



Governor's foreword

"Resilience and mobilisation to serve the French economy and society"

François Villeroy de Galhau



ITS MISSIONS



In 2023, the world was hit by a series of shocks.

What major events would you identify for the Banque de France?

Shocks and anxiety have unfortunately taken their toll on our collective morale: wars, including in the Middle East since 7 October, and geopolitical instability. There was also plenty of further evidence of climate change in 2023, with record heatwaves, storms and flooding. But I would also like to mention the progress in artificial intelligence and, closer to home, the hosting of the forthcoming Olympic Games in France. In a highly uncertain world, we need stability and confidence more than ever. The Banque de France is one of these crucial anchors, and it has stayed the course in its main missions to serve the public. For example, we decided to make the biggest investment in our history, in Europe's most modern banknote printing works in Auvergne. And last August we marked the 30th anniversary of our independence, which is a decisive lever for defeating inflation.

So how is the Bank doing in fulfilling its primary mission of price stability?

Inflation remained too high in 2023, and this is rightly the major concern of French citizens and our own. But we have made great strides: after peaking at 7.2% in February 2023, it fell back to 3.1% in February 2024 (provisional figure). It will continue to fall and move closer to the 2% target, which we are committed to achieving by 2025 at the latest, barring any new shocks. The rise in prices of food and services is still too high, but the Eurosystem's monetary policy is effective in reducing inflation and thus preserving purchasing power.

Has the financing of the French economy been properly ensured?

The rise in interest rates led to an increase in lending rates to businesses and individuals, but was essential to curb inflation. After several years of ultra-low rates, we have returned to levels that everyone considered normal in the decades preceding the Great Financial Crisis of 2008. And despite the rise in interest rates, the economy continues to be well financed: outstanding loans continued to grow in 2023, by 1.5% for housing loans and 2.7% for business loans. In early 2024, interest rates stabilised, including on housing loans.

As regards financial stability, in 2023 several banks failed in the United States and Switzerland, but not in France or the euro area. Why?

Following the Great Financial Crisis of 2008, the so-called 'Basel III' financial regulations were adopted at the international level to shore up the financial system, and we have applied them better in the euro area than in the United States. In France, it was also thanks to the professionalism and efficiency of the staff responsible for financial stability at the *Autorité de contrôle prudentiel et de résolution* (ACPR) and the Banque de France.

What services has the Banque de France provided to the economy and society across the nation?

This is one of the unique features in France of which we can be proud: as well as implementing monetary strategy and ensuring financial stability, the Banque de France is present nationwide, with 105 sites, to support businesses and households, particularly the most vulnerable ones. The economic slowdown and inflation have caused difficulties for many French people, but the departmental branches

of the Banque de France have been active in helping overindebted individuals. We provide extensive support through our local business services and our economic and financial education policy, which trains more than 130,000 people in economic, budgetary and financial areas. With our work on the digital euro and the climate indicator for businesses, we are also key innovators in supporting citizens in the ecological and digital transformations.

***An annual report is usually the time to be accountable to our fellow citizens.
Could you tell us about the accounts of the Banque de France?***

Like many other central banks, the Banque de France was affected by the rise in interest rates. Having recorded very substantial monetary income up to 2022, it has now fallen sharply. We have to accept this, because our mandate is to fight inflation, not to maximise our profits. In 2023, like the previous year, the Banque de France's accounts nevertheless remained balanced. Indeed, we have always followed our motto since 1800: "Wisdom fixes fortune" – or rather, today we would say that 'wisdom brings solidity'. We therefore applied sound management practices in profitable years to build up our reserves and provisions. In addition, we have carried out our missions while streamlining our methods, simplifying our processes and decentralising responsibilities. This is the aim of our strategic plan, which we will be extending to 2025 by adding a "Wellbeing at work" component.

How would you sum up 2023 in a word?

If I might use two words, they would be resilience and mobilisation.

Resilience, because at 0.9%, GDP growth held up relatively well in France. After the invasion of Ukraine, remember, there was a fear of both recession and inflation setting in; we are now expected to escape both.

But *mobilisation* too, because now we've emerged from the inflationary crisis, we're back to the enduring challenges facing the French economy: not enough jobs – even though we've made progress – and too much public debt and red tape. This is not a foregone conclusion: reforms are succeeding elsewhere, and we in France have more assets than we think.

To strengthen our economy, the 9,000 women and men of the Banque de France mobilised for our fellow citizens, and they continue to innovate to provide an excellent public service at the best possible cost. This annual report pays tribute to them: our actions are based on the commitment and skills of each and every one of them.



THE BANQUE DE FRANCE IN 2023 ...

105 permanent sites

8,959 full-time equivalent employees

MONETARY STRATEGY

FINANCIAL STABILITY

3 MISSIONS

SERVICES TO THE ECONOMY AND SOCIETY

5

VALUES

INDEPENDANCE

EXPERTISE

SUSTAINABLE PERFORMANCE

OPENNESS

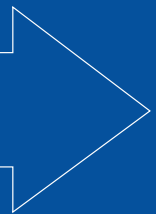
SOLIDARITY

In 2023, inflation weighed heavily on the economy, households and businesses, either directly through the headwinds it created for consumption and production or indirectly through the higher interest rates that were necessary to reduce it.

Inflation is now on a downward trend. It decreased from 7% in January 2023 to 3.4% in January 2024.

Faced with this economic environment, and against a backdrop of ecological and social concerns,

WHAT ACTION DID THE BANQUE DE FRANCE TAKE?



LOWER INFLATION THANKS TO MONETARY POLICY

MEANS OF PAYMENT

➡ Monetary policy and inflation rates

- Six increases in key rates between January and September 2023, totalling 200 basis points, taking the deposit facility rate to 4%
- In France, consumer price inflation almost halved between January/February (7%/7.3%) and December 2023 (4.1%), before falling even further to 3.4% in January 2024
- In the euro area, consumer price inflation decreased by almost two-thirds between January/February (8.5%/8.5%) and December 2023 (2.9%), and stood at 2.8% in January 2024

➡ Resilience of the French economy

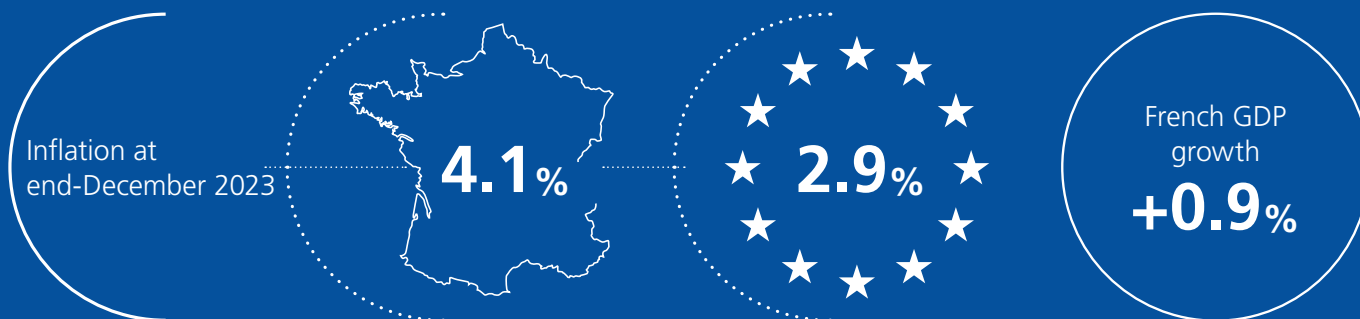
- GDP growth came to 0.9% for the year as a whole
- ➡ **Households and businesses are expecting disinflation:**
 - French household three-year-ahead inflation expectations stood at 2.1% (December 2023)
 - French business leaders' three-to-five-year-ahead inflation expectations stood at 2.5% (fourth quarter of 2023)

➡ Successful financing of the economy

- Annual growth in new housing loans in December 2023: 1.1%
- Average interest rate on new housing loans: 3.6% in December 2023
- Annual growth in new lending to non-financial corporations: 2.0% in December 2023
- Average interest rate on new loans to non-financial corporations: 4.9% in December 2023

➡ A changing landscape

- Creation of the Directorate General Cash and Retail Payments
- Construction started on the new banknote manufacturing site in Vic-le-Comte (November)
- Launch of the digital euro preparation phase, following the Governing Council meeting of 18 October 2023



RESILIENCE OF THE FRENCH FINANCIAL SYSTEM

- ➡ No contagion to Europe from the banking failures in the United States and Switzerland thanks to tighter regulation since 2008 and close supervision
- ➡ Resilience of non-financial agents despite a risky macroeconomic and financial environment
- ➡ Banks
Strong solvency and liquidity ratios
- ➡ Insurers
Solid players needing to adapt to the new interest rate environment
- ➡ Macroprudential measures to maintain a sustainable level of household debt

DIGITALISATION OF FINANCE

- ➡ Preparation for the implementation in 2024 of the European regulation governing crypto-assets (Markets in Crypto-Assets, MiCA).
- ➡ Publication of a report with 12 experiments demonstrating the operational feasibility and interest of a central bank digital currency (CBDC)
- ➡ Launch of the preparation phase for the digital euro

CLIMATE TRANSITION CHALLENGE

- ➡ Participation in several international fora and in the Financial Stability Board (FSB)
- ➡ Assessment of the compliance of less significant banks' activities with climate risk management
- ➡ Supervision of insurers with regard to their inclusion of environmental, social and governance (ESG) criteria
- ➡ Climate stress test exercise devoted exclusively to insurers

OVERSIGHT OF MARKET PRACTICES FOR CUSTOMER PROTECTION

- ➡ Significant inspections in 2023
Life insurance policies, disputed payment orders, management of consumer credit arrears, bank charges for small business customers
- ➡ Other actions
 - Recommendation on product governance and prevention of conflicts of interest in insurance
 - Together with the *Autorité des marchés financiers*, improving the usability of the website "Assurance Banque Épargne Info Service"
 - Blacklisting of unauthorised sites or players

15.9%

Solvency ratio of the six main French banking groups

250%^{a)}

Average solvency capital requirement coverage ratio for supervised insurers

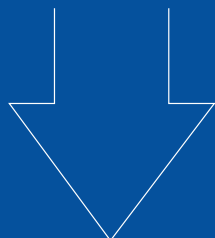
1,262

unauthorised websites or players blacklisted

a) Provisional: final data available end-April 2024.

A NATIONWIDE PUBLIC SERVICE FOR HOUSEHOLDS AND BUSINESSES

SUPPORT FOR BUSINESSES



325,105

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

11,192

entrepreneurs
assisted

Credit mediation

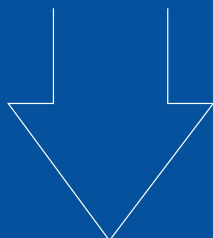
1,400

applications

6,130

jobs saved
in 714 companies

PROTECTION OF FINANCIALLY VULNERABLE PEOPLE



121,617

applications for
debt resolution
submitted

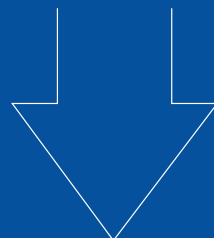
over 800,000

people eligible for special
"vulnerable customer"
solutions

over 6 million

customers eligible for
cap on
incident-related fees

EDUCFI (FINANCIAL EDUCATION)



over 130,000

people offered training
in economic, budgetary
and financial literacy

Plus...

221,800

students obtained the
EDUCFI financial literacy
passport in 2023

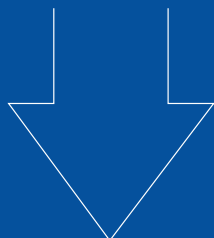
750,000

students now expected
to obtain an EDUCFI
passport each year
thanks its extension to
year 9 students

37,000

young volunteers
from the National Universal
Service programme
participated in budget
workshops in 2023

MORE ACCESSIBLE COMMUNICATION



17



Monetary policy forums
750,000 views on social media
by around 50,000 internet
users, and more than
3,000 face-to-face discussions



17 million

visits to the Bank's websites

550,000

views on social networks
for an educational video
on inflation



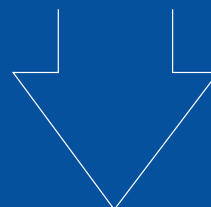
Almost
20,000

visitors to
the European
Heritage Days

over 90,000

visits to the Citéco
museum

TO FIND OUT MORE ABOUT THE BANQUE DE FRANCE'S MISSIONS AND ACTIONS



"On parle cash": podcasts by the Banque de France. The #onparlecash podcasts give you an overview of current economic topics at the central bank, including green finance, debt, security of means of payment, economic growth, the Eurosystem, housing loans, payment scams, savings, exchange rates, public debt, crypto-assets and the ECB



The Banque de France Bulletin

The aim of the Banque de France Bulletin is to provide information to a broad readership on the economic and financial issues monitored, addressed or studied by the central bank, and to offer educational insights so that everyone can form their own judgement

MONETARY STRATEGY

Our missions 16

OUR DETERMINATION TO BRING DOWN INFLATION HAS REAPED ITS REWARDS 17

1 - A proactive monetary policy
has helped reduce inflation 18

2 - Economic growth has held steady,
despite faltering towards
the end of the year 22

3 - Payment methods are adapting
to the digital age 23

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A RESILIENT AND ADAPTING FRENCH FINANCIAL SYSTEM 33

1 - Thanks to stringent regulation
and supervision, the banking and
financial sector of the euro area
has proved resilient 34

2 - The French financial sector
has adapted to the new macroeconomic
and financial environment 34

3 - The Banque de France and the ACPR
support banks and insurance firms
in their digital and climate transitions 38

4 - The ACPR ensures that financial
institutions comply with good business
practices and protect customers 39

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THE BANQUE DE FRANCE SERVES BOTH BUSINESSES AND HOUSEHOLDS 45

1 - The Banque de France is expanding
and enhancing its business services 46

2 - The Banque de France
is continuing its work
to promote financial inclusion 48

3 - The Banque de France,
steering body for the national strategy
for economic, budgetary and
financial literacy (EDUCFI) 49

4 - The Banque de France provides financial
services to the state and to Europe 50

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FINANCIAL MANAGEMENT
AND ACCOUNTS



1 MONETARY STRATEGY



OUR MISSIONS

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OUR DETERMINATION TO BRING DOWN INFLATION HAS REAPED ITS REWARDS

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- 1 - A proactive monetary policy has helped reduce inflation 18
- 2 - Economic growth has held steady, despite faltering towards the end of the year 22
- 3 - Payment methods are adapting to the digital age 23

FOCUS

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MONETARY STRATEGY

OUR MISSIONS

→ MAINTAIN A STABLE CURRENCY, WHICH IS A MAJOR PUBLIC ASSET

- by participating in the formulation of monetary policy decided by the ECB Governing Council
- by implementing monetary policy decisions
- by analysing data, compiling statistics and preparing economic forecasts to enlighten policymakers' decisions

→ ENSURE CONFIDENCE IN THE CURRENCY IN ALL ITS FORMS

- by printing the Europa series of banknotes, which boast innovative security features
- by putting banknotes into circulation and maintaining the quality of banknotes and coins
- by ensuring security and driving innovation for all payment instruments
- by preserving central bank money as an anchor at the heart of the payment system

→ CONSOLIDATE OUR ROLE AS THE CENTRAL BANK FOR MARKETS

- by managing France's foreign exchange reserves
- by contributing to the smooth functioning of the Paris financial centre's capital markets

OUR DETERMINATION TO BRING DOWN INFLATION HAS REAPED ITS REWARDS

In 2023, the Banque de France, in conjunction with the Eurosystem, pursued a determined policy of monetary tightening to combat inflation, which had reached historical highs. Inflation hit a peak of 7.3% at the beginning of the year in France, before gradually falling- back to 4.1% in December. Against the backdrop of a persistently strong labour market, economic activity was buoyant in the first half of the year before stabilising during the second half of 2023.

A proactive monetary policy has helped reduce inflation

Inflation began to fall back after peaking at the beginning of 2023

Headline inflation declined in France in 2023, mainly due to a turnaround in energy prices and a slowdown in food commodity prices. **Inflation in the euro area** had been declining since the October 2022 high of 10.6%, reaching 2.9% in December 2023. In the United States, inflation came down to 3.4% in December 2023. The contraction in the **United States** began in mid-2022 and continued throughout 2023, edging inflation closer to the Fed's declared target.

In the euro area, core inflation (excluding energy and food), which is influenced by monetary policy, remained high in 2023 but began to decline from the summer onwards: services inflation was persistently elevated, driven by rising wages, while the increase in prices of non-energy manufactured goods slowed during the year.

The same trends were at work in France (see chart: *Inflation in France and in the euro area*). Headline inflation slowed sharply during 2023, dropping from 7.3% in February to 4.1% in December, mainly due to lower inflation in food and manufactured goods. Energy prices also rose at a slower rate, although they still experienced volatility related to the increase in regulated electricity prices in August 2023 and geopolitical tensions. Year-on-year services inflation, which had remained stable at around 4.0% since February 2023, appears to have been contracting since November 2023.

In 2024, French headline inflation should fall to an annual average of 2.5%, **with inflation excluding energy and food declining more slowly, to 2.4%**. At the start of the year, forward energy prices continued to show a downward trend. The easing of food price inflation continued throughout 2023, in line with the sharp slowdown in producer prices witnessed in the last few months. Inflation excluding energy and food is expected to be driven mainly by services, reflecting the delayed impact of wage increases.

Monetary tightening has affected both inflation and the expectations of economic agents

Several factors – both domestic and external – contributed to driving down inflation in 2023. While the normalisation of food and energy commodity prices mechanically lowered headline inflation, the tightening of monetary policy helped to contain and then reduce the domestic component of inflation.

The Governing Council of the European Central Bank (ECB) raised key interest rates six times between January and September 2023 by a total of 200 basis points, bringing the deposit facility rate up to 4% in September. At the same time, the Eurosystem pursued the process of normalising its balance sheet (see chart: *Changes to Eurosystem key rates and balance sheet size*). Most of the reduction in the Eurosystem's 2023 balance sheet was due to the repayment by banks of targeted longer-term refinancing operations (TLTROs), while the gradual discontinuation of reinvestments in the asset purchase programme (APP) also contributed but to a lesser extent. Although pandemic emergency purchase programme (PEPP) reinvestments continued in 2023, in December the ECB announced that they would be reduced during the second half of 2024 and discontinued entirely in December 2024.

