securities held for monetary policy purposes (item A7.1) are valued at amortised cost, regardless of their holding intention. They may therefore be sold before maturity if the ECB Governing Council so recommends. Impairment tests are conducted annually.

Other securities

Other securities are recognised as follows.

- Debt 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 written down if there is a risk of non-recovery.
- Debt securities that may be sold before maturity and equities (or similar securities) are marked to market on a line-by-line basis on the last business day of the year. Unrealised gains are recorded as liabilities in the revaluation accounts (item L13). Unrealised losses are recorded in profit and loss item 1.2.3 as financial transaction expenses. Unrealised gains and losses are not offset. Gains and losses arising from sales carried out during the year are calculated on the basis of the weighted average price of each line of securities and are recorded in profit and loss item 1.2.3, "Other income and expenses on financial transactions, net".

For all debt securities, differences between the acquisition price and the redemption price are spread over their remaining lives on a discounted basis. Implicit options that may be included in these securities are not valued separately.

Marketable investment fund units, held for investment purposes without the Banque de France intervening in the decisions on the purchase or sale of the underlying assets, are recognised at their year-end net asset value. No offsetting is performed between unrealised gains and losses on the various units of the marketable investment funds held.

Lastly, non-marketable investment fund units are recognised in the balance sheet at purchase cost. At the end of the financial period, the units are valued at the lower of their historical cost and value in use. When the latter is lower than the purchase cost, the units may be written down based on the risk analysis methodology adopted by the Banque de France's Risk Committee.

Specific treatment of Banque de France Employee Reserve Fund securities

The rules described in the note on “Other securities” (see above) apply to the securities held in the *Caisse de réserve des employés* (CRE – the Banque de France Employee Reserve Fund). However, unrealised losses recognised on debt securities that can be sold, equities and units of marketable investment funds in connection with their mark-to-market, and the gains and losses on disposal of these securities, are booked to the Employee Reserve Fund’s equity capital. Consequently, there is no impact on the Banque de France’s profit and loss account. The same applies to any depreciation recognised by way of provisions for debt securities held to maturity and for non-marketable investment fund units (see Note 28).

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 profit and loss item 1.2.3.

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

Currency option premiums are recorded on the asset side of the balance sheet if they relate to purchases and on the liabilities side if they relate to 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 profit and loss item 1.2.1, “Net realised gains/losses and unrealised losses on foreign exchange”. At year-end, the premium amounts booked to the profit and loss account during the year are transferred to the state gold and foreign exchange revaluation reserve (RRRODE) in the same way as realised foreign currency gains and losses (see above).

Open positions on currency options are marked to market at the balance sheet date. Unrealised gains are recorded as liabilities in the revaluation accounts (item L13). Unrealised losses are recorded in profit and loss item 1.2.3 as financial transaction expenses. Unrealised gains and losses are not offset.

Forward foreign currency transactions with customers (see Note 26) are marked to market at 31 December.

Eurosystem claims and liabilities

Eurosystem claims and liabilities arise on cross-border euro payments made within the European Union and settled in central bank money. These payments are allocated to TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) and give rise to bilateral balances in the TARGET accounts of the ESCB central banks. Payments conducted by the ECB and the national central banks (NCBs) also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position for each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the NCBs and the ECB on a daily basis. The Banque de France’s net position in TARGET is carried on the Banque de France’s balance sheet either as a net liability to the Eurosystem in item L7 (see Note 15) if it is a creditor or as a net claim on the Eurosystem in item A8 (see Note 7) if it is a debtor.

The Banque de France’s participating interest in the ECB is recorded in balance sheet item A8.1 (see Note 11). This item also includes the net amounts paid by the Banque de France in connection with an increase in the proportion of its subscription of the ECB’s equity value resulting from a change in the capital key.

The Banque de France’s claim on the ECB resulting from the transfer of a part of reserve assets is recorded in item A8.2; the claim that results from interim dividends and accrued income receivable from the ECB in respect of the allocation of the balance of monetary income (see Note 7) is recorded in item A8.4; and lastly the claim that results from the shared responsibility for issuing euro banknotes among NCBs and the ECB is

recorded in item A8.3. Accrued expenses in respect of the pooling of monetary income are recorded in liability item L7 (see Note 15).

Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued and accounted for in accordance with French reporting standards.

Land is carried 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 *plan comptable général* (the French general chart of accounts), the depreciation period for each asset is determined on the basis of its probable useful life. The Banque de France's property assets are therefore depreciated over 10, 20, 33 or 50 years, depending on the asset type. Computer equipment is depreciated over 2 to 10 years and other equipment is depreciated over periods ranging from 3 to 12 years. Purchased software is amortised over 3 to 6 years. Most fixed assets are depreciated using the straight-line method. In accordance with ANC Regulation 2014-03, the useful life of fixed assets is reviewed regularly and modified as required.

External expenditure relating to the development and integration of computer software are capitalised.

Projects developed by one or more Eurosystem NCBs are capitalised in accordance with the full cost accounting methodology set down by the Eurosystem. The Banque de France recognises any share in those projects – calculated at the Eurosystem level – in the total amount to be capitalised.

Accelerated tax depreciation is applied to fixed assets that can be depreciated more rapidly for tax purposes than for accounting purposes.

Banknotes in circulation

The ECB and the euro area member 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.² The ECB has been allocated an 8% share of euro banknotes in circulation, with the remaining 92% allocated between NCBs according to their share of the ECB's paid-up capital.

The share of banknotes in circulation allocated to the Banque de France is disclosed in liability item L1, "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 by the NCB gives rise to an interest-bearing intra Eurosystem position presented in item A8.3 if it is a debit and in item L7 if it is a credit. This position earns interest³ at the main refinancing operation rate. The corresponding interest income and expenses are included in profit and loss item 1.1, "Net interest income".

A mechanism to smooth any adjustments that may arise during the first five years following a country's entry into the euro area is in place.⁴

Dividend paid by the ECB

The ECB's seigniorage income arising from its 8% share of euro banknotes in circulation, as well as the income generated on its monetary policy securities purchased under the SMP, CBPP3, ABSPP, PSPP and PEPP programmes,⁵ are distributed in January of the following year in the form of an interim dividend unless the ECB Governing Council decides otherwise.⁶ This income is distributed in full unless it exceeds the ECB's profit. The ECB Governing Council may decide to transfer all or part of this income to the provision for ECB financial risks. It may also decide to deduct the total expenses incurred by the ECB in issuing and handling euro banknotes from the total income from euro banknotes in circulation to be distributed in January.

The amount distributed to NCBs is recorded in profit and loss item 1.4, "Income from equity securities and participating interests".

Fund for general risks

The *fonds pour risques généraux* (FRG – fund for general risks) is intended to cover the possible risks to which the Banque de France is exposed through its activities, except for the exchange rate risk on gold and foreign exchange reserves, which is covered by the relevant revaluation accounts and by the RRRODE (see above). Its amount is determined on a discretionary basis based on exposures at the balance sheet closing date and an analysis of the attendant risks using a forward-looking approach. It is booked as a liability in item L14. Charges to and reversals from the fund are recorded through item 3 of the profit and loss account.

Pension scheme

See Note 28.

Changes in accounting presentation

There were no changes in accounting presentation in the annual financial statements for the year ended 31 December 2023.

Key events in 2023

Against a backdrop of persistently high inflation, the ECB Governing Council continued its policy of normalising monetary policy, with:

- six key interest rate hikes between 8 February 2023 and 20 September 2023;
- reductions to the APP (asset purchase programme) portfolio, with only partial reinvestment of maturities from March 2023 and no reinvestments as of July 2023;
- lastly, PEPP (pandemic emergency purchase programme) purchases were limited to the reinvestment of maturities only.

These measures served to accelerate the contraction of the Banque de France's total balance sheet, which decreased by 15.2% in 2023 after a 7.5% reduction in 2022.

This situation was also reflected in the sharp rise in expenses related to the remuneration of excess liquidity.

Against this backdrop and in order, in part, to offset these significant expenses, the Banque de France sold some of its US-dollar denominated assets, thereby realising foreign currency gains of EUR 4.85 billion.

Post-balance sheet events

Between the end of the 2023 financial reporting period and the date on which the Banque de France General Council approved the financial statements, the ECB Governing Council decided to keep its three key interest rates unchanged. The ECB also announced that it intends to continue to reinvest payments from maturing securities purchased under the PEPP during the first half of 2024 and to reduce the PEPP portfolio by EUR 7.5 billion per month on average over the second half of the year. The ECB Governing Council intends to discontinue reinvestments under the PEPP at the end of 2024.

Balance sheet

Note 1: Gold

At 31 December 2023, the Banque de France held 78 million ounces (2,436 tonnes) of fine gold. The increase in the equivalent euro value of these reserves is due to the rise in the market price of gold.

Note 2: Foreign currency assets and liabilities

Foreign currency assets are primarily US dollar holdings. At 31 December 2023, US dollars accounted for 47% of total foreign currency assets, down on the previous year, following sales that generated net foreign currency gains of EUR 4.85 billion (see Note 30 on "Net income from financial transactions"). Holdings in other currencies are intended to diversify risks. A breakdown of holdings by main currencies is provided below.