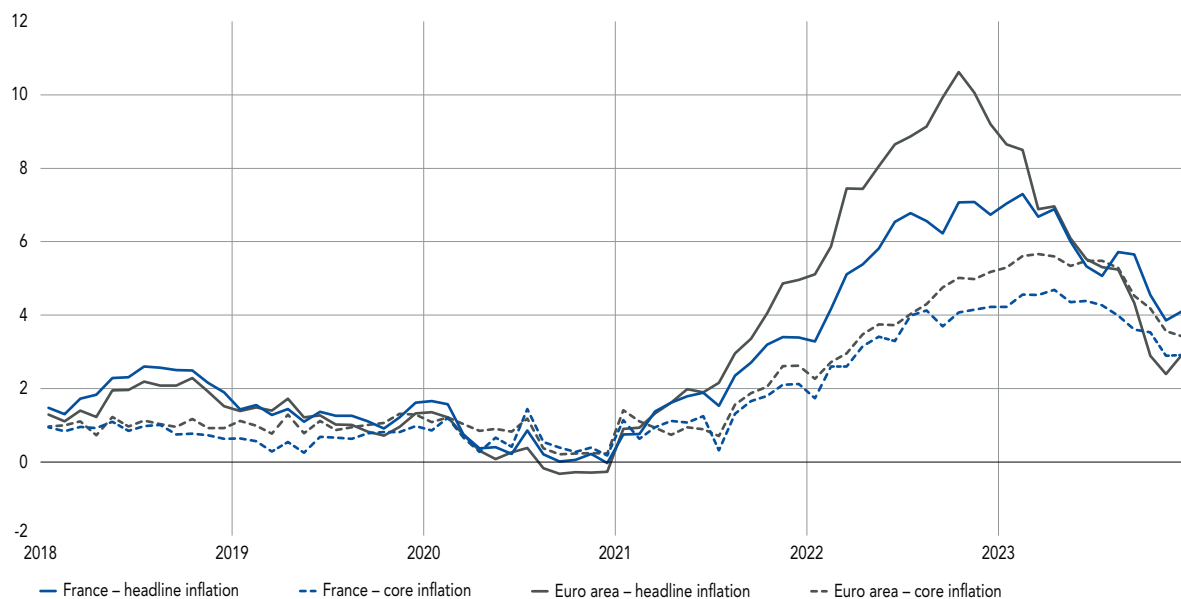
This monetary policy helped to reduce inflation and avoid the risk of a self-sustaining wage-price spiral, while allowing nominal wages to accelerate and thereby support household purchasing power.

The fall in inflation in the euro area demonstrates the effectiveness of monetary policy and justified the ECB Governing Council's decision in autumn 2023 to conclude its hikes in interest rates, as they had become sufficiently restrictive. Interest rates will be maintained at this level for as long as is necessary to bring inflation back down to its 2% target. According to the latest Eurosystem forecasts, this target should be met by 2025.

By adjusting monetary policy, medium-term inflation expectations also remained anchored close to the 2% target.

The medium-term inflation expectations of households and businesses increased sharply with

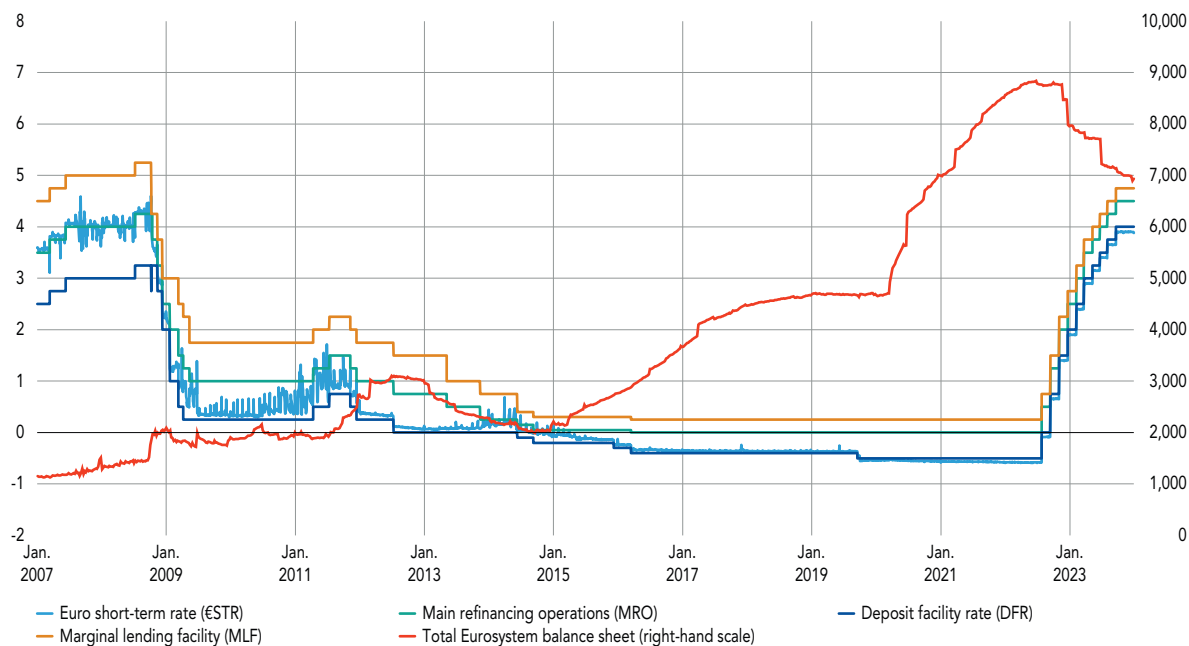
Inflation in France and in the euro area (%)



Source: European Commission, Eurostat database.

Changes in Eurosystem key rates and balance sheet size

(left-hand scale: rates in %; right-hand scale: balance sheet total in EUR billions)



Source: European Central Bank.

the 2021-22 inflationary shock, hitting a peak at the beginning of 2023 before then falling back during the year. The median three-year ahead inflation expectation of French households thus fell to 2.1% in December 2023 from 3.0% at the end of 2022. Equally, business leaders' 3-5 year ahead inflation expectations edged back to 2.5% – the level observed at the beginning of 2022 – in the fourth quarter of 2023. These inflation expectations are important as they influence the decisions of economic agents, and particularly businesses when they modify their selling prices. Thus, businesses increased their prices more often in 2022 (as a result of the inflationary shock and higher inflation expectations), but due to declining inflation expectations, price increases have become less frequent since mid-2023 (see chart: *Frequency of price rises and price cuts in the industrial sector*). In December 2023, the proportion of firms that lowered their selling prices was equal to the proportion of firms that raised them (between 4% and 5%).

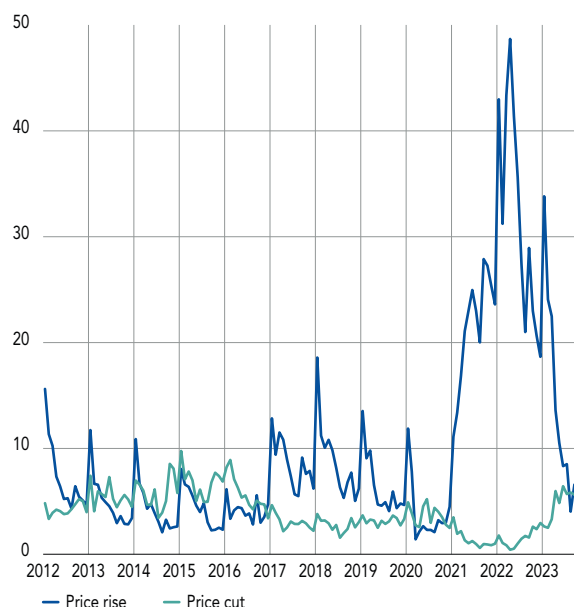
The effects of monetary tightening were quickly passed on to financing conditions

The tightening of our monetary policy was quickly and effectively passed on to the financing conditions of the French economy, bringing business and household demand back into balance with supply and gradually slowing the growth in prices.

Key rates were raised by 450 basis points between June 2022 and December 2023. Over the same period in France, interest rates on new housing loans to households rose by an average of 226 basis points and interest rates on loans to non-financial corporations (NFCs) rose by 325 basis points. Rate increases of this scale had not been seen since 2003 and they pushed the cost of credit to households and NFCs up to levels close to those recorded in 2012 and 2008, respectively. Nevertheless, financing conditions remained more favourable in France than elsewhere in the euro area, with housing loans and loans to NFCs cheaper by 40 and 28 basis points, respectively, than the euro area average in December 2023 (see chart: *Interest rates on new loans*).

The average return on household and NFC deposits has also pursued this upward trend, rising from 0.5% in June 2022 to 1.8% in December 2023. Variations in the rise in interest rates between different savings products

Frequency of price rises and price cuts in the industrial sector (%)



Source: Banque de France, Monthly business survey, 2023.

Notes: Period from January 2012 to December 2023.

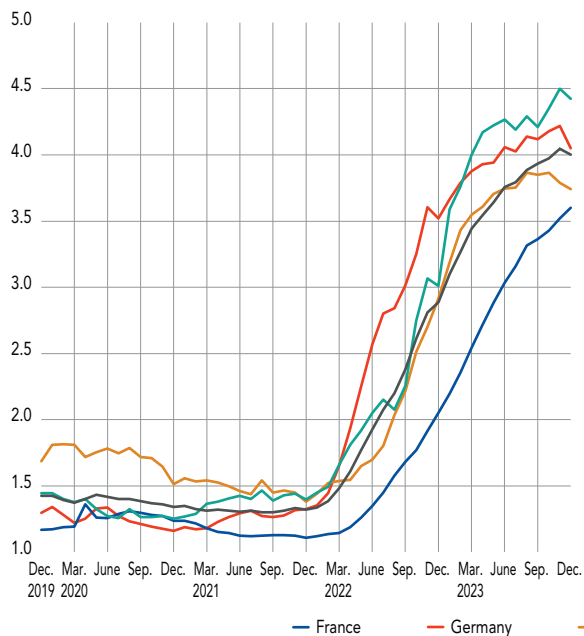
Percentage of industrial sector firms that increased or decreased their selling prices, respectively.

have led to significant reallocations from sight deposits, which offer little or no return, to higher-earning products, including term accounts and regulated savings accounts (Livret A, sustainable development and popular savings passbooks). So far, transfers between products have not triggered a "deposit war" between banks, as the interest rates offered have risen less on average than money market rates (see *Focus below: Monetary tightening has led to a reallocation of deposits*).

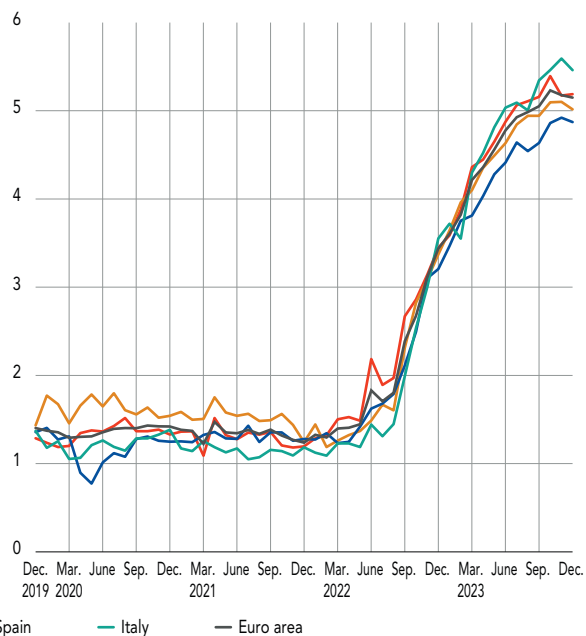
As the cost of loans increased, demand declined and the volume of credit to businesses and households logically contracted in France in 2023. Between December 2022 and December 2023, year-on-year growth in outstanding loans fell from 7.4% to 2.0% for NFCs and from 5.5% to 1.1% for housing loans to households. The slowdown in credit to both businesses and households has been less severe in France than in the other major euro area economies (see chart below: *Annual growth rate of volumes of new lending*), as French banks have continued to lend and to ensure the financing of the economy.

Interest rates on new loans (%)

a) Housing loans to households



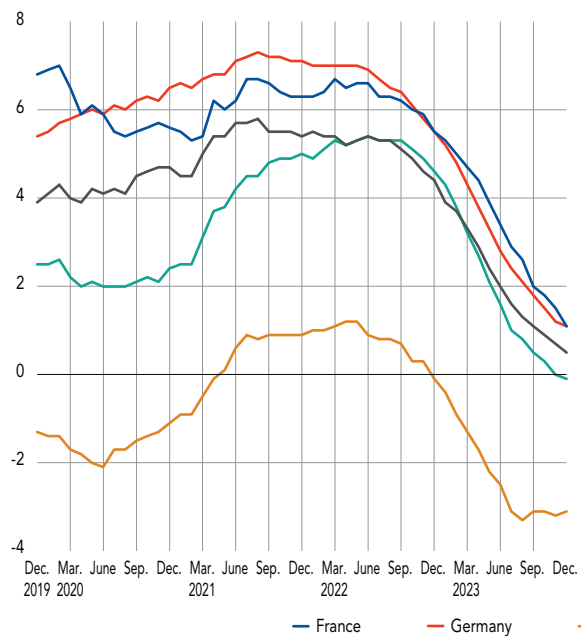
b) Loans to non-financial corporations



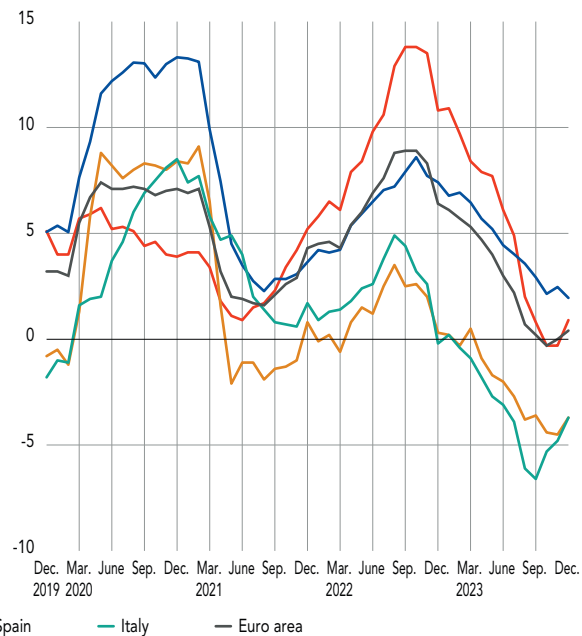
Sources: Banque de France, European Central Bank.

Annual growth rate of volumes of new lending (%)

a) Housing loans to households



b) Loans to non-financial corporations



Sources: Banque de France, European Central Bank.

Economic growth has held steady, despite faltering towards the end of the year

Overall, global activity was robust in 2023

Against a backdrop of heightened uncertainty, persistent – though receding – energy and food price pressures, and monetary tightening to defeat inflation, the global economy in 2023 resisted more strongly than expected, with growth of 3.1%. The brisk recovery in the United States continued (up 2.5%), underpinned by buoyant household consumption and by public and private investment. Growth was also relatively sturdy at 1.9% in Japan, half of which was driven by exports. And the performance of the Asian economies was generally favourable, despite a slowdown in growth in activity in China to 5.2% as a result of its belated exit from the pandemic, a complicated real estate situation, and rebalancing of its growth model.

Activity in the euro area resisted, but with greater difficulty due to deteriorating terms of trade¹ and persistently high prices that weighed on domestic demand at the beginning of the year. Real GDP growth thus declined from 3.4% in 2022 to 0.5% in 2023, falling below its long-term average for 1999 to 2022 of 1.4%. Following a strong post-Covid recovery in 2022, propelled by private consumption, growth has weakened in line with domestic demand. Nonetheless, declining inflation and rising salaries during the year boosted household purchasing power, while employment remained dynamic and capital income picked up. Consumption gradually recovered to bolster activity.

The slowdown in growth in the euro area reflects the contrasting economic performances of its Member States as countries were affected differently by the repercussions of the 2022 energy crisis and tightened monetary policy. While some countries, such as Spain, succeeded in maintaining robust growth, others, such as France and Italy, recorded only moderate growth. Meanwhile, the contraction of activity in Germany significantly dampened growth in the euro area overall.

In France, despite a slowdown in 2023 activity proved resilient, and should remain so in 2024 before picking up

Monetary policy has been an effective remedy against inflation, while at the same time maintaining positive, albeit slower, growth. After a dynamic first half of the year, GDP remained stable during the third and fourth quarters of 2023 with growth at 0.0% and 0.1%, respectively.

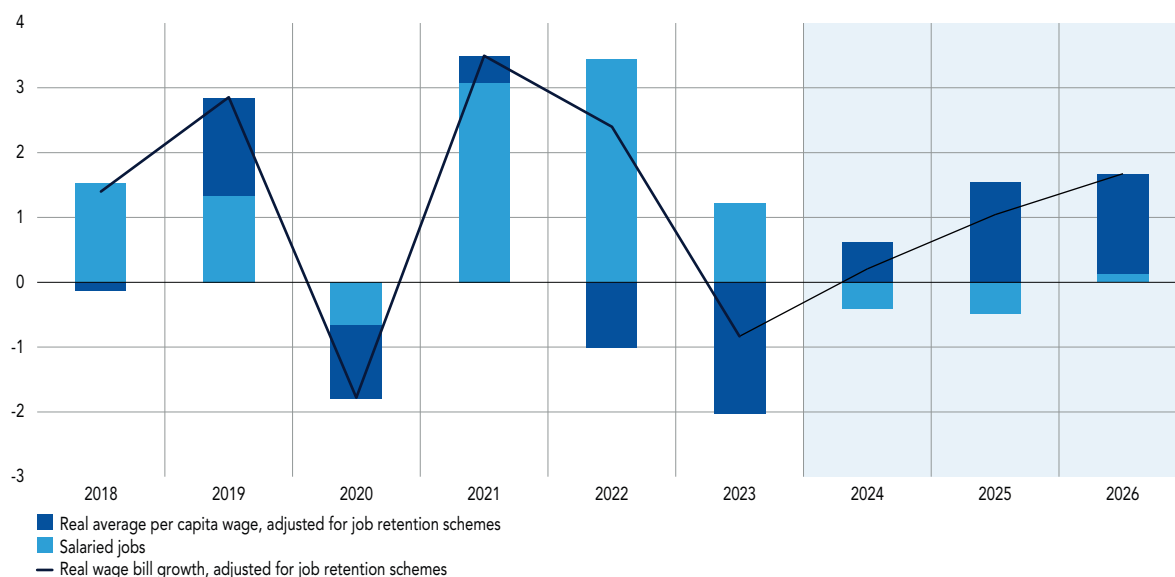
According to our latest projections at March 2024, the French economy should therefore gradually overcome inflation without slipping into recession, with growth of 0.9% in 2023 and forecasted growth of 0.8% and 1.5% in 2024 and 2025, respectively. Activity should then gather pace in 2026, with expected growth of 1.7%.

After a sluggish performance in 2023, household consumption should once again become the main driver of growth from 2024 onwards. Household investment contracted by 5.1% in 2023 as financial conditions tightened. According to our projections, it should see a further contraction in 2024 of 4.3% but is then expected to stabilise during 2025, and bounce back in 2026, as household real estate purchasing power starts to improve. Higher financing costs and stricter credit standards for loans should continue to weigh on business investment, which is seen falling by 0.6% in 2024 before picking up again in 2025-26.

Household consumption should be buoyed from 2024 onwards by gains in real wage income (*see chart: Contributions to the real wage bill growth in the market sector*). These gains are expected to stem primarily from per capita wage growth, which will return to above-inflation levels, picking up where the strong growth in employment seen from 2021 to 2023 left off.

As forecasted in our projections, the sharp rise in the employment rate faltered during 2023. The coming quarters should see a modest downturn in employment as it adjusts to the economic slowdown observed since the end of 2022. As a result, the unemployment rate is set to continue its recent upward trend to 7.8% in 2025, before resuming its downward trajectory on the back of the rebound in growth.

Contributions to the real wage bill growth in the market sector (percentage points)



Sources: Institut national de la statistique et des études économiques (INSEE – the National Institute of Statistics and Economic Studies) up to 2023. Blue-shaded area shows Banque de France projections.

Note: Real average per capita wage is calculated by dividing the total gross wage bill paid by businesses in the market sector by the total number of salaried jobs in the same sector, then adjusted using the household consumption deflator. Real average per capita wage is adjusted for job retention schemes.

3

Payment methods are adapting to the digital age

An evolving landscape of payment means

In March 2023, the Banque de France reorganised its payment means activities under the newly created *Direction générale des moyens de paiement (DGMP – Directorate General Cash and Retail Payments)*. This Directorate groups together the teams responsible for the payment methods used by private individuals and businesses (so-called “retail”) and their activities: printing banknotes, issuing and maintaining euro banknotes and coins in circulation, and researching and monitoring cash and cashless means of payment, as well as preparatory work towards the digital euro. Its mission is to secure freedom of choice of payment means, by ensuring their accessibility, security and modernity; guarantees of confidence in the currency.

The *Comité national des moyens de paiement (CNMP – the National Payments Committee)*² ensures that the French market is properly abreast of developments in payments, usage and regulations. The CNMP is chaired by the Banque de France and brings together government bodies, payment industry professionals and consumer and business representatives. Notably, in 2023, it coordinated the French financial centre’s stance with regards to the digital euro project and the European Commission’s proposed regulatory changes (the third payment services directive, instant credit transfer regulations, etc.), while continuing its communication efforts to encourage instant credit transfer use by professionals.

1 Terms of trade refer to the purchasing power of imported goods and services of a country thanks to its exports. They are calculated by dividing

the unit price of exports by the unit price of imports.

2 See www.comite-paiements.fr

The Banque de France chairs and provides the secretariat for the **Observatoire de la sécurité des moyens de paiement (OSMP – Observatory for the Security of Payment Means)**.³ The OSMP is a French financial centre body that gathers representatives from payment market stakeholders as a whole and which is tasked with compiling fraud statistics, monitoring the security measures in place and, by maintaining a technology watch, proposing ways to tackle threats to the security of payment instruments. As part of its missions, the OSMP fosters dialogue and information exchange (sharing best practices) between all concerned parties in France. For example, in May 2023, the Observatory published recommendations on the reimbursement of fraudulent payment transactions and on the use of devices intended for the general public (mobile phones, tablets, etc.).

The Banque de France is responsible for measuring **cash accessibility** all across France. Upon the publication during summer 2023 of a report on public access to cash at year-end 2022, the OSMP produced a dynamic map enabling the public to locate automated teller machines (ATMs) and private cash dispensers (allowing cash withdrawals at certain retail outlets).

The process of deciding on the **new themes and designs for future euro banknotes** is underway. In November 2023, the ECB Governing Council announced that based on the preferences of euro area citizens, they would be moving ahead with two possible themes: “European culture” and “rivers and birds”. The final choice will be made at the end of 2024.

A new phase in the development of the digital euro

On 18 October 2023, the ECB Governing Council announced that it was moving to the “preparation phase” of the digital euro project. Following the completion of the investigation phase to explore possible design and distribution models for a digital euro, this new phase will focus on finalising the digital euro rulebook and selecting providers to develop the platform and infrastructure. At this stage, the digital euro is envisaged as a digital form of cash that could be used for all digital payments throughout the euro area. It would be widely accessible, free for basic use and available both online

and offline and would offer the highest level of privacy (see infographic: *The development of the digital euro*).

The digital euro will extend individuals’ freedom of choice of means of payment in the digital sphere, without any obligation to use it. This new form of central bank money will complement, but not replace, cash and other means of payment.

The digital euro will support sovereignty, competition and integration in Europe thanks to a distribution based on open and harmonised acceptance standards, facilitating the development of private payment solutions under European governance that can be used anywhere in the euro area.

At this point in time, the final decision to issue a digital euro has not yet been taken. That decision will only be considered by the Eurosystem once the legal framework governing the conditions of use of the digital euro (a draft of which was presented by the European Commission on 28 June 2023) has been finalised and approved. In the event of approval, the digital euro could be phased in gradually from 2027 or 2028 onward.

³ See www.observatoire-paiements.fr

The development of the digital euro



FOCUS

THE NATURE OF INFLATION CHANGED IN 2023

Between the end of 2021 and 2023, the euro area experienced the steepest inflationary surge since its creation. However, its nature gradually changed, from external inflation to domestic inflation.

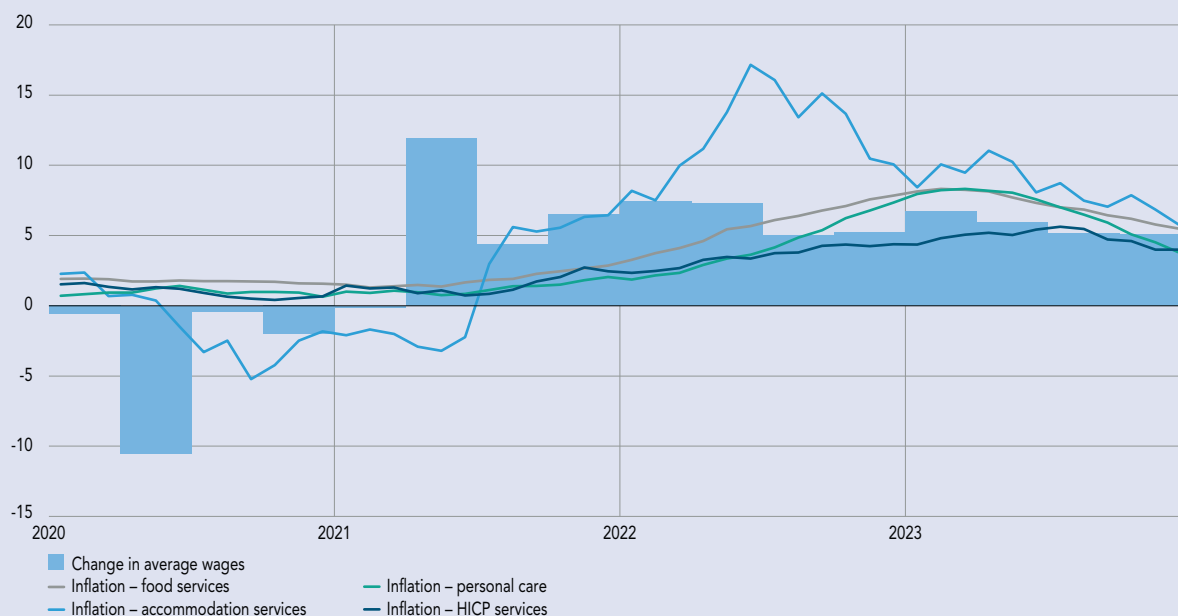
At its outset, the inflationary crisis was caused by a succession of shocks from outside the euro area. At the end of 2021, the rebound in global demand (particularly in the United States) and post-Covid supply constraints disrupted global supply chains and forced up prices. This was followed by a second surge linked to the war in Ukraine and the sharp rise in energy and food prices.

These shocks were gradually felt by all sectors, increasing the production costs of businesses, which reacted by passing them on

in their sales prices. The euro area thus moved from an inflation largely driven by energy and food prices, to a situation in which industrial goods and services accounted for a large proportion of headline inflation. Since peaking at the beginning of 2023, the fall in inflation has been driven by the most volatile goods: gas, electricity and fuel, as well as certain food items. Conversely, the services that sustained inflation throughout 2023 are those items that are traditionally more stable, labour-intensive, and where wage increases therefore account for a large part of the rise in prices: food services, personal care and accommodation services.

However, the change in the nature of inflation has not triggered an uncontrolled wage-price spiral. In fact, as monetary policy was normalised and subsequently tightened, inflation excluding energy and food fell sharply in the second half of 2023. ●

Changes in wages and inflation in the euro area in a sample of labour-intensive service sectors (year-on-year, %)



Source: European Commission, Eurostat database.

Notes: Period from January 2020 to December 2023.

Inflation measured as the year-on-year change in the components of the Harmonised Index of Consumer Prices (HICP); change in wages measured as the year-on-year change in average compensation per employee in the transportation, accommodation and food, and trade sectors.

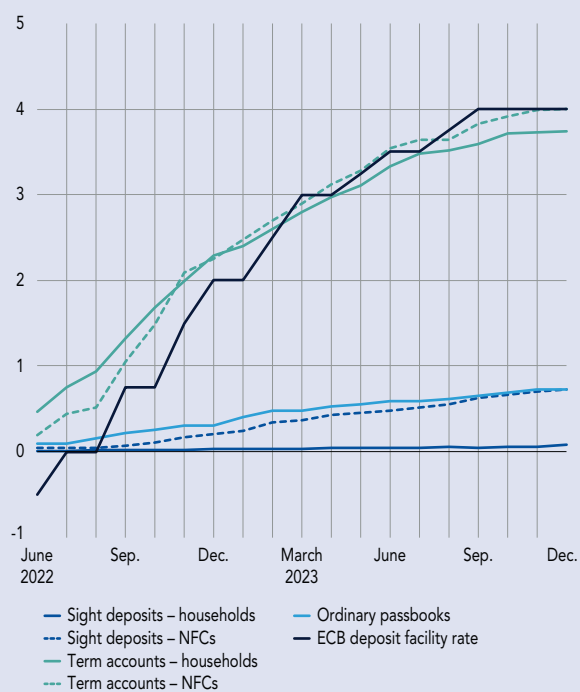
MONETARY TIGHTENING HAS LED TO A REALLOCATION OF DEPOSITS

The increase in key rates decided by the European Central Bank as from July 2022 has influenced the rates of return on household and non-financial corporation (NFC) deposits **differently depending on the product**. The increase in the remuneration of sight deposits was fairly limited, up 7 basis points and 69 basis points in the household and NFC segments, respectively, between July 2022 and December 2023, while the average increase in the remuneration of term accounts was far more significant, rising by 328 basis points for households and 382 basis points for NFCs over the same period. This led to a **migration from sight deposits to term accounts** from mid-2022 onwards, with cumulative sight deposit flows declining and cumulative term account flows increasing. For households, this reallocation effect also boosted regulated savings accounts (Livret A,

sustainable development and popular savings passbooks), with net inflows up by more than EUR 89 billion in 2023.

The behaviour of banks with regard to their interest rates on deposits **has been relatively uniform**, reflecting fairly similar business policies and, at this stage, no “deposit war” (the Banque de France is keeping a close watch for any signs that this may develop). To date, **credit institutions have only slightly lifted interest rates on sight deposits and ordinary passbooks, but have hiked interest rates on term accounts significantly**. However, a few banks stand apart, offering significantly higher interest rates on sight deposits or term accounts than others, as they either specialise in specific customer segments or are less able to raise funds on the markets. ●

Interest rates on new deposits (%)

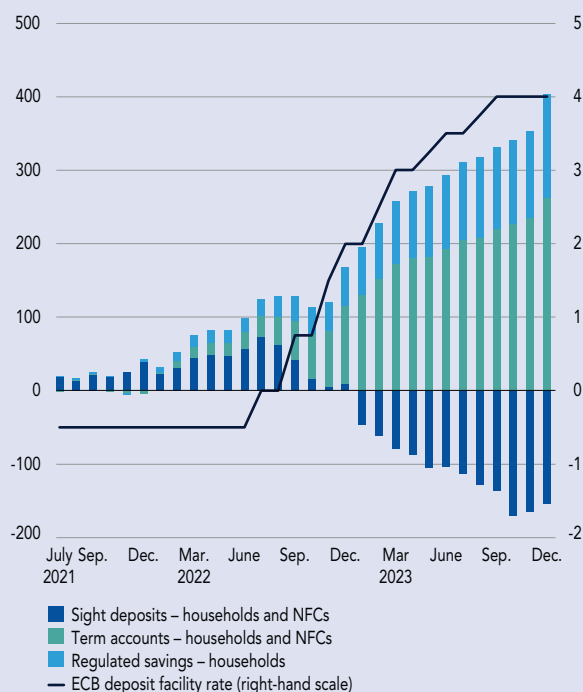


Source: Banque de France.

Note: NFCs, non-financial corporations; ECB, European Central Bank.

Changes in liquidities held by households and NFCs and in the ECB's deposit facility rate since July 2021

(left-hand scale: cumulative flows in EUR billions;
right-hand scale: deposit facility rate in %)



Source: Banque de France.

Note: NFCs, non-financial corporations; ECB, European Central Bank.

A NEW PRINTING PLANT TO MANUFACTURE THE BANKNOTES OF TODAY AND TOMORROW

On 28 September 2023, the Banque de France General Council gave the green light to the construction of a new banknote printing facility at Vic le Comte, in France's Puy de Dôme *département*, next to the paper mill belonging to its subsidiary, Europafi. This industrial investment project costing more than EUR 250 million is designed to meet three challenges:

- ensuring the long-term future of banknote production in France by providing a modern, evolutive building;
- improving working conditions and the competitiveness of our banknote production in a context of increasingly intense public and private competition;
- reducing our environmental footprint by halving greenhouse gas emissions compared with the current facility at Chamalières.

Construction on the 40,000m² site will take place in 2024 and 2025, with the plant becoming gradually operational from 2026 onwards.

Nearly 3 billion banknotes (euro and foreign currencies for export customers) will be manufactured and delivered every year.

Thanks to the Banque de France's investment, France will have the most modern, efficient and environmentally-friendly public banknote production facilities (paper mill and printing plant) in Europe.

This project receives financial support from the French government as part of the France 2030 plan managed by the French Agency for Ecological Transition (ADEME). ●





2 FINANCIAL STABILITY



OUR MISSIONS

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**A RESILIENT AND ADAPTING
FRENCH FINANCIAL SYSTEM**

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- 1 - Thanks to stringent regulation and supervision, the banking and financial sector of the euro area has proved resilient 34
- 2 - The French financial sector has adapted to the new macroeconomic and financial environment 34
- 3 - The Banque de France and the ACPR support banks and insurance firms in their digital and climate transitions 38
- 4 - The ACPR ensures that financial institutions comply with good business practices and protect customers 39

FOCUS

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FINANCIAL STABILITY

OUR MISSIONS

→ ENSURE THE SOUNDNESS OF THE FINANCIAL SECTOR

- prudential supervision of banks and insurance firms
- protection of customer interests

→ ANTICIPATE AND PREVENT RISKS

- assessment of new risks
- prevention of systemic risks
- contribution to regulatory changes

→ ENSURE THE SECURITY OF PAYMENT SYSTEMS

- oversight of payment and market infrastructures

A RESILIENT AND ADAPTING FRENCH FINANCIAL SYSTEM

The Banque de France, together with the *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability), for which it provides the secretariat jointly with the French Treasury, is responsible for ensuring the stability of the financial system. The *Autorité de contrôle prudentiel et de résolution* (ACPR – the Prudential Supervisory and Resolution Authority), an administrative authority attached to the Banque de France, also pursues this objective by supervising banks and insurance firms and protecting their customers. Against a changing and highly uncertain macroeconomic and financial backdrop, the initiatives taken contribute to the resilience of the French financial system and to its adaptation to digital and climate change.

Thanks to stringent regulation and supervision, the banking and financial sector of the euro area has proved resilient

The bank failures that occurred in the United States and Switzerland in early 2023 were due to individual vulnerabilities

The financial system came under severe strain in the first half of 2023, in the wake of the failures of regional banks in the United States and the difficulties of Credit Suisse. These banks were individually exposed to specific weaknesses due to unviable business models and poor risk management. These cases therefore essentially reflected management errors and poorly controlled risk-taking within individual institutions, rather than the weakness of the banking sector as a whole. In addition, an overly light regulatory framework and relatively lax supervision may have contributed to amplify this mismanagement.

Tighter regulation since 2008 and close supervision have prevented contagion in Europe, particularly in France

Thanks to banks' strong fundamentals, together with an enhanced regulatory framework since 2008 and a stricter supervisory model, contagion to the European financial system, in particular France, could be prevented. The prudential reforms adopted at international level (the last part of which, known as the "completion of Basel 3", is about to be incorporated into European legislation) have raised prudential requirements. Furthermore, these rules apply to all banks, irrespective of their size, which is a specific European feature. Since regulation is a necessary but not sufficient condition for guaranteeing the stability of the banking system, it is accompanied in Europe by close, strict and proactive supervision, carried out by the Single Supervisory Mechanism (SSM) and the national supervisory authorities, including the *Autorité de contrôle prudentiel et de supervision* (ACPR) in France. These measures, combined with regular stress tests, effectively prepare European and French banks to face economic and financial shocks, and have helped to

prevent the events that occurred in the United States and Switzerland in spring from spreading to France.

There are nevertheless lessons to be learned

The bank failures in the United States and Switzerland do, however, provide some important lessons for the banking sector as a whole. These are currently being discussed by various international bodies, in which the Banque de France and the ACPR participate. First, they call on banks and supervisors to be more vigilant regarding asset-liability management and liquidity risk, especially in the context of a turnaround in the interest-rate cycle. In addition, the challenges posed by the digitalisation of the economy will have to be taken into greater account, in particular the role played by new technologies and social networks, as shown by the unprecedented scale of the deposit flight observed during the events of spring 2023. There are also lessons to be learned for developing the appropriate crisis management framework in an internationalised environment.

The French financial sector has adapted to the new macroeconomic and financial environment

Non-financial agents showed resilience despite a risk-bearing macroeconomic and financial environment

The transmission of monetary policy to economic players continued in an orderly manner in 2023. New housing loans declined as a result of the rise in interest rates. However, households' fixed-rate debt structure and their historically high savings rate shielded them from the sudden impact of rising interest rates. Household debt as a percentage of gross disposable income has been falling since the fourth quarter of 2022, due to the drop in the flow of new bank loans. All other things being equal, this debt reduction increases households' resilience. As regards businesses, monetary tightening has led to a deterioration in their interest coverage ratio, albeit less marked than in most other European countries, as well as a slower increase in their outstanding loans. Nevertheless, high cash levels and the development of

equity financing are contributing to the resilience of businesses, whose credit risk, despite the rise in defaults, appears to be under control for the time being.