2 ECB decision of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29).

3 ECB decision of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36).

4 In 2023, this mechanism applied to Croatia.

5 SMP: securities markets programme; CBPP: covered bond purchase programme; ABSPP: asset backed securities purchase programme; PSPP: public sector purchase programme; PEPP: pandemic emergency purchase programme.

6 ECB decision of 15 December 2014 on the interim distribution of the income of the ECB (ECB/2014/57).

Foreign exchange reserves are invested in overnight deposits, fixed-term deposits and fixed-rate and index-linked bonds. At 31 December 2023, fixed-rate or index-linked bonds amounts to EUR 27.3 billion, down year-on-year following the sale of US-dollar denominated assets. As part of its foreign exchange reserve management, the Banque de France lends and borrows foreign currency denominated securities through repo and reverse repo transactions. These transactions are recorded in asset item A2 and liability item L5.

Breakdown of holdings by main currency (%)

	At 31 Dec. 2023	At 31 Dec. 2022
US dollar (USD)	47	73
Australian dollar (AUD)	11	5
Canadian dollar (CAD)	5	3
South Korean won (KRW)	6	2
Net assets vis-à-vis the IMF (SDR)	24	12
Other	7	5

Foreign currency assets and liabilities (excluding relations with the IMF)

Asset item A2 and liability item L5
(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
ASSETS – Foreign currency assets		
Overnight deposits	118	192
Fixed-term deposits	3,801	6,223
Foreign currency liquidity provision to Eurosystem counterparties	0	0
Securities received under repurchase agreements	138	2,829
Fixed-rate or index-linked bonds <i>o/w recognised at amortised cost</i>	27,286	49,461
<i>o/w marked to market line-by-line</i>	12,778	15,193
Accrued interest receivable	281	378
TOTAL	31,625	59,083
LIABILITIES – Foreign currency liabilities		
Securities delivered under repurchase agreements	2,508	1,104
Accrued interest payable	6	15
TOTAL	2,514	1,118

Note 3: Relations with the IMF

The Banque de France's net asset position on its special drawing rights (SDR) increased to EUR 9,143 million at year-end 2023, up from EUR 7,915 million at the end of 2022.

In accordance with the agreement of 20 December 2010 between the state and the Banque de France on the management of and accounting for state foreign exchange reserves, International Monetary Fund (IMF) receivables and liabilities are recognised in the Banque de France's balance sheet.

On the asset side:

- The reserve tranche position is equal to the proportion of the IMF quota (France's share in the IMF's capital) settled in gold and foreign currencies plus or minus the net utilisation of the quota in euro. Since 2016, France's quota has been SDR 20.2 billion.
- Special drawing rights (SDRs) allocated to IMF member countries in proportion to their quota, or acquired under voluntary swap agreements with IMF-designated member countries.
- Loans granted to the IMF within the framework of the New Arrangements to Borrow (NAB), the Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST) set up under the auspices of the IMF for low-income countries, or drawdowns on the quota.

The cumulative SDR allocations by the IMF to France are recorded in liability item L6. The last entry was made on 23 August 2021 to reflect an allocation of SDR 19.3 billion, thus raising the total to SDR 29.5 billion.

Relations with the IMF

Asset item A3 and liability item L6

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2023
ASSETS		
Receivables from the IMF		
Reserve tranche position	6,667	7,060
Loans as part of the NAB	23	114
SDR holdings	35,244	35,654
Loans as part of the PRGT	2,113	1,919
Loans as part of the RST	841	0
Accrued interest receivable	309	202
TOTAL	45,197	44,949
LIABILITIES		
Counterpart of SDRs allocated by the IMF	35,805	36,865
Accrued interest payable	249	169
TOTAL	36,054	37,034

Note 4: Loans to and deposits from credit institutions related to monetary policy operations

Transactions carried out by the Banque de France with credit institutions within the framework of the Eurosystem's monetary policy are recorded in asset item A5 and liability item L2.

On the asset side, item A5 includes loans granted to credit institutions of EUR 97 billion, excluding accrued interest receivable (accrued interest on TLTRO III outstanding). The risks related to these transactions are shared within the framework of the Eurosystem on the basis of a Eurosystem key, which is calculated for each NCB as the proportion of its subscription of the ECB's capital (its capital key) compared with the total capital keys for all euro area NCBs (see Note 11). At 31 December 2023, the Banque de France thus bore the risks on 20.26%⁷ of loans to credit institutions granted by the Eurosystem NCBs, which amounted to EUR 410 billion at that year-end. As loans to credit institutions are secured by collateral, losses may occur only in the event of counterparty default when the sums from the sale of the collateral are insufficient to cover the loans granted.

Loans to credit institutions cover the following:

- Main financing operations, which are short-term open market operations conducted by the Eurosystem. They play a key role in steering interest rates, managing bank liquidity and signalling monetary policy stances. They are conducted through weekly tenders in the form of temporary sales of assets (repurchase agreements) with 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) carried out at a fixed rate with full allotment.

In 2019, the ECB Governing Council launched seven quarterly targeted operations (TLTRO III). The first six matured in 2022 and in 2023. Three new operations were added between June 2021 and December 2021. All of these operations have a three-year maturity and may be totally or partially repaid on a quarterly basis. All TLTRO III funding will be repaid as at the end of 2024.

On 27 October 2022, against a backdrop of rapidly increasing ECB key rates, the ECB Governing Council decided that the interest rate of each TLTRO III operation would be indexed to the average applicable key ECB interest rate from 23 November 2022 until the maturity date or early repayment date. Therefore, it is impossible to know the effective interest rate for each of these TLTRO III operations until they mature or are repaid early. Before that date, an estimate must be applied. This means that for the purposes of the 2023 financial statements, the rate used to calculate accrued interest is the average applicable key interest rate since 23 November 2022.

Deposits from credit institutions held by the Banque de France for monetary policy purposes are recorded in liability item L2, and include the following:

- Credit institutions' current accounts held by the Banque de France and recorded in liability item L2.1.

⁷ This key declined to 20.00% following the five-yearly adjustment that came into effect on 1 January 2024.

Current account amounts are made up of minimum reserve requirements (calculated as 1% of the reserve base⁸ since January 2012) and sums in excess of minimum reserve requirements.

- Deposit facilities, recorded in liability item L2.2, which enable Banque de France counterparties to make overnight deposits, remunerated at a rate set by the ECB Governing Council.⁹

Minimum reserves were remunerated at the ECB's deposit facility rate until 19 September 2023. On 27 July 2023, the ECB Governing Council decided to set the remuneration of minimum reserves at 0% with effect from 20 September 2023.

Euro-denominated loans and liabilities to euro area credit institutions related to monetary policy operations

Asset item A5 and liability item L2

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
LOANS		
Main refinancing operations	682	8
Longer-term refinancing operations	96,037	326,371
Fine-tuning operations (a)	0	0
Structural operations	0	0
Marginal lending facilities (b)	10	0
Margin calls paid	0	0
Accrued interest receivable	2,277	-5,233
TOTAL	99,006	321,145
LIABILITIES		
Current accounts	31,318	50,705
Other liabilities	852,153	1,033,400
Deposit facilities	852,153	1,033,400
Collection of fixed-term deposits(a)	0	0
Repurchase agreements	0	0
Margin calls received	0	0
Accrued interest payable	189	79
TOTAL	883,661	1,084,184

(a) Fine-tuning operations are executed on an ad-hoc basis with the aim of managing market liquidity and steering interest rates. They take the form of reverse transactions, outright cross-currency swaps or the collection of fixed-term deposits, generally executed by means of quick tenders or bilateral procedures.

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

Deposits in excess of minimum reserve requirements bear interest at the lower of 0% or the deposit facility rate.

Note 5: Euro-denominated claims on non-euro area residents (A4) and Other euro-denominated loans to euro area credit institutions (A6)

These items include euro-denominated investments earmarked against euro-denominated deposits, particularly securities purchased under repurchase agreements, recorded in liability item L4 (see Note 14). These amounts, unrelated to monetary policy operations, are split between items A4 and A6 on the basis of whether the counterparty is located within or outside the euro area.

Euro-denominated claims on non-euro area residents and other euro-denominated loans to euro area credit institutions

Asset items A4 and A6

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Securities held to maturity	1,487	255
Other claims	219	182
Accrued interest receivable	29	1
Total euro-denominated claims on non-euro area residents	1,735	438
Securities received under repurchase agreements	15,481	18,319
Other including loans	2,664	339
Accrued interest receivable	32	6
Total other euro-denominated loans to euro area credit institutions	18,178	18,665

Note 6: Euro-denominated securities issued by euro area residents

A7.1 "Securities held for monetary policy purposes"

In addition to securities held under conventional monetary policy measures, this item includes securities purchased by the Banque de France under the asset purchase programmes organised by the Eurosystem since 2009. These are purchased within the scope of the securities markets programme (SMP),¹⁰ the third corporate bond purchase programme (CBPP3),¹¹ the public sector purchase programme (PSPP)¹² and the corporate sector purchase programme (CSPP).¹³ Since March 2020, this item has also included securities purchased within the scope of the pandemic emergency purchase programme (PEPP).¹⁴ The ECB is responsible for the asset-backed securities purchase programme (ABSPP).¹⁵

Programme	Programme start date	Programme end date	Risk-sharing between NCBs and the Eurosystem	Universe of eligible securities (a)
Completed programmes				
CBPP1 (b)	July 2009	June 2010	No risk-sharing	Covered bonds of euro area residents
CBPP2 (b)	November 2011	October 2012	No risk-sharing	Covered bonds of euro area residents
SMP	May 2010	September 2012	Risk-sharing based on the key for subscription of the ECB's capital	Public and private debt securities issued in the euro area (c)
Asset purchase programme (APP)				
ABSPP	November 2014	Active	Risk-sharing based on the key for subscription of the ECB's capital Purchases borne by the ECB	Purchases of asset-backed securities
CBPP3	October 2014	Active	Risk-sharing based on the key for subscription of the ECB's capital	Covered bonds of euro area residents
PSPP	March 2015	Active	Risk-sharing based on the key for subscription of the ECB's capital on securities issued by supranational bodies No risk-sharing on government bonds acquired by NCBs	Euro area public sector bonds
CSPP	June 2016	Active	Risk-sharing based on the key for subscription of the ECB's capital	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	Active	Follows APP asset rules	All asset categories eligible under the APP

(a) Other eligibility criteria for specific programmes are defined in ECB Governing Council decisions.

(b) At year-ends 2022 and 2023, the Banque de France held no covered bonds (CBPP1 and CBPP2).

(c) Only public debt securities issued by five euro area states were purchased under the SMP.

Starting in March 2023,¹⁶ the Eurosystem did not reinvest all principal repayments from maturing securities acquired under the asset purchase programme (APP), in order to reduce the APP portfolio at a measured and predictable pace of EUR 15 billion per month on average until the end of June 2023. The ECB Governing Council then announced that it would discontinue these partial reinvestments under the APP from July 2023.¹⁷

However, with regard to the PEPP, the Eurosystem continued to reinvest, in full, the principal repayments on maturing securities.

The variation in the amortised cost of securities held for monetary policy purposes between 2022 and 2023 is shown in the second table below.

These securities are tested for impairment at the Eurosystem level on the basis of available information and an estimate of recoverable amounts at the balance sheet closing date. Based on the results of impairment tests carried out at 31 December 2023, the ECB Governing Council considered it prudent to establish a provision for financial risk on monetary policy operations for one

of the securities in the PEPP CSPP portfolio (see Note 20 on "Provisions for liabilities and charges").

8 The reserve base includes liabilities corresponding to "deposits", "debt securities" and "money market paper" (denominated in euro and/or foreign currencies, with regard to residents or non-residents) as defined within the framework of the ECB provision on the collection of monetary and banking statistics. However, it excludes interbank liabilities between institutions that are themselves subject to the minimum reserve system and liabilities vis-à-vis other participating national banks and the ECB.
<https://www.banque-france.fr/en/monetary-strategy/>

9 The deposit facility rate was set during 2023 at 2.00% until 7 February, 2.50% from 8 February to 21 March, 3.00% from 22 March to 9 May, 3.25% from 10 May to 20 June, 3.50% from 21 June to 1 August, 3.75% from 2 August to 19 September, and 4.00% from 20 September.

10 Securities markets programme – ECB decision No. 2010/5 of 14 May 2010.

11 Covered bond purchase programme – ECB decisions No. 2011/17 of 3 November 2011 and No. 2020/8 of 3 February 2020 (recast).

12 Public sector purchase programme – ECB decision No. 2020/9 of 3 February 2020.

13 Corporate sector purchase programme – ECB decision No. 2016/16 of 1 June 2016 (recast).

14 Pandemic emergency purchase programme – ECB decision No. 2020/17 of 24 March 2020 (recast).

15 Asset-backed securities purchase programme – ECB decision No. 2014/45 of 19 November 2014 (recast).

16 See the press release on the decision of the ECB Governing Council of 15 December 2022.

17 See the press release on the decision of the ECB Governing Council of 15 June 2023.

Securities held for monetary policy purposes

Asset item A7.1

(EUR millions)

	2023		2022		Variation	
	Amortised cost	Market price	Amortised cost	Market price	Amortised cost	Market price
Completed programmes						
SMP	212	235	205	235	7	0
Total completed programmes	212	235	205	235	7	0
Asset purchase programme (APP)						
CBPP3	64,238	58,242	66,987	58,361	-2,749	-119
PSPP – issued by French public bodies	423,026	384,468	452,372	397,077	-29,346	-12,609
PSPP – issued by supranational bodies	71,386	61,588	76,085	63,378	-4,699	-1,790
CSPP	101,764	92,660	107,045	92,492	-5,280	168
Total APP	660,414	596,958	702,488	611,308	-42,074	-14,349
Pandemic emergency purchase programme (PEPP)						
PEPP-PSPP – issued by French public bodies	258,865	224,604	262,463	216,616	-3,598	7,988
PEPP-PSPP – issued by supranational bodies	45,262	37,648	43,214	33,544	2,048	4,105
PEPP-CSPP	11,132	10,120	11,354	9,715	-222	405
PEPP-CBPP	2,052	1,745	2,010	1,606	42	139
Total PEPP	317,311	274,117	319,040	261,481	-1,730	12,637
Accrued interest receivable	5,634		5,653		-19	
TOTAL	983,571		1,027,386		-43,816	

Variation in the amortised cost of securities held for monetary policy purposes

	At 31 Dec. 2022	Inflows	Outflows	Other variations (a)	At 31 Dec. 2023
Completed programmes					
SMP	205	0	0	7	212
Total completed programmes	205	0	0	7	212
Asset purchase programme (APP)					
CBPP3	66,987	4,444	-7,331	139	64,238
PSPP – issued by French public bodies	452,372	13,202	-44,153	1,605	423,026
PSPP – issued by supranational bodies	76,085	2,123	-6,834	12	71,386
CSPP	107,045	3,581	-8,731	-130	101,764
Total APP	702,488	23,350	-67,050	1,626	660,414
Pandemic emergency purchase programme (PEPP)					
PEPP-PSPP – issued by French public bodies	262,463	11,595	-13,247	-1,946	258,865
PEPP-PSPP – issued by supranational bodies	43,214	4,162	-2,045	-69	45,262
PEPP-CSPP	11,354	937	-1,141	-17	11,132
PEPP-CBPP	2,010	44	0	-2	2,052
Total PEPP	319,040	16,738	-16,434	-2,034	317,311
TOTAL (excluding accrued interest)	1,021,734	40,088	-83,484	-401	977,937

(a) Amortisation of mark-ups/mark-downs corresponding to the difference between the acquisition price and the redemption price of securities, which is spread over their remaining lives on a discounted basis, and the impact of indexing the redemption value of securities to inflation.

A7.2 "Other securities"

This item includes euro-denominated securities issued by euro area residents, other than those held for monetary policy purposes or for the Banque de France Employee Reserve Fund (CRE), or those that are specifically earmarked against the Banque de France's own funds or against customer deposits that are recorded in asset items A7.1, A11 and A12 (see Notes 6, 9, 10 and 26).

Just as it tests its portfolios of monetary policy securities, the Banque de France also carries out impairment tests on its other securities portfolios. Based on these tests, it was concluded that no impairment was needed.

Euro-denominated securities issued by euro area residents

Asset item A7.2

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Securities held to maturity (a)	47,674	28,464
Other bonds	2,169	2,127
Accrued interest receivable	629	346
TOTAL	50,472	30,937

(a) In 2023, EUR 1.3 billion of securities held to maturity were sold as a result of exceeding the holding limits.

Note 7: Claims arising on the transfer of reserve assets to the ECB and other claims on the Eurosystem

A8.2 "Claims arising on the transfer of reserve assets to the ECB"

Pursuant to Article 30.2 of the Statute of the ESCB, the euro area NCBS transferred foreign exchange reserve assets to the ECB in proportion to their share of the ECB's subscribed capital. Item A8.2 corresponds to the Banque de France's claim against the ECB resulting from this transfer. It is adjusted each time the allocation of the ECB's subscribed capital among euro area NCBS is changed. The last such adjustment took place in 2020 as part of the Bank of England's withdrawal from the ESCB.

Claims arising on the transfer of reserve assets to the ECB

Asset item A8.2

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Claims arising on the transfer of reserve assets to the ECB	8,240	8,240
Accrued interest receivable	270	41
TOTAL	8,510	8,281

Claims are remunerated daily at the marginal rate applied to main refinancing operations, adjusted to reflect a zero return on the gold component of the transferred reserve assets.

A8.4 "Other claims on the Eurosystem"

This item includes income receivable from the ECB in respect of the allocation of the balance of monetary income (see Note 32).