Banks continue to post high CET1 and liquidity ratios

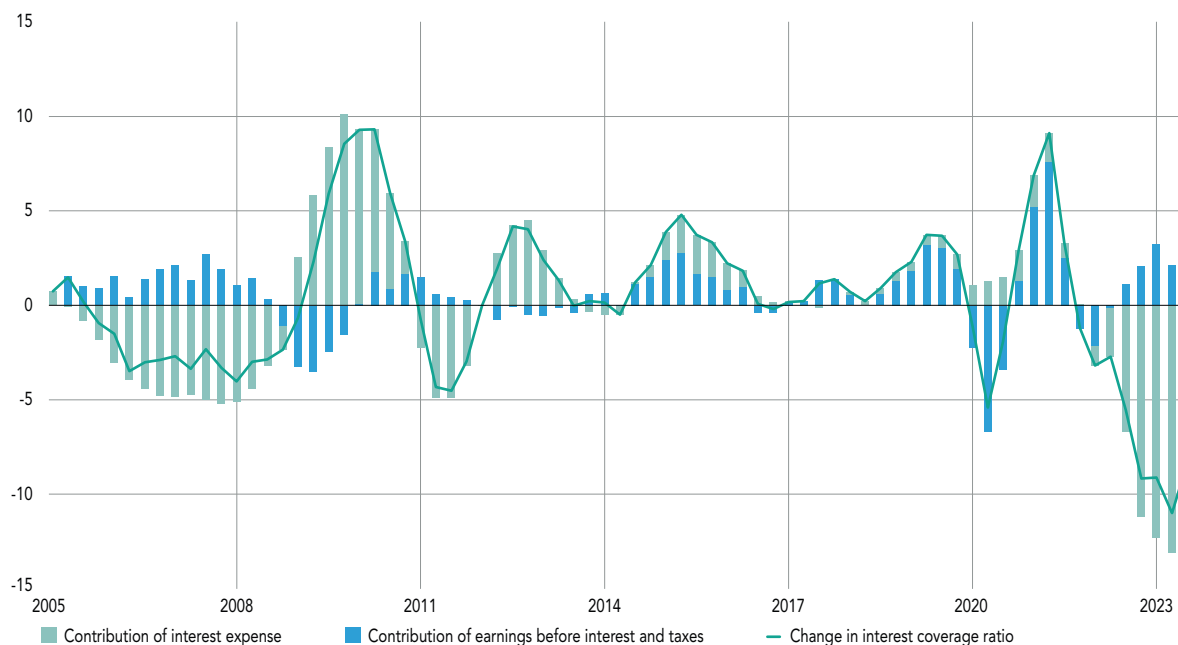
The six main French banking groups posted strong CET1 ratios, which averaged 15.9%. Furthermore, the results of the European stress tests conducted in 2023, based on a very deteriorated macroeconomic scenario, confirm the soundness of French banks. As regards liquidity ratios, they were still well above regulatory requirements despite the fact that the European Central Bank's targeted longer-term refinancing operations

(TLTRO III) have reached maturity.¹ French banks initially had to cope with a rise in their financing costs, due to an increase in the share of interest-bearing deposits in total deposits and the renewal of their market debt at higher rates. However, the rise in interest rates should gradually benefit banks as it is passed on to their balance sheet assets, thereby supporting their net interest margins over time.

¹ For information on targeted longer-term refinancing operations (TLTROs), see the explanatory notes at [What are targeted longer-term](#)

[refinancing operations \(TLTROs\)? \(europa.eu\)](#) and <https://www.banque-france.fr/en/monetary-strategy>

Change in the interest coverage ratio of French companies (%)

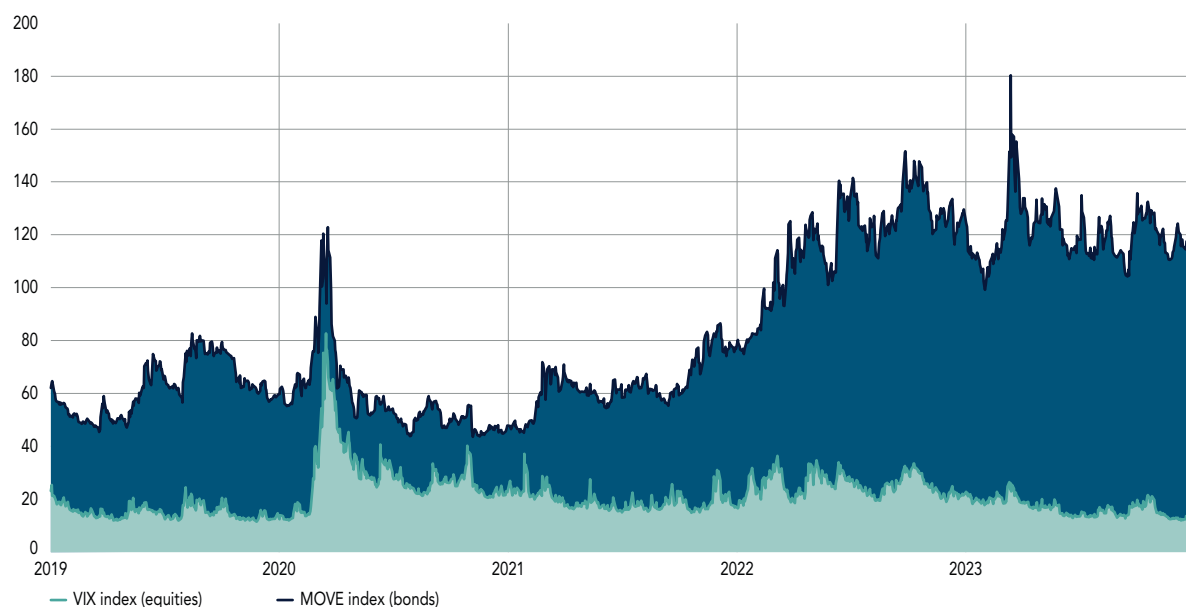


Sources: Eurostat (Quarterly sector accounts) and Banque de France calculations.

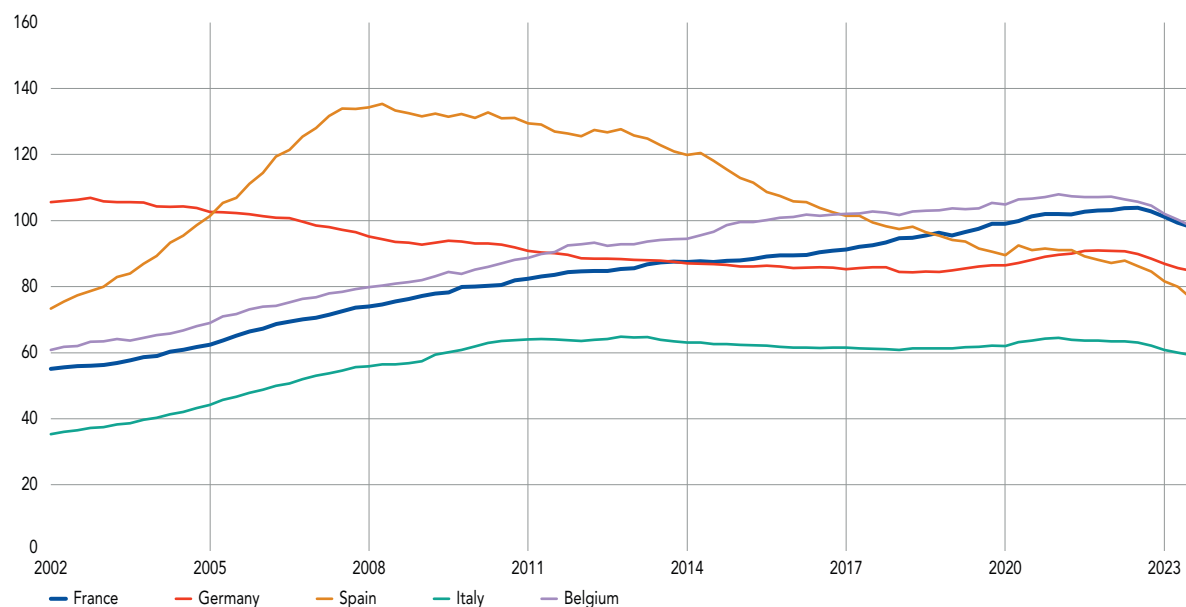
Notes: Last point at Q3 2023.

The interest coverage ratio (ICR) is the ratio of earnings before interest and taxes (EBIT) to interest expense over a sliding year.

Implied volatility of equities and bonds (base 100 = January 2019)



Household debt – European comparison (as a % of gross disposable income)



Insurers are sound, but must adapt to the new interest rate environment

Insurance firms retained a robust balance sheet structure that enabled them to adapt to the new interest rate and inflation environment. They displayed a high level of capital, which covered 250% of their capital requirements² at the end of 2023. At this stage, the inflationary context has had limited effects on their profitability, including for non-life insurers exposed to a rise in the cost of claims and that do not always revise their rates annually. Despite the rise in interest rates and increased competition from other savings products, life insurance inflows held up well, in particular for unit-linked products. Returns on euro funds have been rising since 2022, as higher long-term interest rates enable insurers to reinvest in higher-yielding assets when their investments mature. Furthermore, insurers built up profit-sharing reserves during the period of low interest rates, which they can use to support the reset rates. Redemptions have increased across all products, but remain well below the record levels seen during the 2011 sovereign debt crisis.

Financial market vulnerabilities remain high

While the CAC 40 index hit a record high in December 2023, French equities valuation indicators, such as the price-earning ratio (PER), remained well below the peaks recorded at the end of 2021. Nevertheless, equity values were still high, buoyed by the luxury and technology sectors. In a period of rising market interest rates, the relative yield on French equities compared with bonds reached its lowest level since 2007 in 2023. This relative weakness tends to increase the risk of an equity market correction. As regards bond markets, they remained highly volatile in 2023. Major fluctuations in interest rates tend to worsen bond market liquidity and may ultimately lead market participants to suddenly “unwind” their positions, thereby adversely affecting asset prices and the positions of other market participants (see *Focus below on non-bank financial intermediaries*).

Macroprudential measures have helped maintain a sustainable level of debt

By ensuring that the household repayment burden is not excessive, the HCSF’s measure on lending

standards for housing loans, which came into force in January 2022, has helped to improve the sustainability of household debt without adversely affecting access to credit. Furthermore, in 2023, the HCSF transformed the measure on systemically important banks’ exposure limits to large, highly indebted French companies into a capital buffer for sectoral systemic risk.³ This measure makes it possible to remain vigilant over the structural vulnerability of the French financial system, while adapting the approach to the context of rising interest rates. Given the level of cyclical risks, the HCSF has maintained the credit protection reserve (countercyclical capital buffer) at 1%. This reserve is designed to be mobilised immediately should a cyclical systemic risk materialise, in order to support the supply of bank credit to the real economy.

² Provisional: final data available end-April 2024.

³ The sectoral systemic risk buffer, which is set at 3%, applies to French systemic banks that are highly exposed to highly-leveraged French

non-financial corporations (NFCs). The level of indebtedness is measured on the basis of the ratio of total debt to EBITDA, at the highest consolidation level. EBITDA corresponds to earnings before interest, taxes, depreciation and amortisation.

The Banque de France and the ACPR support banks and insurers in their digital and climate transitions

Supporting the digitalisation of finance and payment instruments

The Banque de France and the ACPR have prepared for the implementation in 2024 of the Markets in Crypto Assets (MiCA) regulation, which the European Union adopted in 2022 to preserve financial stability and protect consumers. At the same time, the Banque de France wishes to support and secure the use of Distributed Ledger Technology (DLT) in financial markets and payments. In July 2023, it published a second report covering twelve experiments conducted since 2020, which demonstrate the operational feasibility and practical advantages of a central bank digital currency for financial institutions (wholesale CBDC).⁴ It is now fully involved in the exploratory work launched by the ECB, which will give rise to new experiments in 2024, including a CBDC solution developed by the Banque de France. On 18 October 2023, the Governing Council of the Eurosystem approved the launch of the preparation phase for the digital euro (*see Chapter on Monetary Strategy, section 3, second heading*). Its characteristics should be comparable to those of a “digital banknote”, i.e. free of charge for individuals, confidential, inclusive and accepted throughout the euro area.

The digitalisation of finance and IT outsourcing tend, however, to heighten cyber threats. The European Digital Operational Resilience Act (DORA), which was adopted in 2022 and will come into force in 2025, will be the main regulatory lever designed to strengthen the financial sector in this area. By creating a European framework for supervising critical IT service providers, DORA will strengthen control over the potential systemic risks that the latter pose to the financial system. In the face of cyber risk, the Banque de France and the ACPR are implementing a framework for advanced intrusion testing (TIBER FR, Threat Intelligence-based Ethical Red-teaming) that enables voluntary financial institutions to test their cyber resilience, as a complement to DORA, which will impose these tests on critical

entities from 2025. The increase in cyber risk has also led the Banque de France to support financial players in strengthening their internal and market resilience frameworks. To this end, the Paris Resilience Group, chaired by the Banque de France, organises annual crisis management exercises.

Contributing to the fight against climate change

The Banque de France and the ACPR are fully involved in international and European efforts to fight climate change. In 2023, several international forums, such as the Financial Stability Board (FSB), set out to clarify the prudential, supervisory and financial stability issues associated with climate transition plans, as well as the ways in which they may be used by supervisory authorities as supervisory tools. In Europe, the ACPR is taking an active part in work to better integrate climate risk into regulations. In 2023, as part of this work, the ACPR conducted a thematic review of less significant banks⁵ to assess their compliance with supervisors’ expectations regarding climate risk management, and supervised insurers’ reports on their inclusion of environmental, social and governance (ESG) criteria. In addition, in 2023 the ACPR launched a new climate stress test aimed exclusively at insurers, to measure the impact of climate change on their business model.

The Banque de France also coordinates international efforts to analyse and assess nature-related financial risks through its role as co-chair of the NGFS⁶ working group on biodiversity loss and nature-related risks⁷ (*see Focus below on nature-related risks*). In September 2023, it published a report on these risks,⁸ which constitutes a practical guide to help central banks and supervisors better assess and act in the face of these risks. The Banque de France thus plays a key role in research on the economic and financial risks associated with climate change and the low-carbon transition. In particular, it contributes to the development of short- and long-term scenarios and models to better analyse these risks.

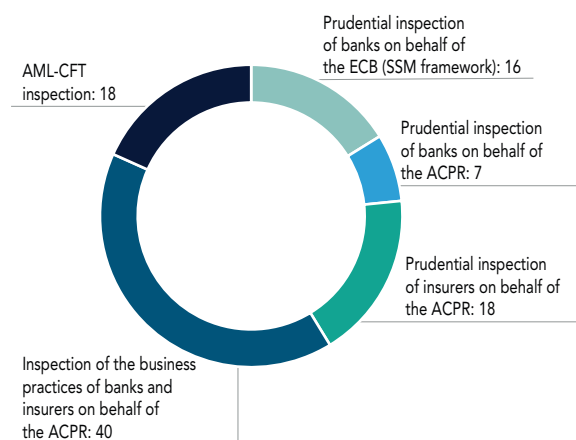
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The ACPR ensures that financial institutions comply with good business practices and protect customers

In 2023, the ACPR's customer protection inspections focused in particular on the procedures used to market insurance contracts (life, borrower, personal accident, funeral, affinity), the escheatment of life insurance benefits, the disputing of payment orders, the management of consumer credit arrears and bank charges for small business customers. In addition, the ACPR published a recommendation on product governance and the prevention of conflicts of interest in insurance, against a backdrop of high expectations from professionals regarding the fee moderation framework developed in collaboration with them.

Within the joint unit with the *Autorité des marchés financiers* (AMF), the ACPR improved the ergonomics of the Assurance Banque Épargne Info Service website (ABEIS, <https://www.abe-infoservice.fr/>) to make it easier to provide information to the general public, and launched new initiatives to prevent scams (in particular a radio campaign that reached 1.4 million people on more than 350 frequencies). In 2023, the authorities blacklisted 1,262 names of unauthorised sites or players and detected close to 750 cases of financial sector professional identity theft. Lastly, the ACPR opened an Instagram account to provide more information on social networks about its missions, including those relating to customer protection.

Breakdown of on-site prudential inspections and of business practices and AML-CFT obligations inspections for the banking and insurance sectors conducted by the ACPR in 2023 (%)



Source: Banque de France – ACPR, *Autorité de contrôle prudentiel et de résolution*.
Note: AML-CFT, anti-money laundering and combating the financing of terrorism.

4 Wholesale central bank digital money (CBDM) is a currency issued by central banks in a digital form. Only central banks, commercial banks or other financial institutions would use it to settle transactions between themselves involving "tokenised" assets (i.e. converted into digital units of value that can be traded on a decentralised computer network or blockchain).

5 Less significant institutions are small and medium-sized banks that are directly supervised by their national competent authority, under the supervision of the ECB.

6 Network of Central Banks and Supervisors for Greening the Financial System.

7 Mandate of the NGFS Task force on Biodiversity Loss and Nature-related Risks.

8 See *Launch of the NGFS Conceptual Framework "to guide action by central banks and supervisors on nature-related risks"* | Banque de France ([banque-france.fr](https://www.banque-france.fr)) (speech) and <https://www.ngfs.net/node/538441> (press release).

FOCUS

NON-BANK FINANCIAL INTERMEDIARIES

The concept of non-bank financial intermediaries (NBFIs) has replaced that of “shadow banking” to refer more broadly to all entities that raise funds and provide financing outside the banking system. These include both traditional players, such as insurers, and investment funds (money market, equity, bond and hedge funds). This sector accounted for 48% of the world’s financial assets in 2022, compared with 42% in 2008, with significant differences across countries. It represented 31% of French financial assets in 2022, compared with 33% in 2008.

The 2007-08 financial crisis and recent episodes, such as the “race for liquidity” observed in the context of the Covid-19 health crisis, have highlighted the vulnerabilities associated with NBFIs and the risk they pose to financial stability. Some funds use high levels of leverage to invest amounts greater than the capital they hold, which is a source

of weakness in the event of a rapid market downturn, and many display a liquidity gap between the assets they hold and the withdrawal options available to their investors. The close links that exist between NBFIs and the rest of the financial system can facilitate the transmission of shocks and amplify them, creating a systemic risk.

The Banque de France is heavily involved in the discussions currently underway to strengthen the resilience of NBFIs. The aim is to provide a better framework governing the practices of NBFIs and to give them and the relevant public authorities the tools they need to prevent and respond to crises. Current regulation focuses mainly on micro-prudential measures and investor protection. To take better account of the systemic risk associated with NBFIs, the Banque de France is in favour of developing a specific macroprudential framework. ●

NATURE-RELATED RISKS

Beyond climate change, central banks and supervisors are increasingly aware that other environmental risks linked to nature loss can threaten the stability of both prices and the financial system.¹ For example, the pressures exerted by man on nature have already begun to affect its ability to provide many so-called ecosystem services, such as water supply and pollination.

As a result, financial institutions are being called upon to analyse more systematically the financial risks associated with nature loss. In France, Article 29 of Act 2019-1147 of 8 November 2019 on energy and climate extended reporting on climate risks and impacts to those related to biodiversity loss. It thus adds to the European Sustainable Finance Disclosure Regulation (SFDR). In addition, the publications required by the Taxonomy Regulation and the Corporate Sustainability

Reporting Directive (CSRD) cover four environmental issues in addition to climate change (pollution, water, biodiversity and ecosystems, circular economy).

The Banque de France is playing a leading role in enhancing our understanding of the economic and financial impacts of nature loss.² Going beyond these “static” analyses, it has been extensively involved, not least through its leading role in the NGFS, in discussions on the development of scenarios for analysing, in a dynamic way, the physical and transition risks that could emerge as a result of nature loss. ●

1 NGFS *Statement on Nature related Financial Risks*, 24 March 2022.

2 Banque de France (2021), « A “Silent Spring” for the Financial System? Exploring Biodiversity-Related Financial Risks in France », *Working Paper*, No. 826, August.