No receivable in respect of the Banque de France's net position in TARGET has been recognised in the financial statements as it shows a creditor position at the end of 2023 (see Note 15). Furthermore, no ECB interim dividend has been recorded. Given the ECB's results, the Governing Council decided not to distribute the income from banknotes in circulation or from monetary policy securities held by the ECB under the SMP, CBPP3, ABSPP, PSPP and PEPP programmes (see paragraph on the dividend paid by the ECB in the section on accounting principles and valuation methods).

Other claims on the Eurosystem

Asset item A8.4

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Claims on the Eurosystem (TARGET)	0	0
ECB interim dividends	0	0
Income receivable in respect of monetary income	2,170	0
TOTAL	2,170	0

Note 8: Advance to the IEDOM

The circulation of banknotes in the French overseas departments and the French overseas collectivities of Saint Pierre and Miquelon, Saint Barthélemy and Saint Martin is managed by the *Institut d'émission des départements d'outre-mer* (IEDOM – the French overseas departments' note-issuing bank) in the name of, on behalf of and under the authority of the Banque de France, of which it is a subsidiary.

To this end, the Banque de France grants the IEDOM a non-interest-bearing advance for an amount equivalent 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.

Note 9: Other euro and foreign currency denominated financial assets

Asset item A11 notably includes securities and other assets earmarked against the Banque de France's own funds, provisions and customer deposits recorded in liability items L4 and L10.

Other euro and foreign currency denominated financial assets

Asset item A11

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Debt securities held to maturity (a) (b)	53,680	65,133
Other securities	8,425	7,825
Other transactions	46,431	45,145
Accrued interest receivable	20	38
TOTAL	108,556	118,142

(a) In 2023, none of these securities were transferred to another portfolio.

(b) Collateralised securities earmarked against customer deposits: EUR 52,047 million of which EUR 51,520 million of foreign currency denominated securities.

Securities portfolios

Extract from asset item A11

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Debt securities held to maturity		
Euro-denominated securities	2,159	9,587
Foreign currency denominated securities	51,520	55,546
Accrued interest receivable	16	20
Net balance sheet value	53,696	65,153
Equities and investment fund units (a) (b)		
Collective investment funds	7,283	6,712
Other variable-yield securities	697	640
Net balance sheet value	7,980	7,352

(a) The revalued securities are marked to market on the last business day of the year.

(b) The cost price of the equities and investment fund units at year-ends 2022 and 2023 was EUR 5,600 million and EUR 5 686 million, respectively.

Fixed assets

Asset items A8.1 and A13

(EUR millions)

	31 December 2022	Increase (a)	Decrease (a)	31 December 2023
Participating interest in the ECB (balance sheet value)	1,901	–	–	1,901
Participating interests other than the ECB (gross value)	686	–	–	686
<i>Intangible fixed assets (gross value)</i>	997	163	98	1,062
<i>Amortisation and impairment</i>	689	76	30	736
Net value of intangible fixed assets	308	87	68	327
<i>Tangible fixed assets (gross value)</i>	2,540	1,016	1,000	2,556
<i>Depreciation and provisions</i>	1,561	92	56	1,597
Net value of tangible fixed assets	979	924	945	959
Total tangible and intangible fixed assets (net balance sheet value)	1,287	1,011	1,013	1,286

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

Note 10: Other items

Asset item A12, "Other items", includes all the securities portfolios held in the *Caisse de réserve des employés de la Banque de France* (CRE – the Banque de France Employee Reserve Fund), whose investments are reported at their year-end market value.

Other items

Asset item A12

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Other items	5,268	11,394
Accruals and deferred expenses	1,261	722
Accrued income	1,218	678
Prepaid expenses	43	43
Other adjustment accounts	0	1
TOTAL	6,529	12,116

Note 11: Fixed assets and participating interest in the ECB

The Banque de France has not granted any loans or advances to its subsidiaries with the exception of the IEDOM, which has received an advance of EUR 7.4 billion as part of its euro banknote circulation activity on the Banque de France's behalf in the French overseas departments and collectivities that fall within its scope of intervention (see Note 8). Furthermore, the Banque de France has not provided any securities or guarantees for material amounts to these entities.

Following a review of the materiality criteria for these subsidiaries at Banque de France level, none of these entities have been consolidated since 2019.

Information relating to subsidiaries and participating interests at 31 December 2023

Asset items A8.1 and A13.2

(EUR millions)

Name	Headquarters	Asset item	Capital	Share of capital held (%)	Reserves and retained earnings before appropriation of net profit (c)	Net profit	Book value (d)	Pre-tax turnover for the period or equivalent (e)	Dividends received in 2023
European Central Bank (a)	Frankfurt, Germany	A8.1	10,825	20.26	37,166	-1,266	1,901	-7,193	0
Bank for International Settlements (b)	Basel, Switzerland	A13.2	858	8.82	27,587	839	405	1,210	17
Europafi	Vic-le-Comte, France	A13.2	133	99.00	16	-2	132	95	0
IEDOM	Paris, France	A13.2	33.5	100.00	124	26	149	75	8
Banque de France Gestion	Paris, France	A13.2	0.6	100.00	8	9	ns	27	7
La Prévoyance immobilière	Paris, France	A13.2	<0.1	98.00	na	na	ns	na	0

ns: not significant; na: not available.

(a) The share of capital held (capital key) referred to above corresponds to the Banque de France's share of ECB capital out of all euro area member national central banks. Dividends are allocated on the basis of this key.

(b) Last financial year-end at 31 March 2023, accounts prepared in SDR, EUR/SDR conversion rate as at 31 March 2023.

(c) Including revaluation accounts and provisions equivalent to reserves for the IEDOM, the European Central Bank and the Bank for International Settlements.

(d) Gross and net book value of the securities held as no provision has been recorded.

(e) Net interest income for the IEDOM, the European Central Bank and the Bank for International Settlements. Production sold for Europafi and Banque de France Gestion.

Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB, the capital of the ECB is held solely by ESCB national central banks (NCBs). The key for subscription of the ECB's capital is set under the conditions defined in Article 29 of the Statute of the ESCB, based on the various countries' share in the total population and gross domestic product of the European Union. These two determinants have equal weighting. The ECB adjusts this capital key every five years (the last five-yearly adjustment took place on 1 January 2019) or whenever there is a change in the composition of the ESCB. A five-yearly adjustment thus came into effect on 1 January 2024, reducing the Banque de France's share from 16.61% to 16.36%.

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 euro-area NCBs. This key declined from 20.42% to 20.26% on 1 January 2023 when Croatia adopted the euro.

From 31 January 2020, when the Bank of England withdrew from the ESCB, to 31 December 2023, the Banque de France's share in the ECB's subscribed capital was 16.6108%, as the Bank of England's share of the ECB's subscribed capital (EUR 10,825 million) was reallocated among both euro area NCBs and non-euro area NCBs.

On the day of the Bank of England's withdrawal from the ESCB, the ECB's paid up capital remained unchanged at EUR 7,659 million as the remaining NCBs covered the Bank of England's paid-up capital of EUR 58 million. In addition, the ECB Governing Council decided that the euro area NCBs would be required

The Banque de France's key for subscription of the ECB's capital

(%)

Until 31 Dec. 2003	From 1 Jan. 2004 to 30 April 2004	From 1 May 2004 to 31 Dec. 2006	From 1 Jan. 2007 to 31 Dec. 2008	From 1 Jan. 2009 to 30 June 2013	From 1 July, 2013 to 31 Dec. 2013	From 1 Jan. 2014 to 31 Dec. 2018	From 1 Jan. 2019 to 31 Jan. 2020	From 1 Feb. 2020 to 31 Dec. 2023	From 1 Jan. 2024
16.8337	16.5175	14.8712	14.3875	14.2212	14.1342	14.1792	14.2061	16.6108	16.3575

to pay up their increased subscriptions to the ECB capital following the Bank of England’s withdrawal in full in two annual instalments in 2021 and 2022.¹⁸ As a result, the Banque de France made two transfers of EUR 124.6 million each to the ECB in December 2021 and December 2022. At 31 December 2023, the Banque de France’s share of the ECB’s paid-up capital amounted to EUR 1,798.1 million.

In addition to the Banque de France’s share of the ECB’s paid-up capital, the participating interest in the ECB, which amounted to EUR 1,901 million at 31 December 2023, includes the net amounts paid by the Banque de France as a result of the increase in its share of the ECB’s equity value¹⁹ following all previous ECB capital key adjustments.

Participating interest in the BIS

The Bank for International Settlements (BIS) is an international institution established in 1930. It was created to provide a mechanism to settle the financial disputes that arose from the First World War.

The BIS is a joint stock company with its head office in Basel, Switzerland and is owned by 63 central banks, including the Banque de France, which account for about 95% of world GDP. In January 2022, François Villeroy de Galhau, Governor of the Bank of France, was elected as the new Chair of the Board of Directors for a term of three years.

The BIS fosters coordination among central banks via the Basel Process, which directly supports the work of international groups engaged in standard setting and the pursuit of financial stability. The Banque de France is represented on all committees directly under the BIS umbrella, in particular the Basel Committee on Banking Supervision (BCBS), the Committee on the Global Financial System (CGFS), and the Committee on Payments and Market Infrastructures (CPMI).