3

SERVICES TO THE ECONOMY AND SOCIETY



OUR MISSIONS
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THE BANQUE DE FRANCE SERVES BOTH BUSINESSES AND HOUSEHOLDS
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- 1 - The Banque de France is expanding and enhancing its business services
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- 2 - The Banque de France is continuing its work to promote financial inclusion
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- 3 - The Banque de France, steering body for the national strategy for economic, budgetary and financial literacy (EDUCFI)
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- 4 - The Banque de France provides financial services to the state and to Europe
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FOCUS
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SERVICES TO THE ECONOMY AND SOCIETY

OUR MISSIONS

→ SUPPORTING AND GUIDING BUSINESSES, ESPECIALLY THE SMALLEST BUSINESSES:

- providing support for VSEs and SMEs
- credit mediation

→ SERVING INDIVIDUALS, ESPECIALLY THE MOST VULNERABLE:

- assistance with overindebtedness, right to a bank account
- database management, control of bank fees

→ PROMOTING AN UNDERSTANDING OF THE ECONOMY AND BETTER MANAGEMENT OF PERSONAL FINANCES:

- implementation of France's national strategy for economic, budgetary and financial literacy, which the Banque de France is responsible for executing
- major initiatives and partnerships, including with the Ministry for National Education and Youth

→ PROVIDING FINANCIAL SERVICES FOR THE STATE:

- holding the French Treasury's bank account
- managing government debt auctions

THE BANQUE DE FRANCE SERVES BOTH BUSINESSES AND HOUSEHOLDS

The Banque de France is using its presence throughout France thanks to its network of 105 permanent sites to expand and enhance its business services. It provides individuals – particularly the most vulnerable – with services tailored to their needs. The Banque de France also provides financial services to the state and to the European Union.

The Banque de France is expanding and enhancing its services to businesses

The Banque de France has adopted an innovative approach to assessing businesses

In early 2022, the Banque de France increased its rating scale¹ to 22 notches (up from the previous 13) to provide a more accurate assessment of a company's financial health. The scale also brings the rating methodology into line with the requirements of the Banque de France's European statutes for external evaluation, especially the objective of more effective assessment of risks and a company's resilience to these risks.

The analysis is based on the same principles as previously, and continues to include the same topics of analysis (solvency, liquidity, earning power, financial autonomy) as well as the qualitative analysis. Certain financial indicators have been modified and updated, however, to reflect more recent sectoral data.

Since 2022, as part of the qualitative approach, company ratings have also factored in payment behaviour by including any unduly long settlement periods attributable to companies in good financial health, which are themselves paid on time.

After a year spent raising awareness of the need to pay invoices on time, the Banque de France identified 5,000 companies with long payment times and decided to downgrade almost a quarter of them.

More support for businesses

A new Manager Portal for business leaders

In 2023, the Banque de France continued its participatory approach involving a panel of business leaders, who were surveyed at various stages of the project, with a view to launching a portal for business leaders in the first half of 2024. These future users helped to assess the usefulness of the proposed features, and to test and improve the user experience and journey. The personal account will provide a single point of access to a range of services tailored specifically to business leaders.

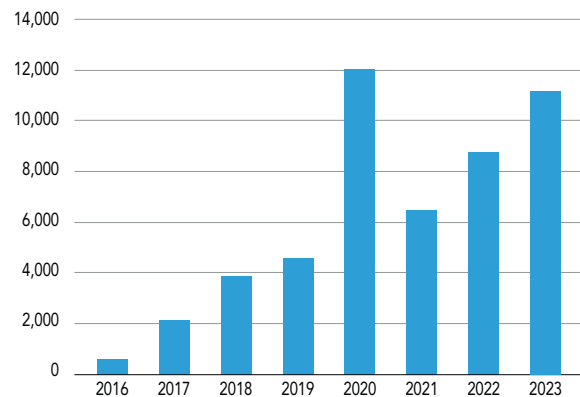
Using a secure connection, any legal representative will be able to access information relating to their company, including its rating and manager indicator,² business-related correspondence and the OPALE financial assessment tool for online positioning and analysis. They will also be able to view and compare key indicators for their company with those of their sector of activity. This tool will provide a new channel for exchanges with the Banque de France, as business leaders will also be able to ask questions in their personal account.

A fully mobilised network of SME correspondents

In 2023, 11,192 project leaders and company managers were provided with confidential assistance, free of charge, from the Banque de France's 102 departmental VSE SME correspondents.

Since 2016, over 49,708 business leaders have received help with deploying their projects, and this figure is constantly increasing (with a record number of referrals in 2020 due to the health crisis). The role of the correspondents is to listen to entrepreneurs, assess their situation and, if necessary, put them in touch with those people best placed to resolve their financing problems.

"VSE-SME correspondents" service:
number of meetings with business leaders
(in units)



Source: Banque de France.

A network of start up correspondents in touch with the French Tech ecosystem in all regions

In 2020, the Banque de France deployed a network of start up correspondents in each region and in each “French Tech Capital” (part of the French start up movement) with the aim of assisting and rating these companies while factoring in the specific features of the start-up growth model. In four years, the number of start ups identified by the Banque de France has increased by a factor of 3.5 (almost 2,200 balance sheets rated in 2023), requiring both the training of specialised analysts and support to ensure more extensive nationwide coverage. More than 1,400 start ups were assisted in their quest for financing solutions. The Bank published a new study of their financial position,³ which confirms the momentum of French Tech despite a slowdown in the amount of funds raised.

Creation of a climate indicator to help with climate risk management

The climate indicator – which will be free for companies – will provide objective and reliable third-party information on progress towards the climate transition, and in particular where companies are in relation to their benchmark target. This information can therefore help companies to enhance their climate transition strategy management. Those that are less committed to these issues will also be able to find out what is expected and what can be achieved in their business sector.

In 2023, the Banque de France continued the test phase it began in 2022 with a group of volunteer companies. Their feedback has been invaluable in finessing the framework for collecting and analysing climate data and factoring in the specific features of each company.

The mandate entrusted to the Banque de France by the *Comité de Financement de la Transition écologique* (The French Ecological Transition Financing Committee)⁴ in July 2023 and the subsequent amendment to the French Monetary and Financial Code are recognition of the work undertaken by the Banque de France and they serve to enhance the legitimacy of this climate indicator.

In 2024, the indicator will be rolled out in a more systematic manner to companies in a number of highly sensitive transition sectors such as power generation and transport.

The Banque de France serves both businesses and local regions

Credit mediation remains vigilant in the face of uncertainty

In 2023, requests for mediation (1,400 eligible requests) returned to pre-pandemic levels in a context in which the financial position of companies appears generally resilient with good access to financing.

This low level of requests concerns both standard mediation and mediation around the restructuring of PGE state-guaranteed loans under the terms of the marketwide agreement of 19 January 2022, extended until 31 December 2026.

The bulk of requests (81.6%) were from very small businesses (VSEs, with fewer than 11 employees), particularly in the services (51%) and retail (23%) sectors.

Thanks to the work of the department-based mediators, 714 businesses have been turned around and 6,130 jobs have been safeguarded throughout France.

Faced with economic uncertainties, the impact of inflation – albeit on the wane in the second half of the year – and the emergence of cash flow pressures, credit mediation remains fully mobilised, in liaison with those involved in detecting and dealing with business difficulties, to support businesses facing financing problems.

1 The rating system applies to businesses with net turnover of at least EUR 750,000. Banque de France – Companies, The activity rating, <https://www.banque-france.fr/en>

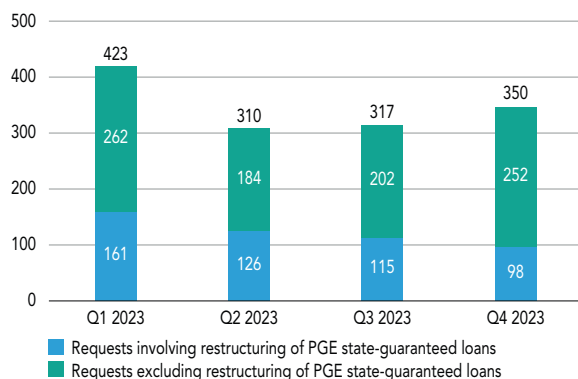
2 The Banque de France “manager” indicator is assigned to natural persons who hold, or have held, a position as head of a company (either as the legal

representative or partner of a legal entity, or as a sole trader).

3 *Financial position of start ups in 2022*, Banque de France, October 2023.

4 Under the aegis of the Minister of the Economy, Finance and Industrial and Digital Sovereignty, the Minister for the Ecological Transition and Regional Cohesion, and the Minister for the Energy Transition.

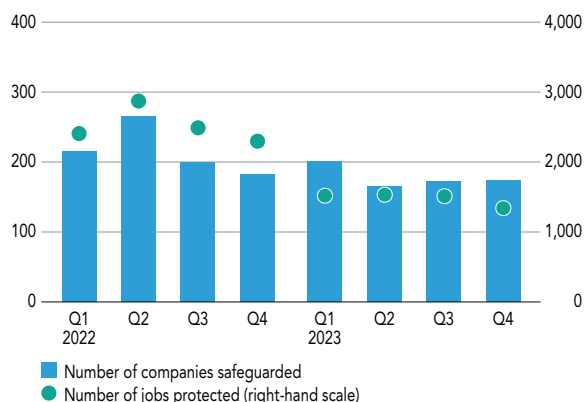
Eligible requests for the Credit Mediation Scheme (in units)



Source: Banque de France.

Notes: PGE: state-guaranteed loans. Eligible requests in mainland France and overseas departments

Businesses and jobs protected thanks to the Credit Mediation Scheme (in units)



Source: Banque de France.

Note: Mainland France and overseas departments

Local knowledge that helps economic decision-makers

The Banque de France provides economic decision-makers, local representatives and heads of professional federations with its expertise in cyclical and structural analysis of the local economy (ACSEL).

This service, which will be enhanced in 2023 with new indicators such as an industry's exposure to globalisation, a region's socio economic profile or the smooth functioning of the local labour market, may be used to analyse the situation and performance of a region or sector.

2

The Banque de France is continuing to spearhead efforts to promote financial inclusion

Public information and support

Accessible to everyone

Since 2016, the Banque de France has gradually upgraded its multi-channel platform, which is now fully accessible via four complementary channels:

- at one of our branches (primarily by appointment made either by telephone or online);
- by submitting an online request;
- by letter to the Banque de France (TSA 50120 – 75035 Paris Cedex 01);
- by telephone, by dialling 3414 on working days from 8 a.m. to 6 p.m. (price of a local call).

Regardless of the channel the user selects, the Banque de France responds quickly to all queries regarding the right to a basic bank account, payment incident registers, overindebtedness or banking and insurance regulations and practices.⁵ The Bank's new website also provides a wealth of information on these subjects.

In 2023, Banque de France websites (institutional website, *ABC de l'économie*, ACPR and several other websites in the Banque de France digital ecosystem) were visited 17 million times. The Bank handled 1.74 million requests from individuals.

Right to a basic bank account

In France, the right to have a deposit account has existed since 1984.⁶ This right helps to integrate all people into economic and social life. These days, having a bank account is essential for getting a job, earning a living or paying for day-to-day expenses.

The Banque de France is accredited to designate a credit institution close to the home of a person who does not have a deposit account and who has been refused an account by another credit institution. The bank account opened with the designated institution must include basic banking services.

In 2023, 31,008 such designations were made as part of the right to a basic bank account.

Microcrédit

“Personal” or “business” microcredit, is a financing solution aimed at people who are excluded from the traditional banking system because of insufficient income or their vulnerable situation. It is designed to help people return to work and encourage them to set up or acquire a business. Beneficiaries, who must have sufficient repayment capacity, are supported by an association throughout their project. The Banque de France, which publishes a directory of microcredit providers on its website,⁷ puts users in touch with the appropriate local support provider and promotes the initiative (see *Focus on regional microcredit meet-ups*) but does not finance it.

Protecting vulnerable consumers

An increase in the number of payment incidents recorded

Household payment incident databases (the *Fichier central des chèques* (FCC – central check register) and the *Fichier national des incidents de remboursement des crédits aux particuliers* (FICP – register of household credit repayment incidents))⁸ help financial sector agents to assess the financial vulnerability of those people listed. These databases also reflect changes in the difficulties encountered by households over time. They are therefore an important part of the prevention of overindebtedness.

In 2023, the number of incidents recorded in the FICP database rose slightly compared with 2019, which was the benchmark year because it preceded the health crisis (i.e. 1,319,585 incidents in 2023, compared with 1,270,923 in 2019), while the volume of incidents declared in the FCC database remained stable compared with 2022 (1,500,049 in 2023, compared with 1,575,036 in 2022).

Dealing with situations of overindebtedness

In accordance with the provisions of Article R. 712-12 of the French Consumer Code, each Household Debt Commission draws up an annual activity report⁹ setting out the number of cases reported and the number processed, the measures taken, the type of debt involved and the difficulties encountered. In 2023, 121,617 cases of overindebtedness¹⁰ were recorded by the Banque

de France, 7.5% more than in 2022. However, this number is 15% lower than in 2019.

The system introduced by the February 2022 law to promote self-employed professional activity (API), which opens up the procedure to sole proprietors experiencing personal financial difficulties, is gradually being rolled out. In 2023, the Banque de France received 238 applications from the courts.

3

The Banque de France, steering body for the national strategy for economic, budgetary and financial literacy (EDUCFI)

The Banque de France is in charge of executing the EDUCFI strategy nationwide, alongside 30 public and non-profit partners and federations. The aim is to enable everyone to make informed financial choices, based on the principles of unbiased information, reliability, easy accessibility and free access to information.

Young people are increasingly aware of the importance of financial education

During the 2023-2024 school year, 100% of year 9 students will obtain the “EDUCFI” financial literacy passport after completing a financial literacy course given by their teachers, using a slide show developed by the Banque de France, the *Institut pour l'éducation financière du public* (IEFP – Institute for the Financial Education of the General Public) and the *Institut national de la consommation* (INC – the French national institute for consumption). In 2023, 221,800 pupils obtained the passport and 750,000 students will be issued with it every year thanks to its extension to fourth-year secondary school students.

5 <https://www.banque-france.fr/fr/a-votre-service/particuliers/connaitre-pratiques-bancaires-assurance>

6 <https://www.banque-france.fr/fr/a-votre-service/particuliers/faire-valoir-droit-au-compte-bancaire>

7 <https://www.banque-france.fr/fr/a-votre-service/particuliers/annuaire-microcredit>

8 <https://www.banque-france.fr/fr/a-votre-service/particuliers/fichiers-incident-bancaire>

The Banque de France also manages the *Fichier national des chèques irréguliers* (FNCI – national register of irregular cheques).

9 These reports are submitted to the Banque de France, which summarises them and makes them available to the public (see <https://www.banque-france.fr/>)

10 <https://www.banque-france.fr/fr/a-votre-service/particuliers/faire-face-difficultes-financieres-ou-dettes>

The Banque de France and its partners organised workshops on budgeting for 37,000 young volunteers from France's National Universal Service programme, involving several hundred employees. The Banque de France co-organises competitions on economic topics for secondary school students, including the Prize for economic excellence in management science and technology (6,000 entries in 2023). The *"ABC de l'économie"* collection now offers more than 100 educational resources, mostly to high school and university students. Lastly, the Banque de France also supports young business project leaders, providing them with specific resources and seeking to encourage female entrepreneurship, in particular through partnerships with organisations and the production of a web series.

Survey on the financial literacy of French people

The Banque de France conducted three surveys¹¹ designed to assess the financial literacy of French people using the methodology of the Organisation for Economic Co-operation and Development (OECD).

Young French people aged 15 to 17 obtained a financial literacy score of 4.3/7 (3.8 in 2020). They are more involved in managing their finances and 75% receive pocket money while 91% have a bank account, including 61% with a bank card. The socio-professional category of parents has a strong influence on results.

The final score for the general public was 12.4/20 in 2023 (12.2/20 in 2021). The overall financial literacy of French people is close to the OECD average, however there is room for improvement, particularly among 18-34 year olds. Moreover, 81% of French people believe that financial literacy should be taught from school on.

The financial literacy score of entrepreneurs is 12.5/17 (up slightly), with wide disparities depending on status or sector of activity.

A wide range of entertaining educational resources

Developing online tools

In addition to the *"ABC de l'économie"*, *"Mes questions d'argent"* and *"Mes questions d'entrepreneur"* information websites, the Banque de France provides podcasts and educational content on the X and Facebook social

networks, as well as videos and web series on the "EDUCFI Banque de France" YouTube channel. These resources are rounded out by a number of digital educational games: *"Scènes d'argent"*, *"#Aventure entrepreneur"* and interactive economics and management quizzes on financial accounts.

A wide range of games and educational resources at the Citéco museum

Citéco's 2023 events programme was built around several major entertaining and immersive exhibitions: *"Energy, so Watt?"*, focusing on the ecological transition, and *"The economy according to Astérix"* on economic concepts viewed through the prism of the cult comic strip. The wide range of guided tours and shows combining art, humour, music and economics makes it easier to learn about economics.

4

The Banque de France provides financial services to the state and to Europe

Management of the Treasury's accounts

At the government's request, the Bank manages the Treasury's accounts and associated payments (see *Focus below on banking services provided to the Treasury*).

Managing European Commission debt auctions

To finance the NextGenerationEU recovery plan adopted on 17 December 2020 (for an amount of EUR 800 billion up to 2026), the European Commission decided to issue securities through an auction system. Following its selection by the Commission in 2021, the Banque de France auctioned Commission securities worth a total of EUR 88.5 billion (in 34 auctions) in 2023. Thanks to its automated auction system, the Banque de France provides the Commission with the technical support and expertise it needs to raise funds rapidly and at low cost. The NextGenerationEU plan has helped to mitigate the impact of the health crisis and build a greener, more digital and more robust European economy.

11 Available at *"Mes questions d'argent"* and *"Mes questions d'entrepreneur"*.

FOCUS

BUSINESS FAILURES: 2023 – CATCHING UP ON THE COVID YEARS

Business failures (receivership or liquidation proceedings) rose considerably in 2023 (up by 36%). However, they had fallen sharply from the beginning of the health crisis, after the temporary change in the dates for identifying and declaring cessation of payments, followed by public cash support measures designed to avoid cessation of payments.

In 2023, 55,996 business failures were recorded, which was below the average level recorded between 2010 and 2019 (59,342 insolvencies). This catch-up concerned all sectors and all sizes of business, with a delayed impact for micro-businesses (i.e. businesses employing fewer than 10 people), which account for around 90% of insolvencies in terms of numbers.

Businesses affected by insolvency all suffered a major shock to their activity and their financial situation deteriorated more sharply in relative terms, with a drop in turnover of around three times greater (based on balance sheet data available at end-2022).

The faster rise in business failures (excluding micro-businesses) has also led to a faster increase in the number of jobs at risk, estimated at 230,000 at the end of 2023 (compared with a historical trend of around 170,000 jobs at risk).

These developments should be seen against a backdrop of growth in the number of businesses:

- in 2023, there were 26 times as many new businesses as there were business failures;
- in the same year, businesses in France created 1 million net new jobs;
- the total number of businesses has risen by around 40% over the last ten years, and now stands at 4.2 million.

The wave of insolvencies therefore appears to have been contained, thanks in particular to the resilience of business activity. Economic growth remains positive, the long-term unemployment rate appears to be falling and inflation is beginning to fall back towards its 2% target. ●

REGIONAL MICROCREDIT MEET-UPS AND THE AWARD FOR MICROCREDIT SUPPORT

In spring 2023, the Banque de France organised a new series of regional microcredit meet-ups, bringing together local players in each of mainland France's thirteen regions. This provided another opportunity for the Bank to communicate and promote the initiative. Regional prizes were awarded at these events for exemplary and innovative initiatives and projects in economic, technological, social, environmental or cultural terms, and recently deployed thanks to the provision of a microcredit loan.