Participating interest in Europafi

In 2015, the Banque de France spun off its paper business within Europafi. At 31 December 2023, the Banque de France had a 99% holding in Europafi; the Banca d’Italia, the Oesterreichische Nationalbank, and the Banco de Portugal had stakes of 0.5%, 0.25% and 0.25%, respectively.

Participating interest in the IEDOM

Since 1 January 2017, the Banque de France has held 100% of the capital of the IEDOM. The IEDOM is responsible, on behalf of the Banque de France, for implementing its missions of monetary strategy, financial stability and services to the economy and society in the regions that fall within the scope of its intervention.

The IEDOM is thus notably responsible for issuing and managing the circulation of banknotes and coins, rating companies so that private loans can be mobilised as part of Eurosystem refinancing operations, supervising payment systems and means, providing the secretariat of the household debt commissions, managing local interbank registers and providing services of general interest to public or private bodies.

Participating interest in BDF Gestion

BDF Gestion, the Banque de France’s fully-owned asset management subsidiary, manages a wide range of collective investment schemes as well as individual mandates for institutional investors.

Note 12: Banknotes in circulation

In 2023, the value of euro banknotes in circulation at Eurosystem level declined by 0.3%.²⁰ The share allocated to the Banque de France amounted to EUR 292,115 million, down 1.1% from 2022 to 2023.²¹

The value of euro banknotes issued by the Banque de France increased by 5.6% in 2023 to EUR 209,277 million. As this amount is less than the value of banknotes in circulation allocated to the Banque de France in accordance with the banknote allocation key, a claim on the Eurosystem of EUR 82,838 million has been recorded in the financial statements (*see item A8.3*).

Banknotes in circulation

Liability item L1

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Banknotes issued	209,277	198,187
Adjustment with regard to banknotes in circulation at Eurosystem level (a)	82,838	97,206
TOTAL	292,115	295,393

(a) See item A8.3.

Note 13: Other euro-denominated liabilities to euro area credit institutions

Liability item L3 is mainly made up of securities purchased for monetary policy purposes delivered under repurchase agreements. Since 2021, this item has also included funds that are not freely available to credit institutions.

Other euro-denominated liabilities to euro area credit institutions Liability item L3

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Euro-denominated liabilities to euro area residents	14,652	26,977
Accrued interest payable	8	7
TOTAL	14,660	26,984

Note 14: Euro-denominated liabilities to non-euro area residents

This item comprises euro credit balances and fixed-term deposits (excluding TARGET) with non-euro area central banks, commercial banks and non-financial customers in non-Eurosystem member countries. In most cases, the assets matching these liabilities are included either in asset items A4 or A6 (see Note 5) or in asset item A11 (see Note 9), depending on whether they are invested in the same currency or are covered by cross-currency swaps (see Note 26).

Euro-denominated liabilities to non-euro area residents Liability item L4

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Euro-denominated liabilities to non-euro area residents	45,544	49,470
Accrued interest payable	220	74
TOTAL	45,764	49,545

Note 15: Euro-denominated liabilities to the Eurosystem

In 2023, euro-denominated liabilities to the Eurosystem were made up of:

- the Banque de France's net creditor position in TARGET;
- accrued interest payable related to the remuneration of the TARGET position at the main refinancing rate;
- accrued expenses in respect of the pooling of monetary income.

Euro-denominated liabilities to the Eurosystem

Liability item L7

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Euro-denominated liabilities to the Eurosystem (TARGET)	27,495	14,531
Accrued expenses in respect of the pooling of monetary income	2	94
Accrued interest payable	448	175
TOTAL	27,945	14,799

Note 16: Euro-denominated liabilities to other euro area residents

Liability item L8.1, "Liabilities vis-à-vis the state and government agencies", consists of the following.

Liability item L8.1, "Liabilities vis-à-vis the state and government agencies", consists of the following.

- The Treasury's account, which earned interest at the following rates in 2023:²²
 - until 30 April 2023, remuneration on the basis of the euro short-term (€STR) rate up to a capped amount²³ and then, above this amount, at the lower of the deposit facility rate and the €STR;
 - as from 1 May 2023, remuneration at the €STR rate less 20 basis points.
- The accounts of other government agencies, as well as deposits from certain international bodies.

18 This resulted in an increase in the ECB's paid-up capital from EUR 7,659 million in 2020 to EUR 8,270 million in 2021 and EUR 8,880 million in 2022. In particular, see (i) ECB decision (EU) 2020/138 of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing decision (EU) 2019/44 (ECB/2020/4), (ii) ECB decision (EU) 2020/136 of 22 January 2020 on the paying-up of the European Central Bank's capital by the non-euro area national central banks and repealing decision (EU) 2019/48 (ECB/2020/2) and (iii) ECB decision (EU) 2020/139 of 22 January 2020 laying down the terms and conditions for transfers of the European Central Bank's capital shares between the national central banks and for the adjustment of the paid-up capital and repealing decision (EU) 2019/45 (ECB/2020/5).

19 The ECB's equity value includes all reserves, revaluation accounts and provisions equivalent to reserves less losses relating to prior years. In the event of a capital key adjustment arising during a reporting period, the capital also includes the net profit (or loss) at that date.

20 Down 0.4% on 1 January 2023, the date on which Croatia became a member of the Eurosystem.

21 Taking into account the changes to the allocation key when Croatia adopted the euro (from 18.7905% to 18.6390%).

22 Interest is credited (or debited) to the Treasury's account on the second business day of the following month.

23 EUR 890.5 million in 2023.

Liability item L8.2, "Other liabilities", includes the euro-denominated current accounts of resident institutional customers (other than the state and government agencies) and the IEDOM's current account.

Euro-denominated liabilities to other euro area residents

Liability item L8

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
L8.1 Liabilities vis-à-vis the state and government agencies	14,944	79,552
L8.2 Other liabilities	10,122	11,752
Accrued interest payable	17	102
TOTAL	25,082	91,407

Note 17: Items in the course of settlement

Balance sheet item L9, "Items in course of settlement", includes balances debited or credited to a customer's account, but not yet credited or debited to a credit institution's account, and vice versa.

Note 18: Banking transactions

This item mainly comprises overnight and fixed-term foreign currency denominated deposits from French or foreign public bodies, or foreign central banks. The management of these foreign currency transactions is entirely separate from the management of foreign exchange reserves. The assets offsetting these liabilities, which may be hedged by cross-currency swaps, are included either in asset item A11 (see Note 9), or in asset items A4 or A6 (see Note 5), depending on whether they are invested in a foreign currency or in euro.

Note that euro-denominated deposits made by institutional customers (other than monetary and financial institutions) are recorded in liability item L8.2.

Banking transactions

Liability item L10

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Customer deposits	1,041	1,531
Other banking transactions o/w fixed-term deposits	85,452	94,449
Accrued interest payable	602	435
TOTAL	87,095	96,415

Note 19: Other items

This item mainly includes:

- the capital of the Banque de France Employee Reserve Fund (see Note 28);
- miscellaneous creditors and the impact of the revaluation of off-balance sheet foreign currency positions in relation to transactions with customers, whose impact on the profit and loss account is neutralised by the revaluation of foreign currency positions in the balance sheet – the overall foreign currency position from these transactions is close to zero (see Note 26).

Other items

Liability item L11

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
CRE capital	9,142	8,631
Accrued expenses	631	324
Other adjustment accounts	0	0
Miscellaneous	1,693	2,648
TOTAL	11,466	11,604

Note 20: Provisions for liabilities and charges

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

- provisions for restructuring allocated as part of the Banque de France's modernisation programmes and plans to adapt its activities, corresponding to the full coverage of additional seniority granted 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 Banque de France's commitment to fund part of retirees' supplementary health insurance contributions;
- provisions for various social liabilities for working employees (death benefits, long-service medals, end-of-career leave, extended sick leave and pensions for industrial injuries);

Provisions for liabilities and charges

Liability item L12

(EUR millions)

	At 31 Dec. 2022	Increase	Decrease	At 31 Dec. 2023
Provisions for restructuring and changing the age pyramid	123	3	6	120
Provisions for retirement benefits	126	2	11	116
Provisions for supplementary health insurance	144	0	9	135
Other miscellaneous provisions – current employees	89	17	23	84
Other miscellaneous provisions – retirees	146	1	6	141
Provision related to monetary policy operations	0	9	0	9
Other	22	71	14	79
TOTAL	650	103	69	684

- provisions to cover various social obligations granted to retired employees (death benefits, etc.);
- other provisions, particularly for major repairs (such as façade repairs, renovations, etc.).

For discounted social security provisions, the parameters used are as follows: a discount rate of 3.25% (3% in 2022) and pension and salary revaluation assumptions based on long-term inflation of 2% (unchanged from 2022).

The decrease in provisions for employee-related liabilities and charges in 2023 was mainly due to an increase in the discount rate.

Following impairment testing carried out on the APP and PEPP programmes in December 2023, and in compliance with the principle of prudence, the ECB Governing Council considered it appropriate to set aside a provision for 2023 of EUR 42.9 million for (counterparty) credit risk related to monetary policy operations. In accordance with Article 32.4 of the Statute of the ESCB, this provision was shared in full across the national central banks of the participating Member States based on their key for subscription of the ECB's capital in 2023. The Banque de France therefore recorded a provision in its financial statements for 2023 of EUR 8.7 million (20.26% of the total provision decided by the ECB Governing Council).

Note 21: Revaluation accounts

Gold and foreign currency assets and liabilities were revalued at the reference prices indicated by the ECB on 29 December 2023.

The revaluation rates used at 29 December 2023 for gold and the main currency holdings were:

- EUR 60,052 per kilogram of fine gold (compared with EUR 54,852 per kilogram at end-2022);
- EUR 1 = USD 1.105 (compared with USD 1.0666 at end-2022);
- EUR 1 = SDR 0.8226 (compared with SDR 0.7989 at end-2022);
- EUR 1 = AUD 1.6263 (compared with AUD 1.5693 at end-2022);
- EUR 1 = CAD 1.4642 (compared with CAD 1.4440 at end-2022);
- EUR 1 = KRW 1,433.66 (compared with KRW 1,344.09 at end-2022).

The increase in the balance of item L13 was primarily due to a significant rise in the price of gold against the euro while the decrease in unrealised foreign currency gains mainly resulted from the sale of US-dollar denominated assets (see Note 30 on "Net income from financial transactions").

Revaluation accounts

Liability item L13

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Revaluation accounts – gold	126,926	114,254
Revaluation accounts – foreign currency	2,926	9,357
Revaluation accounts – securities and financial futures	4,365	2,932
TOTAL	134,216	126,543

Rising equity markets and expectations of declining interest rates across all regions explain the increase in unrealised gains on euro and foreign currency denominated securities portfolios.

Note 22: Fund for general risks

An amount of EUR 12.4 billion was written back from the fund for general risks to cover the loss for the 2023 financial year that primarily resulted from expenses related to the remuneration of excess liquidity within the Eurosystem (see Note 29 on "Net interest income").

Note 23: Revaluation reserve for state gold and foreign exchange reserves

Realised foreign currency gains of EUR 4.6 billion, mainly on the sale of US dollars, were not written to the revaluation reserve for state gold and foreign exchange reserves (RRRODE) in 2023 and were instead recorded in the profit and loss account.

See Note 30 and the comments on the RRRODE in the section on valuation methods.

Note 24: Capital, reserves and retained earnings

Capital, reserves and retained earnings

Liability item L17

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Capital	1,000	1,000
Reserves	7,932	7,932
Statutory reserve (a)	1,614	1,614
Long-term capital gains	100	100
Special pension reserve fund (see Note 28)	2,957	2,957
Other reserves (b)	3,261	3,261
Retained earnings	0	0
TOTAL	8,932	8,932

(a) In accordance with Article R. 144-4 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 *fonds d'assurance contre les sinistres* (FAS – the insurance fund to cover claims against the Banque de France). In accordance with Article R. 144-2 of the French Monetary and Financial Code, the Banque de France must maintain reserves to finance its investments. The Banque de France is also its own insurer with respect to civil liability risks, claims on property it owns and damages to its property by third parties.

Off-balance sheet

Note 25: Interest rate financial futures and securities commitments

Notional amount of financial futures

(EUR millions)

	2023	2022
Outright transactions on organised markets		
Foreign currency denominated interest rate contracts		
Purchases	19,910	1,832
Sales	32,935	17,318
Euro-denominated interest rate contracts		
Purchases	1,805	189
Sales	2,268	2,434
Over-the-counter market operations		
Foreign currency denominated interest rate swaps	0	173
Euro-denominated interest rate swaps	0	0

At the end of 2023, the Banque de France had also committed EUR 164 million to subscriptions for investment fund units in connection with the investment of its equity and Employee Reserve Fund resources.

Note 26: Forward foreign currency transactions

As part of its forward foreign currency transactions with customers, 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, which are recorded in liability item L10.

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 counterparty's area of residence, while foreign currency investments are recorded in item A11). When appropriate, foreign currency 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 exchange reserves. Consequently, they are recorded in dedicated accounts

separate from those used for the management of foreign exchange reserves, and are valued in accordance with the standards issued by the ANC (see “Foreign currency gains and losses other than on gold and foreign exchange reserves” in the valuation methods section above).

Amounts of foreign currency receivables and deliverables in respect of transactions carried out with customers are detailed in the following table.

Foreign currency receivables and deliverables on transactions with customers

(EUR millions)

	At 31 Dec. 2023	At 31 Dec. 2022
Euro to be received against foreign currency to be delivered		
<i>Euro receivable</i>	25,310	16,068
<i>Foreign currency deliverable</i>	25,030	15,774
Foreign currency to be received against euro to be delivered		
<i>Foreign currency receivable</i>	13,534	12,126
<i>Euro deliverable</i>	13,665	12,253
Foreign currency to be received against foreign currency to be delivered	79,203	91,684
Foreign currency to be delivered against foreign currency to be received	78,959	92,639

At 31 December 2023, the Banque de France had no foreign currency receivables or deliverables resulting from foreign exchange reserve management operations.

Note 27: Off-balance sheet commitments given or received in respect of operations with the IMF *Commitments given by the Banque de France*

Based on the Banque de France’s quota in the IMF’s capital (quota), additional drawing rights of SDR 17.9 billion are still available.

The credit line granted to the IMF within the framework of the New Arrangements to Borrow (NAB) amounts to SDR 18.9 billion,²⁴ SDR 19 million of which was drawn down at 31 December 2023.

A bilateral loan agreement between France and the IMF was signed in October 2012 and has since been renewed. Under this agreement, France undertakes to provide further financing of EUR 13.5 billion.²⁵ This credit line has not been used.

The Banque de France grants loans to the Poverty Reduction and Growth Trust (PRGT) under the IMF’s “Poverty Reduction and Growth Facility” and “Exogenous Shocks Facility” (PRGF-ESF). The first loan agreement for SDR 1.3 billion came to an end on 31 December 2018. In February 2018 and then in July 2020, two new loan agreements were put in place for a total of SDR 4 billion. A further loan agreement for SDR 1.0 billion was agreed in December 2022. At the end of December 2023, the additional drawdowns that could be made amounted to SDR 3.4 billion. A new PRGT agreement was signed in 2024 to provide funding of SDR 3.8 billion (a loan of SDR 1.9 billion to the PRGT structure and a financing commitment for SDR 1.9 billion).

The Banque de France grants loans to the Resilience and Sustainability Trust (RST) to strengthen eligible economies faced with longer-term structural challenges. The Banque de France deposited SDR 0.5 billion in the RST, and also pledged SDR 2.5 billion in financing commitments (SDR 191.5 million of which was drawn down in 2023).

Commitments received by the Banque de France

In the 2009, 2018 and 2022 budget acts and the 2020 supplementary budget act, the state extended its guarantee to the loans granted by the Banque de France to the PRGT. In the 2023 budget act, this guarantee was extended to loans granted to the RST.

Note 28: Pension liabilities

Banque de France employees recruited before 1 September 2023 benefit from a pension scheme, governed by Decree 2007-262 of 27 February 2007 (amended), which is aligned with that of the French civil service.

As part of the pension reforms, the regulation annexed to Decree No. 2007-262 of 27 February 2007 on the pension scheme for statutory employees of the Banque de France was amended by Decree No. 2023-693 of 28 July 2023 implementing and transposing the 2023 Social Security Amending Financing Act (No. 2023-270) of 14 April 2023.

²⁴ IMF decision No. 16645.

from EUR 31.4 billion to EUR 13.5 billion on 1 January 2021.

²⁵ As part of the renewal for 2021-23, the amount was revised down

The amendments notably introduced:

- a gradual increase in the statutory retirement age from 62 to 64, starting with persons born in or after 1963;
- a gradual increase in the minimum contributory period required to obtain a full-rate pension to 172 quarters for employees born in or after 1966.

Furthermore, paragraph II of Article 1 of the 2023 Social Security Amending Financing Act puts an end to the Banque de France's special pension scheme for statutory employees recruited on or after 1 September 2023. Those employees will be covered by France's general social security scheme.

The Employee Reserve Fund

The Banque de France pension fund, known as the *Caisse de réserve des employés de la Banque de France* (CRE – the Banque de France Employee Reserve Fund), is designed to service the pensions of its statutory employees recruited before 1 September 2023. The CRE does not have a legal personality distinct from that of the Banque de France. It constitutes, as the French Council of State set out in its decisions of 5 November 1965 and 28 April 1975, "a means for the Banque de France 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".

Consequently, the CRE is subject to separate accounting treatment but its assets, liabilities, income and expenses form an integral part of the Banque de France's financial statements.

The securities posted in assets on the CRE's balance sheet are recorded in asset item A12 of the Banque de France balance sheet and are recognised in accordance with the rules set out in the section on valuation methods used for securities portfolios.