A national prize was also awarded by the Governor to two winners on 26 June 2023 at the Banque de France headquarters:

- The first prize, supported by *Point Passerelle*, an association that acts as a one-stop shop for businesses in the Basque Country, obtained a personal microcredit of EUR 2,300 from Crédit Agricole Pyrénées Gascogne, which was used to finance the purchase of a vehicle needed to get a job with a medical-educational association. The winner is still

working for this association, which helps young people with social and professional integration. Their work focuses more specifically on people with disabilities;

- The second prize, awarded to "*les Compagnons du Compost*", a sole trader limited liability undertaking¹ located in the Aisne department, obtained a professional microcredit of EUR 4,750. Thanks to support from *Association pour le droit à l'initiative économique* (ADIE – Association for the Right to Create Economic Initiatives), this business was able to finance a vehicle needed to launch the activity providing advice on reducing food waste and composting. This innovative entrepreneur advises and helps restaurant owners and local authorities to reduce food waste and compost their bio-waste. ●

1 A French EURL (*Entreprise unipersonnelle à responsabilité limitée*).

EXECUTION OF THE PUBLIC SERVICE CONTRACT IN 2023

The public service contract between the Banque de France and the government sets out execution procedures for the activities carried out by the Banque de France that warrant its permanent presence around the country. The contract was amended in 2022 to update a number of legal and regulatory references, to take account of recent changes at the Bank, and to update the list of activities covered by the contract.

Under the contract, the Banque de France's branch network is responsible for receiving members of the public and providing them with information on issues concerning overindebtedness, payment incident registers,

the right to a bank account, and bank transactions and practices. In 2023, the network responded to 1.74 million requests from individuals, including 322,000 requests received at its branches or reception and information desks. The network also handled one million phone calls and answered 99,000 emails and letters. The Bank is continuing to modernise the way in which it serves the users of its services, and also received 319,000 requests submitted via the personal spaces on the website. Lastly, the network's experts took part in nearly 1,950 meetings of different bodies set up by the government within the framework of its economic activities. ●

BANKING SERVICES PROVIDED TO THE TREASURY

The Banque de France provides the Treasury with an IT system that is regularly updated to reflect its changing needs and those of the financial centre as well as the modernisation of payment instruments. The system allows the Treasury to manage its cash flow and to carry out all of its banking transactions, including assistance payments to the economy, flows of funds to local communities and public institutions, tax-related payments, payroll for government employees and more. The online bank service (BDF Direct), whose roll-out gathered pace in 2023, allows accountants to manage their transactions and accounts in real time.

For the management and settlement of these flows, the Banque de France represents the Government in retail interbank payment systems (STET for France and STEP2 for European cross-border transactions) and high-value payment systems (TARGET2), as a direct participant.

In 2023, the single Treasury account, held at the Bank, handled nearly 524.4 million payment transactions initiated and received by public accountants through 2,496 transaction accounts.

Agence France Trésor (AFT), which manages the government's cash balances, can therefore supervise the government's financial flows on a daily basis and ensure that it always has sufficient resources to meet its financial commitments. Article 123 of the Treaty on the Functioning of the European Union prohibits euro area central banks from granting credit facilities to public bodies. The Treasury's single account at the Banque de France must therefore be in credit at the end of each day.

On behalf of Agence France Trésor (AFT), the Banque de France holds auctions of government securities (BTF bills,¹ OAT,² OATi,³ OATéi⁴ and green OAT bonds⁵). 87 auctions were held in 2023 and they raised a total amount of EUR 639.6 billion. ●

1 *Bons du Trésor à taux fixe et à intérêt précompté* (BTF – fixed rate discount Treasury bills).

2 *Obligation assimilable du Trésor* (OAT – French Treasury bonds).

3 *Obligation assimilable du Trésor indexée sur l'inflation française* (OATi – Treasury bonds linked to French inflation).

4 *Obligation assimilable du Trésor indexée sur l'inflation européenne* (OATéi – Treasury bonds linked to euro area inflation). OATi and OATéi are intended for all categories of investors wishing to protect the purchasing power of their investments, improve their asset-liability or liquidity cushion management, or diversify the composition of their portfolio.

5 Green sovereign bonds issued by France that have a positive impact on the environment.



4 TRANSFORMATION STRATEGY



A STRATEGIC APPROACH TO TRANSFORMATION TO BETTER SERVE OUR FELLOW CITIZENS

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- 1 - Anchor price stability, the climate transition,
financial stability and resilience 58
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A STRATEGIC APPROACH TO TRANSFORMATION TO BETTER SERVE OUR FELLOW CITIZENS

The Banque de France pursued its modernisation efforts in 2023 around the "4 A's": Anchor price stability, the climate transition, financial stability and resilience; Anticipate innovation; Accompany individuals and businesses; Attract and further improve the quality of life at work. In December 2023, it announced that it would extend its strategic plan to the end of 2025.

Notwithstanding the shocks of the pandemic and the Russian invasion of Ukraine, real progress has been made on the **implementation of the Building 2024 Together strategic plan**. In 2023, the Banque de France made substantial headway on a number of major actions organised around its four strategic pillars.

Many of the key actions in the strategic plan will be pursued beyond 2024. These include the *Refondation*¹ project and the climate indicator (see *Chapter on Services to the economy and society*), while new actions resulting from the “wellbeing in the workplace” programme (see *Focus below*) will also be added. The timeframe for the current strategic plan has therefore been extended by one year to the end of 2025. This more agile strategic approach will also enable the Banque de France to take better account of the uncertain environment in which it operates.

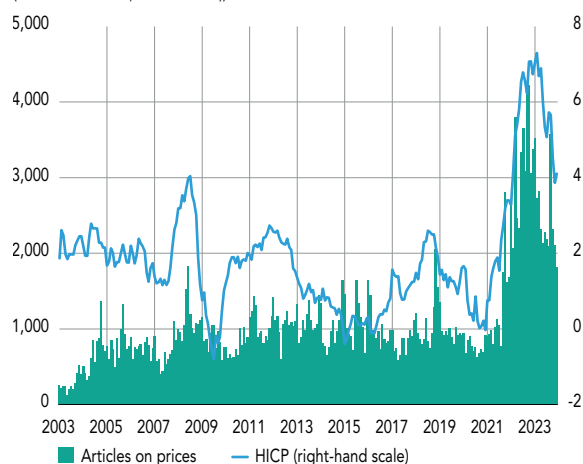
1

Anchor price stability, the climate transition, financial stability and resilience

The Banque de France continued its ongoing initiatives to measure and take account of the inflation expectations of households and businesses, which form an important

Press articles on prices and inflation (HICP) in France

(in units for articles, in % for HICP)



Sources: Dow Jones Factiva (articles) and INSEE (HICP); Banque de France calculations.
Note: HICP, Harmonised Index of Consumer Prices.

pillar of the Building 2024 Together strategic plan (Action 2). A new module of the monthly business survey of firms, which assesses businesses’ inflation and wage expectations, had already been published in 2022, and in 2023 a new source of data was introduced: articles on inflation published in the press. A quantitative analysis of the textual data gauges the significance accorded to inflation and its evolution in the French press, and provides a meaningful indication of household inflation expectations. By using this new data source, we established that inflation only becomes a concern above a certain price rise threshold, i.e. around 2.5%. The information can also be used to study the reaction of households to monetary policy announcements.

The *Rencontres de la politique monétaire* (RPM – Monetary Policy Forum), launched in 2022 to improve our communication with citizens on the mission entrusted to central banks (Action 1b), continued in 2023. Between June and November, the Banque de France organised 17 events across all of France’s regions and overseas territories, giving more than 3,000 people the chance to discuss monetary policy issues with its experts. A special edition from the Banque de France’s headquarters in Paris was also cast on Twitch. It was followed online by 43,000 people, 1,000 of whom contributed live.

To enhance economic research into the impact of climate change on the financial system (Action 11), the Banque de France signed a number of partnership agreements with academic institutions in 2023, with others expected to follow in the coming years. Significant progress was also made in ensuring the financial sector takes better account of climate risks, particularly through stress tests and the publication of ISSB and ESRs standards.²

With regard to financial stability, a macrofinancial crisis management exercise (Action 10) was carried out between the end of December 2022 and the beginning of January 2023 to test the interdependence and degree of complementarity between the various players in the Banque de France’s directorates general. Feedback from this exercise proved to be extremely useful, even more so in retrospect given the international banking turmoil in March 2023.

Given Asia’s growing influence on the economy and financial markets, the Banque de France also sought

to consolidate its presence in the region and improve its knowledge of Asian markets. Consequently, the Banque de France broadened the activities of its trading room in Singapore in 2023 to include foreign exchange reserve management.

2

Anticipate innovation

In 2023, the Banque de France focused on three main technological fields:

- Blockchain and its applications, primarily as a technical basis for experiments on a wholesale central bank digital currency (CBDC) (Action 6);
- Post-quantum cryptography,³ for its contribution to cybersecurity;
- Artificial intelligence (AI), and particularly generative AI. “AI demonstrators” were set up to test the technology’s roll-out possibilities and to inform our thinking and discussions on its business line applications (document mining, external data extraction, code generation assistance, etc.).

The Banque de France’s directorates have organised their innovation efforts around three main themes –security, digitalisation of processes and leveraging of data exploitation (Action 25)– with the latter accounting for almost 75% of the trials carried out in 2023. The central role that data plays in the Banque de France’s work lies behind its development of security initiatives and process digitalisation. AI can also be used to enhance “risk remediation” systems.

Generative AI therefore has the potential to be an important lever in the digital transformation of our activities. The Banque de France has thus started to identify areas of opportunity for AI, in terms of value added, efficiency gains and the anticipation of risks.

In line with the strategic development of our information system (IS), technological advances are also pivotal to the IS urbanisation reviews undertaken by the business lines and IT functions.

For example, the Fintech-Innovation Unit’s SUPTECH strategy is intended to improve the supervisory capabilities of the *Autorité de contrôle prudentiel et de résolution* (ACPR – Prudential Supervisory and Resolution Authority). It supports new data processing and AI technologies, such as automatic analyses of consumer credit advertisements to ensure they comply with customer protection principles (Action 9).

In 2023, over a period of less than six months, the Banque de France carried out more than 80% of its high value-added experiments. The challenge is to ramp up this preparatory phase even further with a view to deploying real-world solutions. The success of any industrialisation of trials depends on being able to anticipate all requirements, and on being genuinely adaptable in terms of involving experts and providing technical environments (Action 24).

3

Accompany individuals and businesses

User satisfaction is one of the ten key focuses of the strategic plan, and the Banque de France has set itself an ambitious target of achieving a satisfaction rate of 90% for its services. To this end, it carried out a total of 12 surveys in 2023, with eight focusing on services to the economy and society, three on statistics and studies, and one on financial stability and operations. More than 11,000 people from different walks of life (individuals, business managers, researchers, etc.) were surveyed and 89% said that they were satisfied with the quality of the Banque de France’s services. Their replies are taken into consideration in the development of our processes and applications.

¹ The *Refondation* project involves the construction of new printing works near the existing paper mill in Vic-le-Comte.

² ISSB: International Sustainability Standards Board; ESRS: European Sustainability Reporting Standards.

³ An encryption method that relies on the computing power of quantum computers to protect information systems from malicious attacks.

As part of its strategy of continuous customer service improvement, in June 2023 the Banque de France implemented a system to guarantee an immediate response (or extremely rapid in more complex cases) to requests for access to national payment incident databases made on its website, *Vos demandes en ligne* (Action 13).

The *Institut d'émission des départements d'outre-mer* (IEDOM – the French overseas departments' note-issuing bank), a Banque de France subsidiary, contributes to the economic development of the overseas territories, particularly through its own business surveys (Action 16). In 2023, the IEDOM and the Banque de France continued to increase their sharing of data and expertise to enhance the modelling of foreign trade in these territories. Using data on the attractiveness of port areas, for example, the IEDOM has been better able to identify the territories' competitive strengths and weaknesses with respect to their region.

In October 2023 the Banque de France launched a new revamped version of its website, with over 400 optimised pages and 2,000 redirected pages, in order to improve public awareness of its missions and services, share its analyses and take part in the wider public debate (Action 15). The new website meets several major challenges: simplifying access to services and messages, offering a unified experience for all, expanding audience reach and retaining users. In 2023, the Bank's websites⁴ attracted 17 million visits.

4

Attract talent and further improve the quality of life at work

The Banque de France has ensured that teleworking is now an integral part of the organisation of its services. More than 80% of staff now work remotely part of the time. This hybrid working set-up (combining working in an office environment and working from home) has been adapted according to the constraints of each business line. It has been embraced by all teams and their managers because it is perceived as a factor in improving quality of life at work and performance. It also encourages a shift from control-based management to trust-based management. To address the risk that group

cohesion may be weakened by teleworking, which was quickly pointed out by the teams, the strategic plan was updated at the end of 2022 to include Action 31 on strengthening teamwork. This led to the introduction of team pacts in 2023 (see *Focus below*).

At the same time, a number of initiatives have been introduced to improve staff recognition and the sense of a job well done. In addition, the Banque de France's directorates organise social gatherings to encourage cooperation between departments and develop social ties at work.

With the transformation in working environments, the Banque de France has stepped up its assistance for managers, with two main objectives: to support them in their role and to enable them to motivate their teams during these changes. For example, around 30 team-building initiatives were launched in 2023.

More generally, quality of life at work is a Banque de France priority, prompting it to launch its "wellbeing in the workplace" programme in October 2023 (see *Focus below*).

The Banque de France is also deeply invested in initiatives to promote diversity and inclusion, such as the French National Week for Quality of Life and Working Conditions, to generally raise awareness and inform employees about the support available internally.

Lastly, the Banque de France is pursuing its programme to modernise the premises of its 105 permanent branch network sites (Action 20). Half of them already benefit from new facilities or renovated premises, adapted both to receiving customers and visitors and to the challenges of hybrid working. Based on the work on two pilot projects in Angers and Lille, which should be completed in 2024 and 2025 respectively, in 2023 the Banque de France was able to prepare upgrades for the other sites.

⁴ Banque de France, ABC de l'économie, and ACPR websites, and several other sites within the Banque de France's digital ecosystem.

FOCUS

THE “WELLBEING IN THE WORKPLACE” PROGRAMME

The “wellbeing in the workplace” programme, launched in October 2023, is built on two pillars:

1 Quality of life at work surveys conducted in every department of the Banque de France. Nearly 400 meetings were held to discuss and analyse the feedback, during which teams explained their needs and worked on concrete proposals for improvement. As a result, four priorities were identified:

- Better management of workload;
- Elimination of irritants and simplification of administrative tasks;
- Better interaction and recognition;
- More freedom and support for managers.

Twelve quick and practical measures spread across these four priorities were adopted (see below).

In addition to these measures, strategic actions are being prepared and coordinated by a “wellbeing in the workplace” group made up of senior managers, local managers and head office and network employees. The group’s conclusions will be discussed with all members of staff, and will then be incorporated into the 2025 strategic plan.

2 An approach targeting employees in vulnerable situations in particular. The Banque de France has commissioned an external consultancy to identify the most appropriate prevention, detection and support initiatives. ●



PRIORITY 1

Better management of workload

- Workforce stabilised at the end of 2025
- Rationalisation of flows (requests and reports) to local branches
- Effective email management

PRIORITY 2

Elimination of irritants and simplification of administrative tasks

- Simplified IT accreditations
- Streamlining of controls and associated reporting
- No new internal reporting without eliminating at least one that already exists
- An “anti-irritant” task force

PRIORITY 3

Better interaction and recognition

- Hospitality budget
- Overall bonus budgets
- Team pacts

PRIORITY 4

More freedom and support for managers

- Manager communities
- Difficult situations

TEAM PACTS

The team pact forms part of Action 31 of the strategic plan: “Strengthen our teamwork in a hybrid environment”. It formalises team members’ commitments to improve how they work together, with the aim of strengthening the working collective and group cohesion.

During the second half of 2023, each of the Banque de France’s teams held discussions on the subject of “living better together”, which in some cases were led by managers from another team. The actions decided collectively during these discussions were then set down in a pact.

The team pact represents a genuine opportunity to:

- share observations on the way the team operates and brainstorm together to identify strengths and areas for improvement in the following three areas:

- the organisation of work within teams and the circulation of information;
- time spent together on-site and other team rituals to ensure it stays bonded and connected;
- the integration of new employees and knowledge sharing.

- co-develop and define tailor-made organisational rules specific to each team in order to maintain a long-term sense of togetherness.

The pact gives employees a better understanding of how team cohesion can boost collective performance, and in turn benefit the individual and increase team efficiency.

The 580 pacts drawn up in 2023 are intended to evolve over time and will be updated in accordance with the procedures defined by each team. They will be presented to all new recruits. ●

THE ECODESIGN APPROACH TO DIGITAL SERVICES

The ecodesign approach to digital services – which is being rolled out by the Directorate General Information System (DGSI) – forms part of the Banque de France’s efforts to develop digital sobriety (Action 23 of the strategic plan). In keeping with the French government’s acceleration strategy for digital responsibility,¹ it seeks to embed sustainable practices into the design, deployment and management of the Banque de France’s digital services. The goal is to limit the information system’s environmental footprint. The approach encompasses needs analysis, design, choices of architecture, development practices, operation and responsible purchasing of IT equipment.

In 2022, the ecodesign approach to digital services was incorporated into the governance of IT projects. Pilot projects were run to put the approach to the test and allow teams to get involved, particularly during the revamp of the Banque de France website.

Since 2023, training and awareness-raising initiatives, such as the Digital Fresk workshops, have contributed to the adoption

of the Banque de France’s ecodesign best practice guidelines. IT projects are also rated to assess their ecodesign maturity. This rating helps to steer projects towards more sustainable solutions: reducing the IT resources used, and optimising network traffic and the use of digital infrastructures.

In addition, thanks to the IT score, an indicator introduced in 2023, it is now possible to assess each IT application’s actual consumption of allocated resources, and thus reduce the energy use of our datacentres. In order to demonstrate to the outside world our commitment to ecodesign, since 2022, the Banque de France has taken part in the ecoCode Challenge,² a collaborative Open Source project aimed at ensuring the implementation of programming best practices. ●

1 <https://www.entreprises.gouv.fr/>

2 <https://challenge.ecocode.io>

THE ACHIEVEMENTS OF LE LAB

Le Lab, the Banque de France's open innovation centre, coordinates our institution's innovation approach and pilots trials as part of an annual roadmap. The various directorates general also take part in this work, and their activities have been transformed or strengthened as a result.

Numerous data-related tests have been carried out, for example on the analysis of financial services advertisements or on support capabilities for macroeconomic studies. Other experiments have exploited the possibilities offered by generative artificial intelligence (AI), such as conversational agents, augmented search engines or a document synthesis model. The Banque de France systematically adopts an ethical and responsible approach for all of its demonstration projects. In 2023, it notably drew up a code of conduct to develop its projects on the basis of trusted AI (i.e. lawful, ethical and robust) and to prepare for the implementation of the European legal framework (the AI Act).

Le Lab ramped up its role in strengthening links with the innovation ecosystem, both at home and abroad, and this dynamism was reflected in closer cooperation with the network of foreign central banks. Key partnerships, notably with the Banca d'Italia's Milano Hub or the establishment, with the Bundesbank, of the Eurosystem Centre that forms part of the Bank for International Settlements' (BIS) Innovation Hub, underline our ongoing commitment.

In addition, Le Lab is helping to consolidate the Banque de France's innovative positioning with its new "Innovates with You" platform,¹ which features news and calls for contributions. It has also stepped up its participation in major innovation events (VivaTech, the Singapore FinTech Festival, etc.) to raise the profile of the Banque de France's actions and promote interaction with the innovation ecosystem. ●

¹ <https://innovation.banque-france.fr/en/>





LA BANQUE DE FRANCE RÉSOLUMENT ENGAGÉE POUR LE CLIMAT

-22,6%
D'ÉMISSIONS DE CO₂
DEPUIS 2019

La Banque de France a réduit de 22,6% ses émissions de CO₂ depuis 2019, à atteindre « zéro émission » d'ici 2050. Son portefeuille d'investissements contribue à limiter le réchauffement à 1,5°C (déjà +1,7°C actuellement).

Une « cotation verte » a été lancée en 2024 pour inciter les entreprises à décarboner leurs activités.



À l'international, le Réseau pour le Climat du système financier a été lancé en 2023. La Banque de France est membre du Réseau pour le Climat des banques centrales et des banques.

LA BANQUE DE FRANCE
RÉSOLUMENT ENGAGÉE
POUR LE CLIMAT

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5 CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



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CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

OUR MISSIONS

→ ACTING TO PRESERVE THE ENVIRONMENT

- implement a carbon neutral strategy
- engage the directorates and staff in reducing our carbon footprint
- use our resources sustainably and help to preserve biodiversity

→ ACTING TO FOSTER HR INCLUSION AND COLLABORATIVE INITIATIVES

- promote diversity in our hiring and guarantee equal treatment for all
- guarantee career-long employability for staff
- co-construct a working environment that fosters well-being and initiative-taking

→ ACTING AS A CORPORATE SPONSOR

- preserve and enhance the Banque de France's historical heritage
- foster economic and social inclusion
- support the ecological transition and biodiversity

→ ACTING FOR A SUSTAINABLE ECONOMY, THROUGH OUR INVESTMENTS AND PROCUREMENT

- strengthen our responsible investment strategy
- incorporate extra-financial criteria into operational investment project engagement and follow-up
- continue and disseminate our responsible procurement approach

**MEETING THE CHALLENGES
OF THE CENTRAL BANK OF TOMORROW,**
with everyone mobilised in support

ACTING

to
**PRESERVE
THE ENVIRONMENT**



to
**FOSTER HR INCLUSION
AND COLLABORATIVE
INITIATIVES**



as a
**CORPORATE
SPONSOR**



through our investments and procurement,
leading by example for a
SUSTAINABLE ECONOMY



AREAS OF ACTION

OBJECTIVES



PRESERVING THE ENVIRONMENT

Pilot and implement a carbon neutral strategy

Engage the directorates and staff in reducing our carbon footprint

Use our resources sustainably and help to preserve biodiversity



FOSTERING HR INCLUSION AND COLLABORATIVE INITIATIVES

Promote diversity in our hiring and guarantee equal treatment for all

Guarantee career-long employability for staff

Co-construct a working environment that fosters well-being and initiative-taking



CORPORATE SPONSORSHIP

Preserve and promote our cultural heritage

Commit to greater economic and social inclusion

Promote the ecological transition



ACTING FOR A SUSTAINABLE ECONOMY THROUGH OUR INVESTMENTS AND PROCUREMENT

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

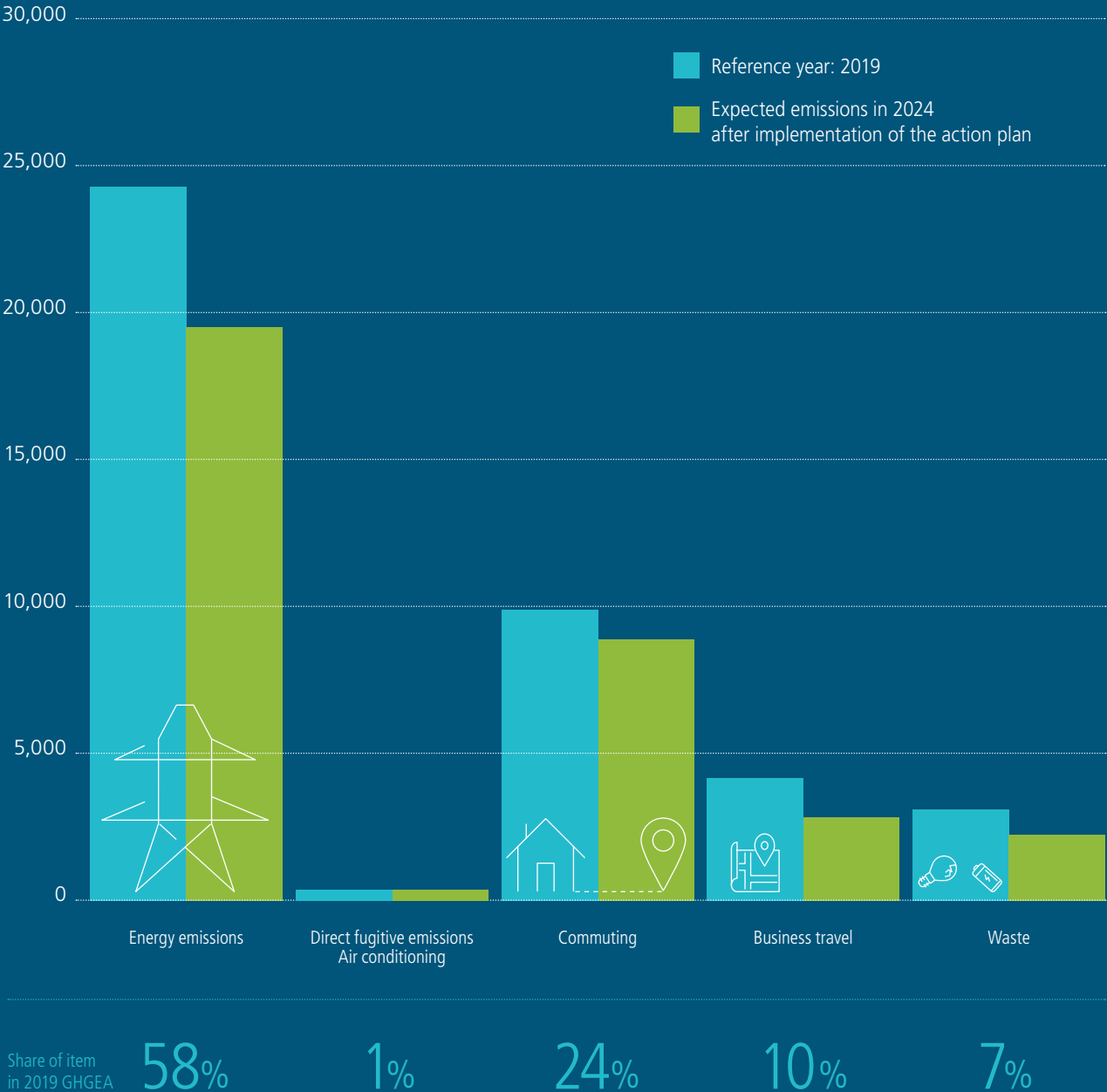
Continue and disseminate our responsible procurement approach

Strengthen our responsible investment strategy

INDICATORS MONITORED	LEVEL OF ACHIEVEMENT 2023 ^{a)}
<p>No. 1 Reduce our greenhouse gas (GHG)^{b)} emissions by at least 15% by 2024 (compared with 2019)</p> <p>No. 2 Provide all employees with a personal digital profile, and enrich and increase its use</p>	<p>No. 1 Reduction in 2022 (compared with 2019): 23.6%^{c)}</p> <p>No. 2 14,340 digital profile users (employees and external service providers) 3 new features: level of use, equipment used with their carbon footprint and eco-actions, summary (key figures, educational materials)</p>
<p>No. 3 Percentage of women in managerial positions: 35% by the end of 2024</p> <p>No. 4 Proportion of staff with disabilities ≥6%</p>	<p>No. 3 Percentage of women in managerial positions: 37.3% at the end of 2023, exceeding the target set for the end of 2024 in the amendment to the company agreement</p> <p>No. 4 Proportion of staff with disabilities in 2023: 6.7%</p>
<p>No. 5 Annual rate of staff participation in solidarity initiatives^{d)} >15%, with a 15% increase between 2020 and 2024</p> <p>No. 6 At least 350 sponsorship initiatives supported over the 2021-24 period</p>	<p>No. 5 Rate of participation in 2023: 15.9% In 2022: 29.7% (15% excluding support for the people of Ukraine) In 2021: 16.9%</p> <p>No. 6 2021-23: 341 initiatives In 2023: 138 initiatives In 2022: 110 initiatives</p>
<p>No. 7 Alignment of portfolios (equity component of the own funds and pension liabilities portfolios)^{e)} with a trajectory of 1.5°C by the end of 2025</p> <p>.....</p> <p>a) Provisional figures for 2023, partly estimated. b) Within the GHGEA reporting scope (greenhouse gas emissions assessment; see infographic below: Banque de France low-carbon trajectory for 2024). c) Figures as at end-2022. d) This rate reflects the number of employees involved in a corporate sponsorship initiative supported by the business as a proportion of total staff. e) The Banque de France's responsible investment strategy focuses on the portfolios for which it has full and complete responsibility. It is pursuing the objectives set out in the Paris Agreement.</p> <p>Banque de France Annual Report 2023</p>	<p>No. 7 Alignment of the entire equity component of the own funds portfolio and the European equity component of the pension liabilities portfolio with a trajectory of 1.5°C by the end of 2023</p> <p>.....</p> <p>69</p>

BANQUE DE FRANCE LOW-CARBON TRAJECTORY FOR 2024

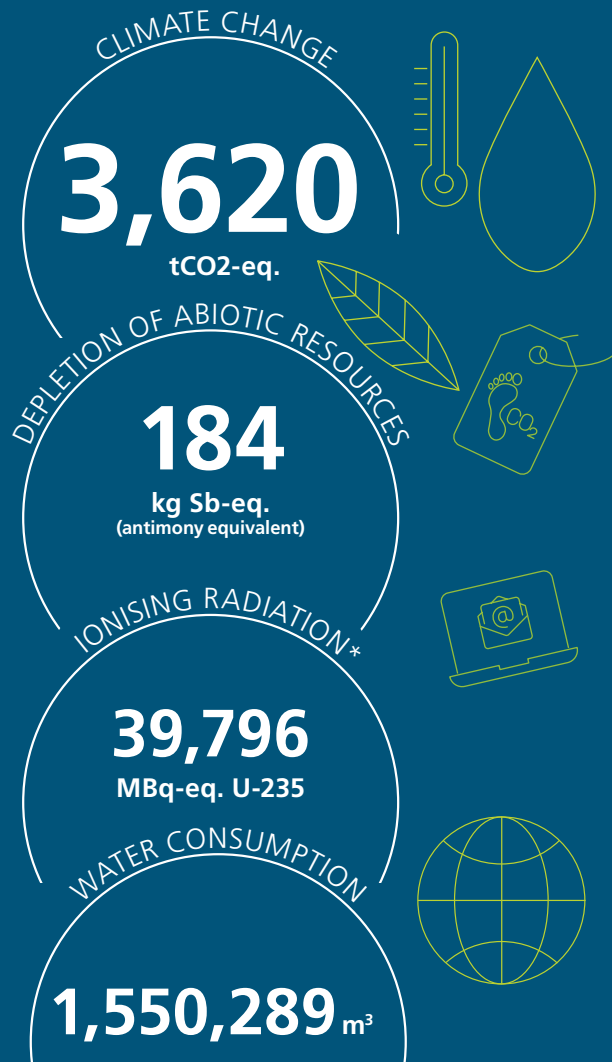
(tCO₂-eq. by emissions item)^{a)}



a) In the GHGEA (greenhouse gas emissions assessment) reporting scope
Source: Banque de France.

THE ENVIRONMENTAL FOOTPRINT OF THE BANQUE DE FRANCE'S INFORMATION SYSTEM

MEASURING ENVIRONMENTAL IMPACTS



Reference year: 2022
Scope of analysis focused on the provision of digital services (user environment, telephony/videoconferencing, printouts, networks, datacentres, infrastructure as a service – IaaS)

* Impact on human health caused by the release of radionuclides (e.g. uranium)

METHODOLOGY

- Compliance with European Commission standards (PEF 3.0)
- Life Cycle Assessment (LCA) method
- Use of the NegaOctet reference database
- Multicriteria analysis to avoid potential impact transfers

- **Set targets and monitor changes over time, in full transparency**
- **Identify sources of impacts and target our reduction measures**
- **Compile forecasts and control the trajectory**

LIMIT THE FOOTPRINT OF OUR INFORMATION SYSTEM (IS) AND AIM FOR DIGITAL SOBRIETY IN ALL OUR PRACTICES

Our commitment

Limit the impact of the increasing proportion of IS use linked to the digitalisation of activities and new technologies, and thus contribute to the Banque de France achieving its 2030 carbon neutrality target

Our actions

- **Raising awareness and changing practices**
- **Optimising our IT equipment**
- **Reducing the footprint of our datacentres: HEQ (high environmental quality) and energy efficiency**
- **Reducing the impact of IT projects (incorporating digital sobriety criteria, performance indicators, eco-design, best practices and rationalisation of IT environments into the governance process)**

ASSOCIATIONS THAT BENEFIT FROM ECONOMIC AND SOCIAL SPONSORSHIP

(NON-EXHAUSTIVE LIST)



PURSuing AN AMBITIOUS SOCIAL AND ENVIRONMENTAL STRATEGY

As an engaged institution, the Banque de France is forging ahead with the implementation of its corporate social and environmental responsibility (CSR) policy. It is supported by its directorates and staff, who receive regular training on environmental and social issues, and assesses its environmental impacts.

Acting to preserve the environment

The Banque de France's carbon footprint

The low-carbon trajectory

At the beginning of 2023, the Banque de France updated the transition plan for its operating environment¹ for year-end 2024. Our target is now to reduce greenhouse gas emissions by at least 15% compared with 2019 (see Infographic above on Banque de France low-carbon trajectory for 2024).

Preserving the environment can only be achieved by implementing action plans that have cross-functional mobilisation and support. The Banque de France's latest assessment highlighted a 23.6% reduction in its carbon footprint at the end of 2022 compared with 2019.

In the longer term, the Banque de France is committed to actively contributing to the objective of carbon neutrality. It is thus pressing on with its efforts to best identify levers for action in order to define its low-carbon strategy for 2030, and aims to align its trajectory with global warming limitation targets.

Initial assessments of the carbon footprint for 2023

On-site energy usage continued to decline in 2023, with all types of energy affected. In comparison with 2022, fossil fuel consumption was down, by 13% for fuel oil and 8% for gas, and electricity usage declined by around 7%. Overall, the reduction in associated CO₂ emissions was estimated at 7%.

As in 2022, CO₂ emissions from business travel continued to rise in 2023, after two years (2020 and 2021) of dramatic reductions due to the Covid crisis. Nonetheless, these levels remain within target and well below 2019 emissions. For example, while emissions from business travel (excluding the Banque de France's own fleet of vehicles), increased by around 20% between 2022 and 2023, they were still 49% lower than in 2019, with air travel-related emissions down by around 50% (see Focus below on the Directorates General business travel carbon budget).

Emissions from commuting continued to trend downwards in 2023 and are expected to be around 5% lower year-on-year (equivalent to the annual reduction reported in 2022). These initial results suggest that the Banque de France will continue to reduce its carbon footprint, and at a faster rate than that required to meet its reduction target of 15% for 2019 to 2024.

The Banque de France's biodiversity footprint

Acting to preserve biodiversity

One of the main objectives of the Banque de France's 2021-24 CSR strategy is to "use our resources sustainably and help to preserve biodiversity". It is a key factor in the Banque de France's responsible purchasing strategy, property improvements and regeneration of its green spaces, and in its industrial projects and digital sobriety policy. The Banque de France also rolls out awareness-raising initiatives to its staff and supports their own personal projects.

Biodiversity at the Banque de France: repercussions and reliance

The Banque de France carried out a biodiversity footprint assessment (measured in MSA.km²) in 2023 to analyse its impact on biodiversity and its reliance on ecosystem services more thoroughly (see Focus below on protecting biodiversity).

Reducing the Banque de France's environmental footprint

Training and awareness-raising initiatives

The Banque de France had exceeded its ambitious target of training 75% of its staff in climate issues by the end of 2023, with 7,724 employees having taken part either in one of its distance learning courses on climate issues and carbon neutrality, or in a Climate Fresk workshop.

Climate Fresk workshops have been rolled out across the Banque de France thanks to the efforts of its 70 in-house coordinators. Since its launch in March 2022, 2,378 employees have participated in a Climate Fresk workshop, including 1,609 in 2023 alone.

Energy sobriety: an ambitious objective

The Banque de France is committed to a far-reaching plan to cut its energy consumption, and has achieved

a 23% reduction, even though its objective was only for 15% by the end of 2023.

This was accomplished through the introduction of technical solutions such as: keeping temperatures at a maximum of 19°C in the winter and, in premises equipped with cooling solutions, a minimum of 26°C in the summer; replacing energy-intensive fixtures; installing thermostatic control valves on radiators; managing lighting periods more efficiently; extensively fitting LEDs; and carrying out building and renovation works that comply with the latest standards.

Energy sobriety also relies on the behaviour of individuals and their everyday reflexes, and these have been addressed in staff communication campaigns.

Digital sobriety

The Banque de France continues to develop digital responsibility awareness. Each employee can use their digital profile to access their own personalised dashboard, monitor their use of digital services and understand the impacts of the equipment used.

And in line with changing working practices, the procurement policy for IT equipment has been updated to prioritise eco-responsible purchasing. By upgrading its equipment, servers and infrastructure, the Banque de France has also been able to achieve its target for 2023 of reducing electricity consumption in its datacentres by 9% compared with 2019.

An ecodesign approach to digital services has become increasingly generalised (*see Focus, in Chapter 4 below on the ecodesign approach to digital services*).

Responsible real estate

Following its first declaration of assets and energy consumption under the *Éco Energie Tertiaire* programme, the Banque de France has pursued its reporting efforts and stepped up its energy sobriety initiatives. These include planned energy audits, the first of which is currently underway, to assess the existing state of play and to draw up action plans to comply with the objectives set by the *décret tertiaire*.²

The Banque de France is also working to reduce its impact on biodiversity, creating, for example, a

botanical trail and a range of displays in the grounds of its Dijon branch, or renewing the agreement between the *Ligue pour la protection des oiseaux* (LPO – the French society for the protection of birds) and the Hauts-de-Montgorges site in Poitiers at the end of 2023.

Sustainable mobility

The Banque de France is pursuing its strategy of reducing its carbon footprint by prioritising the acquisition of electric vehicles. They now account for 11% of the car fleet and their numbers will continue to grow over the coming years.

The Banque de France has also introduced a sustainable mobility subsidy to encourage the use of sustainable modes of transport (cycling, carpooling, car-sharing) on commutes.