CRE capital is shown in liability item L11, "Other items". Realised gains and losses, unrealised losses and employee contributions paid that are recognised in the profit and loss account require a matching allocation to or reversal

from CRE capital. The same applies to any depreciation recognised by way of provisions for debt securities held to maturity and for non-marketable investment fund units. On the liabilities side, item L13 also includes revaluation differences for CRE securities that have been revalued. The special pension reserve fund (*see below*) is shown under item L17, "Capital, reserves and retained earnings".

Pension expenses not financed by a deduction from the special pension reserve fund or from the CRE's capital (*see below*) are included in profit and loss item 2.2, "Pensions and related expenses". Income from the CRE's securities portfolios is recorded in profit and loss item 1.6, "Other income and expenses, net".

Various sources of pension financing

Pensions paid to retired employees are funded:

- by interest income and dividends from the CRE's securities portfolios;
- by a deduction from the special pension reserve fund established in 2007 by the Banque de France General Council to ensure the progressive financing of the unfunded portion of pension liabilities;²⁶
- by using CRE capital;
- by a balancing subsidy paid by the Banque de France.

The other benefits paid by the CRE²⁷ are covered by a subsidy paid by the Banque de France.

Articles 3 and 4 of General Council Order No. A-2017-10 of 20 December 2017 on the CRE's financial management provide that use of the special pension reserve fund and CRE capital to finance the pensions to be paid during a year shall be decided by the General Council when voting on the Banque de France budget. This decision was taken in view of the level of coverage of pension liabilities by the CRE's securities portfolios.

Furthermore, General Council Order No. 2020-02 of 19 June 2020²⁸ specifies that this authorisation may be given to service the pensions of the following financial

Pension liabilities and funding

(EUR millions)

	Liabilities		Funding	
	At 31 Dec. 2023	At 31 Dec. 2022	At 31 Dec. 2023	At 31 Dec. 2022
Pension liabilities	13,248	13,536	Funding	12,107
			<i>o/w to Employee Reserve Fund</i>	9,150
			<i>o/w to special pension reserve fund</i>	2,957
<i>o/w to current employees</i>	3,419	3,881		
<i>o/w to retirees</i>	9,829	9,655		
Liabilities in respect of the additional seniority granted as part of restructuring plans	120	123	Provision	120
			Revaluation accounts	1,985
Total gross liabilities	13,368	13,659	Total funding	14,212
Insufficient coverage		692	Excess coverage	844

year insofar as, at the time of the General Council vote on the relevant budget, the pension liabilities entered into by the Banque de France are fully covered or are covered taking the future distribution of net profit into due consideration. With regard to the 2023 reporting period, the pensions paid were funded by a balancing subsidy from the Banque de France as pension liabilities were not fully covered for a large part of the year.

It should be noted that pension liabilities were fully covered by CRE's securities portfolios at the end of 2020 and 2021. Consequently, the statutory pensions paid in 2020 and 2021 were financed by deductions from the special pension reserve fund of EUR 471 million and EUR 473 million, respectively.

Furthermore, the General Council decided to repay the amount of CRE assets (at market value) that exceeded total pension liabilities at the end of 2020 and 2021 (EUR 690 million and EUR 1,117.6 million, respectively) to the state in the form of a partial distribution from the special pension reserve fund. The General Council also approved a payment to the state of EUR 844 million in respect of the over-funding of pension liabilities at the end of 2023, bringing total repayments of this nature to EUR 2,651.6 million.

In addition, liabilities in respect of the additional seniority granted as part of restructuring plans (see Note 20) are provisioned in full.

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. Liabilities 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 2023.

Calculations of pension liabilities and the underlying assumptions used are validated and monitored by the Banque de France's actuaries. A discount rate of 3.25% was applied in 2023 compared with 3% in 2022. Pension and salary revaluation assumptions based on long-term inflation remained unchanged against 2022 at 2% (see Note 20).

26 In accordance with Article R. 144-4, paragraph 3, of the French Monetary and Financial Code.

27 Additional seniority, travel allowances and death benefits, in particular.

28 Amending Article 4 of the regulation annexed to Decree 2007-262 of 27 February 2007 on the pension scheme for statutory employees of the Banque de France.

Profit and loss account

Note 29: Net interest income

Net interest expense for 2023 amounted to EUR 16.8 billion, compared with net interest income of EUR 7.5 billion for 2022.

With the exception of monetary policy securities (due to the impact of declining inflation on the remuneration of inflation-indexed securities), higher interest rates in 2023 led to a gradual improvement in returns on bank refinancing operations and asset holdings. Nevertheless, the increased interest income was not enough to offset the very sharp rise in interest paid on deposits at the deposit facility rate, which stood at 3.3% on average in 2023, compared with 0.08% in 2022.

Net interest income

Profit and loss item 1.1

(EUR millions)

	2023	2022
Interest on foreign currency assets	7,600	3,683
Interest on reserve assets (excluding the IMF)	1,129	1,449
Interest on financing provided to the IMF	1,699	539
Other interest	4,771	1,695
Interest on euro-denominated assets	18,409	13,184
Interest on bank refinancing operations	6,550	0
Monetary policy securities	6,023	8,451
Interest levied on financial institutions' accounts	0	2,523
Securities earmarked against reserves	974	663
Interest levied on the Treasury's account	0	426
Interest on claims arising on the transfer of reserve assets to the ECB	270	41
Interest on claims on the ECB with regard to banknotes	3,435	583
Other interest	1,157	497
Total interest and related income (A)	26,009	16,867
Interest on foreign currency liabilities	-2,271	-666
Interest on foreign currency reserve liabilities	-42	-16
Interest on SDR allocations	-1,387	-456
Other interest	-842	-193
Interest on euro-denominated liabilities	-40,577	-8,745
Interest on bank refinancing operations	0	-2,275
Interest on financial institutions' accounts	-30,895	-3,986
Interest paid on the Treasury's account	-735	-269
Interest on TARGET positions	-3,255	-602
Other interest	-5,691	-1,613
Total interest and related expenses (B)	-42,848	-9,411
Net interest income (A + B)	-16,838	7,458

Note 30: Net income from financial transactions

This profit and loss item includes the net gains and losses resulting from sales of financial instruments held by the Banque de France as well as unrealised losses on gold, foreign currency and financial instrument revaluations. It also includes net foreign currency gains and losses arising on foreign currency denominated transactions.

In 2023, the Banque de France recorded net realised foreign currency gains of EUR 4.64 billion and net realised losses on foreign currency denominated securities of EUR 824 million, mainly following the sale of US-dollar denominated assets, generating a total net gain of EUR 3.8 billion.

However, as the Banque de France's net profit for the year was zero, in accordance with Article 7 of the agreement of 20 December 2010 between the state and the Banque de France on the management of and accounting for state foreign exchange reserves, these foreign currency gains were not allocated to the revaluation reserve for state gold and foreign exchange reserves (RRRODE).²⁹

Other income and expenses on financial transactions, net

Extract from profit and loss item 1.2.3

(EUR millions)

	2023	2022
Net gain/loss on foreign currency denominated securities (a) (b) (c)	-824	-376
Net gain/loss on euro-denominated securities recorded in items A7.1 and A7.2 (b) (c) (d)	-21	-74
Net gain/loss on available-for-sale securities recorded in item A11 (b)	0	-14
Net foreign currency gains and losses (excluding foreign exchange reserve management)	18	17
TOTAL	-827	-446

(a) Excluding the impact of foreign exchange fluctuations, recorded 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 financial futures, and profits and losses on synthetic instruments.

(d) This item includes capital losses on disposal of EUR 16 million from sales intended to ensure compliance with holding limits.

Note 31: Income from equity securities and participating interests

In 2022, this item included the balance of the dividend distributed by the ECB from its net profit for 2021. Given the ECB's results for 2022, the Governing Council

decided not to distribute the income from banknotes in circulation or from monetary policy securities held by the ECB under the SMP, APP and PEPP programmes (see paragraph on the dividend paid by the ECB in the section on accounting principles and valuation methods).

Income from equity securities and participating interests

Profit and loss item 1.4

(EUR millions)

	2023	2022
ECB dividend (final for the previous financial year and interim dividend for the current financial year)	0	9
Dividends from other participating interests	33	40
Other dividends	17	7
TOTAL	50	56

Note 32: Net result of pooling of monetary income

This item contains the net result of pooling of monetary income, recorded in profit and loss item 1.5. For 2023, this generated income of EUR 2.2 billion, partially reduced by an allocation to the provision for exceptional losses on monetary policy operations of EUR 8.7 million and adjustments to monetary income with regard to the 2021 and 2022 financial periods.

Pooling of monetary income

Profit and loss item 1.5

(EUR millions)

	2023	2022
Monetary income pooled by the Banque de France	-6,088	-1,559
Monetary income allocated to the Banque de France	8,258	1,457
Net result of pooling of monetary income in 2023	2,170	-102
Other expenses and income arising from the pooling of monetary income	-2	8
Sub-total	2,168	-94
Net provisions/reversals related to monetary policy operations	-9	-
TOTAL	2,159	-94

Note 33: Other income and expenses, net

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 and, to a lesser extent, activities carried out in support of the economy, for which the cost is re-invoiced.

29 Article 7 of the agreement between the state and the Banque de France stipulates that the amount of net foreign currency gains that may

be allocated to the RRRODE is limited to the net profit for the year before transfers to the reserves.

Breakdown of the pooling of monetary income

(EUR millions)

	Monetary income pooled by the Banque de France	Total monetary income (Eurosystème)	Monetary income allocated to the Banque de France	Net result of pooling of monetary income in 2023	Net result of pooling of monetary income in 2022
Bank refinancing	6,560	26,850	5,440	-1,121	113
Monetary policy securities (shared risk)	2,181	8,483	1,719	-462	-263
Monetary policy securities (non-shared risk) (a)	26,962	127,854	25,903	-1,059	-127
Claims arising on the transfer of reserve assets	270	1,335	270	0	0
Receivables/payables recognised as part of the adjustment for banknotes	3,435	-4,817	-976	-4,411	-733
Gap (difference between earmarkable assets and the liability base) (b)	831	-2,730	-553	-1,384	-250
Current accounts held by banks	-30,895	-130,387	-26,416	4,479	130
Net payables/receivables from TARGET transactions	-3,255	14,172	2,871	6,127	1,028
TOTAL	6,088	40,760	8,258	2,170	-102

(a) For the purpose of monetary income calculations, these securities are deemed to generate interest income at the latest available rate used by the Eurosystème in refinancing operations carried out by means of tenders. Therefore, the monetary income pooled differs from the amount shown in interest income (see Note 29).

(b) For presentation purposes, residual income/expenses are included in this line item. In 2023, they related to TARGET incidents for EUR -12 million (Eurosystème total) and to euro liquidity provision to foreign central banks for EUR 4 million (Eurosystème total).

The monetary income pooled by the Eurosystem is allocated between national central banks (NCBs) in proportion to their subscription of the ECB's capital.

The monetary income of each NCB reflects the income derived from the earmarkable assets held against its liability base.

The liability base includes: (i) banknotes in circulation; (ii) euro-denominated liabilities to euro area credit institutions related to monetary policy operations; (iii) net intra Eurosystem liabilities resulting from TARGET transactions; (iv) net intra Eurosystem liabilities arising on the allocation of euro banknotes within the Eurosystem; and (v), when applicable, the euro-denominated deposits of Eurosystem defaulted banking counterparties. Any interest accruing on liabilities included in the liability base is deducted from pooled monetary income.

Earmarkable assets include: (i) euro-denominated lending to euro area credit institutions for monetary policy purposes; (ii) securities held for monetary policy purposes; (iii) claims arising on the transfer of reserve assets to the ECB (excluding the gold component); (iv) net intra-Eurosystem claims resulting from TARGET transactions; (v) net intra-Eurosystem claims arising on the allocation of euro banknotes within the Eurosystem; (vi) claims on central banks that are not members of the Eurosystem relating to euro liquidity provision; (vii) accrued interest on securities held for monetary policy purposes whose risks and income are pooled and which have been written down; and (viii) a limited amount of gold in proportion to each NCB's subscription of the ECB's capital (capital key). When the value of an NCB's earmarkable assets is different from the value of its liability base, the contribution to monetary income of this gap is taken into account by applying the marginal rate of main refinancing operations.

Income includes levies for supervisory expenses 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 January 2010 merging the licensing and supervisory authorities of the banking and insurance sectors. The ACPR is a financially autonomous, independent administrative authority without legal personality, chaired by the Governor of the Banque de France. As such, 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 2023, payments for supervisory expenses generated income of EUR 205 million.

Services provided by the Banque de France to the state – particularly the operation of the departmental commissions for handling cases of household overindebtedness, and the management of the Treasury's account – are remunerated on a full-cost basis.

Note 34: Staff costs and related expenses

Staff costs and related expenses

Profit and loss item 2.1

(EUR millions)

	2023	2022
Salaries and wages	599	584
Taxes on salaries and wages	99	95
Social security contributions	293	294
Profit-sharing and incentive plans	35	35
Total staff costs and related expenses	1,026	1,009

Profit and loss item 2.2

(EUR millions)

	2023	2022
Pensions and related expenses	540	526
Total pensions and related expenses	540	526

Other income and expenses, net

Profit and loss item 1.6

(EUR millions)

	2023	2022
Remuneration for services provided to the state	201	218
Payments for ACPR supervisory expenses	205	205
Miscellaneous income (a)	991	1,040
Total other income (A)	1,397	1,464
Total other expenses (B)	-657	-705
Other income and expenses, net (C = A + B)	740	757

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

The arrangements made to finance pension expenses are presented in Note 28 on “Pension liabilities”.

Remuneration of management bodies

(EUR millions)

	2023	2022
Total remuneration paid to management bodies(a)	3.0	3.2

(a) The Banque de France’s management bodies are made up of members of the General Council and the Executive Committee. Remuneration comprises net remuneration plus any payments in kind. The Banque de France staff representative and the censor are not remunerated for the duties they perform in the General Council.

The total gross remuneration of the Governor of the Banque de France for 2023 was EUR 303,847. The First Deputy Governor received EUR 244,847, while the Second Deputy Governor received EUR 195,807 as she was appointed on 27 February 2023. No employee accommodation is made available to them but they each receive a gross housing allowance of EUR 6,182 per month (subject to tax). These provisions are governed by Article R. 142-19 of the French Monetary and Financial Code.

Neither the Governor nor the Deputy Governors receive additional variable remuneration or the special purchasing power bonus.

Note 35: Corporate income tax

According to Article 8 of Law 2007-212 of 20 February 2007 on various measures concerning the Banque de France, the taxable profit of the Banque de France is calculated using accounting rules defined in accordance with Article L. 144-4 of the French Monetary and Financial Code and the agreement in Article L. 141-2 of the same Code.

No corporate income tax expense was recognised for 2023 given the negative net interest income that primarily resulted from expenses related to the remuneration of excess liquidity within the Eurosystem.

Corporate income tax

Profit and loss item 5

(EUR millions)

	2023	2022
Income tax expense	0	1,067
<i>On profit before exceptional items</i>	<i>0</i>	<i>1,067</i>

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STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2023

Opinion

In compliance with the engagement entrusted to us by your General Council, we have audited the accompanying annual financial statements of the Banque de France for the year ended 31 December 2023.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Banque de France as at 31 December 2023 and of the results of its operations for the year then ended in accordance with the accounting rules and principles set out in Article R. 144-6 of the French Monetary and Financial Code (*Code monétaire et financier*).

Basis of our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are described in the "Statutory Auditors' responsibilities for the audit of the annual financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2023 to the date of our report.

Observations

Without qualifying our opinion, we draw your attention to the following matters:

- The introduction to the Notes to the annual 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 published financial information in accordance with its right provided for in Article R. 144-6 of the French Monetary and Financial Code.

.../...

Justification of assessments

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code relating to the justification of our assessments, we hereby inform you that the most significant assessments we have made, in our professional judgement, relate to the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made, as well as to the overall presentation of the annual financial statements.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the annual financial statements.

Valuation of securities at amortised cost

Your institution holds securities portfolios that are recognised at amortised cost. An impairment loss is recorded in the event of risk of non-recovery, in accordance with the methods described in the section on “Valuation methods – Securities portfolios” in the Notes to the annual financial statements.

Our work consisted in reviewing the impairment tests put in place by the Banque de France to assess the risk of non-recovery, evaluating the assumptions used and examining the management procedures in place to approve these estimates.

Assessment of foreign currency denominated securities and assets and gold reserves

Your institution holds foreign currency denominated securities and assets and gold reserves. Gold and foreign currency positions are valued at year-end on the basis of the prevailing rates and prices on the last business day of the year. The accounting methods applied to foreign currency gains and losses and the effects of revaluations are set out in the note on “Valuation methods – Foreign currency transactions and resulting gains and losses” in the Notes to the annual financial statements.

Our work consisted in checking the rates and prices used to revalue these positions and testing the key controls on allocations and reversals affecting the revaluation reserve for state gold and foreign exchange reserves.

Assessment of social obligations

Your institution calculates its social obligations in accordance with the methods described in Note 28 to the annual financial statements. These obligations were assessed by an actuary.

Our work consisted in examining the data used and the assumptions applied when making these estimates.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with the accounting rules and principles set out in Article R. 144-6 of the French Monetary and Financial Code, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the entity or to cease operations.

The annual financial statements were approved by the General Council.

.../...

Statutory Auditors' responsibilities for the audit of the annual financial statements

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 821-55 of the French Commercial Code, our statutory audit does not include assurance on the viability of the entity or the quality of management of the entity's affairs.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the entity to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the annual financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris La Défense, 15 March 2024

The Statutory Auditors

KPMG S.A.
Marie-Christine Jolys
Partner

Mazars
Franck Boyer
Partner