2

Fostering HR inclusion and collaborative initiatives

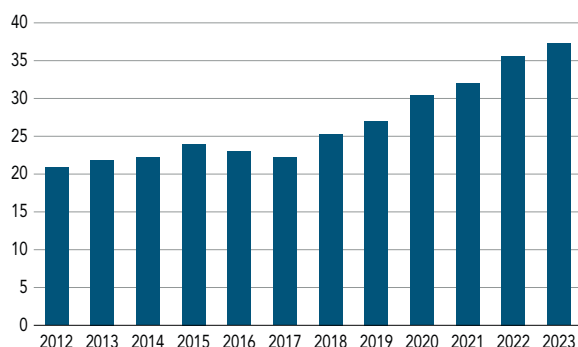
A commitment to equality

The Banque de France's commitment to gender equality produced concrete results in 2023, with an increase in the number of women among the top ten highest earners helping to raise the Banque de France's Gender Equality Index to 98/100, against a national average of 86/100. The proportion of women in directorate management positions has risen to 37.3%, and women now account for 39% of the Banque de France's "G100" (top 100 managers).

¹ Operating environment: GHGEA reporting scope (greenhouse gas emissions assessment), i.e. GHG emissions from energy consumption, fugitive emissions from air conditioning, business travel, commuting and waste.

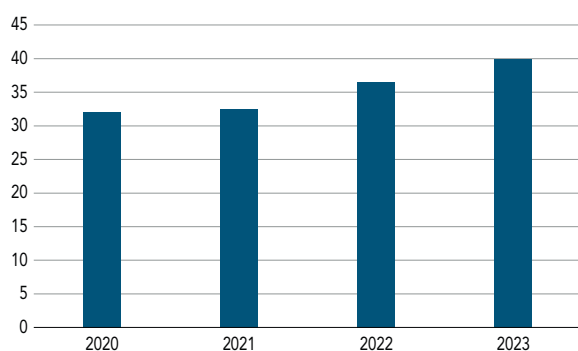
² The *décret tertiaire* (tertiary decree) imposes energy consumption reduction requirements for tertiary sector buildings by 2030, 2040 and 2050.

Change in the proportion of women in directorate management positions (%)



Source: Banque de France.

Change in the proportion of women in the G100 (%)



Source: Banque de France.

Note: The G100 is made up of the 100 managers from headquarters and the regions.

A commitment to diversity

In 2023, the Banque de France, along with 80 other companies, signed up to *Les Entreprises pour la Cité's* Diversity Charter,³ confirming its commitment to diversity and combating discrimination. The Banque de France's recruitment methods, particularly by competitive exam, and the training recruiters receive on issues of non-discrimination are designed to foster diversity.

The Banque de France has a particularly ambitious training policy and devotes 6.7% of its wage bill to employee learning and development; it enhances the employability of all of its employees. On average, a Banque de France employee completes one week of training each year. This commitment to training far exceeds the norm for major French companies.

A commitment to inclusion

The proportion of staff with disabilities increased again in 2023 to 6.7% from 6.45% in 2022. This is not only due to fresh recruitment, but also due to current employees declaring their disabilities after being informed of the provisions in our company agreement. Indeed, more than 400 employees signed up to the Banque de France's institution-wide campaign to raise awareness on these issues, alongside regionally organised initiatives. Attention focused on invisible disabilities (which account for 80% of all disabilities), notably with a talk by the French Paralympic snowboarding champion, Cécile Hernandez, and a presentation by five courageous members of staff who agreed to speak about their own experiences. Finally, the Banque de France renegotiated its 12th company agreement for the employment of workers with disabilities in 2023.

A widely recognised commitment

One year after signing the International Charter for Inclusive Artificial Intelligence (AI),⁴ the Banque de France became only the second French company and first central bank to obtain the GEEIS-AI label (Gender Equality European and International Standard AI) in recognition of its efforts and commitment. The aim of the GEEIS-AI label is to pave the way for a common European and international culture of professional equality.

It was also named in the *Entreprise engagée pour la diversité, 2023* ("companies committed to diversity, 2023") awards compiled by *Capital* magazine, placing third in the banking and financial services sector.

Lastly, the Banque de France was ranked 29th of 850 companies that featured on the *Financial Times* Diversity Leaders list for 2024 released at the end of 2023.

New collaborative initiatives

"Working together". This perfectly captures the idea behind the Banque de France's collaborative initiatives and embodies the drive and involvement of our staff in their own grass root CSR actions (see *Focus below*: Staff commitment to the CSR strategy).

3

Committed corporate sponsorship

Promoting economic and social inclusion through corporate sponsorship

As part of France's "1 young person – 1 mentor" national reform plan, which was a major priority for the country in 2023, some fifty Banque de France employees worked alongside associations to guide young people aged 10 to 30 years old in their educational and professional choices.

The Banque de France financed support programmes for children placed in care (the *Apprentis d'Auteuil* foundation) and social inclusion projects for children from disadvantaged social backgrounds, such as the *Démos* project, which aims to provide musical and orchestral training with a strong focus on community.

It also helps pupils that are falling behind in school in the *zones d'éducation prioritaire* (ZEPs – educational priority areas), particularly identifying children with difficulties in mathematics (part of a project run by the *Coup de Pouce* charity), and promotes entrepreneurship among secondary school pupils (the *Entreprendre pour Apprendre* programme) as part of its mission to provide financial education to the French public.

Supporting the ecological transition

The Banque de France continues to expand its commitment to microcredit associations,⁵ which give priority to entrepreneurial projects with major social, environmental or regional impacts, undertaken by people marginalised from the job market.

Preserving our cultural heritage

The Banque de France allocates considerable resources to preserving, showcasing and popularising its built heritage and collections, particularly through the European Heritage Days, guided tours of the Golden Gallery and artwork loans to national museum exhibitions.⁶

Mobilising staff around corporate sponsorship

The Banque de France sees corporate sponsorship as an institutional and collaborative commitment. Its initiatives are designed to encourage projects with a social, environmental or regional impact, mobilising large numbers of employees through skills sponsorship schemes and collective actions (fundraising, sports events, eco-friendly activities), and to back calls for projects associated with the ecological transition or solidarity with vulnerable populations.

4

Responsible investments and procurement

A committed responsible investment strategy to meet the challenges of sustainability

As the Banque de France continues to strengthen its commitment to responsible investment, it is toughening its requirements for its own funds and pension liabilities portfolios (EUR 23.7 billion at the end of 2023), based on three approaches:

- A "Climate" approach: the Banque de France is continuing to align its asset portfolios with a global warming trajectory of 1.5°C by 2025, and had already achieved this target for over two-thirds of its equity holdings by the end of 2023. It has also pledged to exclude any firms developing new fossil fuel extraction projects from its portfolios by the end of 2024. The Banque de France also contributes to financing the energy and ecological transition by investing in green bonds and thematic impact funds.
- An "Environmental, Social and Governance" (ESG) approach: the Banque de France is excluding 20% of assets from its equity investment universe on

³ *Charte de la diversité* (charte.diversite.com)

⁴ Notably designed to eliminate gender bias from AI.

⁵ *France Active, Initiative France, Association pour le droit*

à l'initiative économique (Adie) and Réseau Entreprendre.

⁶ For example, artworks loaned to "The Régence in Paris" exhibition at the Musée Carnavalet in Paris.

the basis of ESG criteria, in addition to the tobacco sector (excluded at the end of 2023). This exclusion threshold, which complies with the requirements of the Socially Responsible Investment (SRI) label, will be raised to 30% in 2024. The Banque de France also invests in social bonds and social impact funds.

- An “Activist shareholder” approach: the Banque de France applies a voting policy that takes ESG indicators into account and has stepped up its requirements with regard to excessive executive remuneration.

Continuing our responsible procurement approach

The Banque de France’s responsible procurement initiatives undertaken during the past two years were stepped up in 2023 with the drafting of SPASER, the Scheme for the Promotion of Socially and Environmentally Responsible Public Purchasing, which the Banque de France published at the beginning of 2024 (*Brochure Spaser 2024-2026.pdf* (banque-france.fr)).

SPASER sets down a detailed roadmap for 2024-26, notably including the integration of environmental performance criteria (waste management, controlled electricity consumption, etc.), requirements for circular economy products and social clauses (insertion contracts, professional equality) in the Banque de France’s procurement procedures.

With this far broader range of performance levers, the Banque de France will gradually be able to advance its efforts in terms of social and environmental responsibility. This approach also allows the Banque de France to factor in the CSR strategies of its suppliers, particularly actions that affect their environmental footprint.

To keep up with all these initiatives, training will be provided for purchasers, and ultimately order placers, on these subjects that are becoming crucial to procurement, and specific skill bases will be required.

Extra financial analysis of investment projects

The Banque de France has adopted an innovative extra financial analysis approach to assess its operational investment projects (real estate, industrial and IT projects).

The approach is based on environmental, social and societal criteria and is incorporated into the governance of investments from the outset and updated at each of the different stages.

Following its launch in 2022, this structured approach was rolled out using an extra financial analysis matrix in 2023. It covers:

- at least 50% of the Banque de France’s real-estate projects, focusing particularly on energy efficiency, low-carbon transition and accessibility for persons with reduced mobility;
- industrial projects with a mandatory CSR disclosure to take account of the carbon transition;
- IT projects, which apply a PRIQUA (sustainable performance, risks, image and quality) analysis.

At the end of 2023, 100% of real-estate projects and 90% of IT projects were analysed on the basis of extra-financial indicators on user satisfaction and environmental impacts.

FOCUS

PROTECTING BIODIVERSITY

In order to develop a robust structure for its approach to protecting biodiversity, the Banque de France has drawn up a detailed inventory of the effects of its actions to date on biodiversity and carried out an audit of its biodiversity footprint. Using the method defined in the Global Biodiversity Score (GBS),¹ this audit details the impacts of its activities expressed in MSA.km² (1 MSA.km² is the equivalent of the artificialisation of 1 km² of undisturbed pristine surfaces).²

A calculation of the Banque de France's footprint, as an organisation, includes the tertiary and industrial activities of its headquarters, together with its outlying sites and branch network. Furthermore, as a financial institution, the biodiversity footprint of the Banque de France's financial activities must also be measured.³

This assessment was carried out in 2023 under the guidance of the CSR team and necessitated the collection of quantitative and qualitative data and analyses by a team of external experts. Biodiversity pressures were examined for each of the Banque de France's main activities, such as banknote manufacturing, real-estate management and procurement. Both the dynamic and static impacts on terrestrial and aquatic ecosystems were considered.

The calculation of the Banque de France's biodiversity footprint is an important marker for prioritising future actions. ●

¹ The Global Biodiversity Score (GBS) is one of the benchmark tools for calculating the biodiversity footprint of businesses and financial institutions.

² MSA, Mean Species Abundance.

³ Results of the calculation of the biodiversity footprint of the Banque de France's financial activities can be found in the *Responsible Investment Report 2022*.



STAFF COMMITMENT TO THE CSR STRATEGY

A participative approach is a powerful vector for ownership and buy-in, and is particularly relevant to the roll-out of the corporate social and environmental responsibility (CSR) strategy. The Banque de France relies on the energy and commitment of its network of CSR correspondents in the regions and directorates. A range of actions is carried out based on local initiatives that embrace and apply our CSR strategy.

In 2023, staff from the *Autorité de contrôle prudentiel et de résolution* (ACPR – the Prudential Supervisory and Resolution Authority) set up the *Collectif agir pour la planète* (CAP – the Act for the Planet Collective). Its objective is to help to rapidly encourage a broad culture of climate and environmental risk by setting up a think tank and raising employees' awareness of the issues.

In 2023, a new type of scheme was piloted: the Energic Environmental Challenge. For three months, 1,437 employees

threw themselves into a fun, application-based challenge that helped them to learn more about environmental issues and to take action by encouraging eco-friendly behaviour, sharing best practices and reducing energy consumption. Thanks to the individual and group activities proposed by Energic, 8,534 eco-actions and 2,767 ideas were shared.

These ideas, and others that regularly filter up from the grass roots, all played a part in the 3rd Sustainability Challenge. Following careful analysis and consultation with the relevant stakeholders within the Banque de France, twelve ideas suitable for roll-out in the very short-term were voted on by 1,540 members of staff. Launch of the seven most popular ideas began at pilot sites at the end of 2023 and included a rainwater harvesting tank in the grounds of the Dijon branch, a prototype dispensing machine for gourmet seeds at the Paris headquarters and power-generating desk bikes in Amiens, Lens and Paris. ●

THE DIRECTORATES GENERAL BUSINESS TRAVEL CARBON BUDGET

In 2023, the Banque de France launched a pilot project to set its Directorates General a target for reducing their emissions from business travel (excluding its own fleet of vehicles). Each Directorate General has a "carbon budget" – a target emissions quota – for 2023, calculated on the basis of its own specific travel patterns and scope for action in the application of current travel policy and any other independent in-house initiatives. The quotas are designed with the objective of reducing emissions by 40% overall between 2019 and 2023. This target is indicative for 2023.

As such, the Banque de France's general and regional directorates have access to a monthly online report that sets out their CO₂ emissions and associated travel in detail. The report also suggests ways to reduce emissions, particularly when choosing between air and rail travel.

This approach is in line with the CSR team's ambition to provide the general and regional directorates with the tools needed to manage the ecological transition autonomously, and to engage with these issues by selecting the most effective levers for their requirements and working practices.

The results for 2023 were positive: the issue was fully integrated and understood by the various correspondents in the regions and Directorates General and 200 users across 100 departments have made use of the monthly report. Advice to take the train for journeys of less than four and a half hours was very well respected in 2023, with the proportion taking the train rising from 87.3% of cases in the first quarter to 95% in the third quarter.

The Banque de France has decided to repeat the exercise in 2024, making it normative, and to extend its scope to include its fleet of vehicles. ●





6 GOVERNANCE

Executive bodies

The Governor and Deputy Governors of the Banque de France

The Banque de France is managed by its Governor and two Deputy Governors. The Governor chairs the General Council and prepares and implements its decisions. Alongside the Deputy Governors, he is appointed by decree by the Council of Ministers for a six-year term, renewable once. François Villeroy de Galhau was appointed Governor of the Banque de France on 1 November 2015 and his mandate was renewed by decree on 27 October 2021.¹ He is supported by two Deputy Governors: Denis Beau, who was first appointed on 28 July 2017 and had his term renewed on 12 January 2024; and Agnès Bénassy-Quéré, who was appointed on 8 February 2023.

The Governor is also Chair of the *Autorité de contrôle prudentiel et de résolution* (ACPR – the Prudential Supervisory and Resolution Authority) and the *Observatoire de l'inclusion bancaire* (Observatory for Banking Inclusion). He is a member of the *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability) and was made Chair of the Bank for International Settlements (BIS) on 12 January 2022 for a three-year term.

The Executive Committee

The Executive Committee is in charge of the Banque de France's operational governance. It is chaired by the Governor of the Banque de France and composed of the Deputy Governors and the Directors General. The Chair of the *Institut d'émission des départements d'outre-mer* (IEDOM – the French overseas departments' note-issuing bank) and of the *Institut d'émission d'outre-mer* (IEOM – the French overseas note-issuing bank) is also a member. The Executive Committee's secretarial functions are overseen by Audrey Metzger, Director of Strategy.

Operational management bodies

Three bodies play a central role in the conduct of investment policies and market operations: the Assets-Liabilities Committee, the Risk Committee and the Pension Plan Strategic Committee or CS2R.

The Assets-Liabilities Committee, which is chaired by the Governor, examines the Banque de France's investment strategy for all its portfolios (both euro and foreign currency denominated), with the exception of the Employee Reserve Fund investment portfolios. The latter are monitored by CS2R, which was set up in April 2018 and is chaired by the First Deputy Governor. The Employee Reserve Fund is due to be phased out following the pension reform of 2023² and only tenured staff recruited before 1 September 2023 will remain affiliated to the scheme. The Risk Committee, which is chaired by the Second Deputy Governor, defines the risk framework applicable to all market operations conducted for the Banque de France's portfolios.

In addition, the Executive Committee on Climate Change, set up in 2021 and chaired by the Second Deputy Governor, monitors and coordinates all climate-related actions taken by the Directorates General, the Banque de France and the ACPR.

The branch network and the Network Executive Committee

The Banque de France branch network is organised into 13 regional directorates. It currently comprises 95 departmental branches, which include the 13 regional directorates and 10 economic centres. Currency management services are carried out at 20 of these establishments and at 3 specialised centres (*see Map of the Banque de France network as at 1 January 2024, in Appendix 2, only available in French*).

The Network Executive Committee is responsible for the network's strategic management. It is notably made up of the regional branch managers, the directors of the network business lines (companies, consumer affairs, financial education, credit mediation, financial centre initiatives), the Director of IT for Services to the Economy and the Head of the Governor's Office, and reports directly to the Director General of Services to the Economy and Branch Network Activities.

¹ Article 13 of the French Constitution provides that henceforth the power of appointment of the President of the French Republic shall be exercised after public consultation with the relevant standing committee in each assembly. Under Organic Law No. 2010-837 of 23 July 2010, the nomination of the Governor

of the Banque de France is subject to this procedure.

² Decree No. 2023-693 on the special pension scheme of the Banque de France reforming the pension scheme for statutory employees was published on 28 July 2023 in application of the Law of 14 April 2023.

The Governor and Deputy Governors



Denis Beau
First Deputy Governor



François Villeroy de Galhau
Governor



Agnès Bénassy-Quéré
Second Deputy Governor

**Members of the
Executive Committee**
(other than the Governor
and Deputy Governors,
as at 1 March 2024)



Claude Piot
Secretary General



Emmanuelle Assouan
Director General Financial Stability
and Operations



Hervé Gonsard
Director General Services to the Economy
and Branch Network Activities



Olivier Garnier
Director General Statistics,
Economics and International



Erick Lacourrège
Director General Cash
and Retail Payments



Ivan Odonnat
Chairman of the IEDOM
and Director General of the IEOM



Nathalie Aufauvre
Secretary General of the ACPR



Thierry Bedoin
Director General Information Systems



Anne-Sophie Martenot
Director General Human Resources



Pierre Poulain
Comptroller General

2

Decision-making and control bodies

The General Council

The General Council performs the main functions of a board of directors. It deliberates on issues relating to the management of activities that do not fall within the remit of the European System of Central Banks (ESCB).³

As at 1 March 2024, the General Council was made up of the Governor of the Banque de France, the Deputy Governors, Catherine Barthélémy, Anne-Laure Delatte, Élisabeth Ducottet, Élisabeth de Longevialle, Jean-Roger Davin, Jean-Paul Faugère, Vice Chair of the ACPR, Gilles Savary and Benoît Besson, the Banque de France Staff Representative.

Meetings of the General Council are attended by the Censor, Christophe Bories, who was appointed by the Minister for the Economy, or by his alternate, Gabriel Cumenge. The General Council met nine times in 2023.

The Audit Committee

The Audit Committee reports to the General Council on issues relating to financial reporting, external and internal auditing, internal control and risk management. It was thus informed of the conclusions of the external auditors' work related to the 2023 financial period.

The Committee also examined:

- the main findings of the internal audits and their recommendations;
- the progress made on the action plans drawn up by the audited entities in response to the recommendations;
- the audit programme for 2024;
- developments in the field of permanent control and risk management.

3

Operational risk management and Internal Audit

Risk management

The Banque de France has organised its internal control system around three lines of expertise: (i) operational staff and their managers; (ii) professional risk management and permanent control officers; and (iii) Internal Audit. The system is designed to assess all operational risks as well as the methods and action plans in place to mitigate them, and to check that existing controls are relevant and efficient.

In 2023, the Banque de France continued to take steps to improve the calibre of its internal control:

- it maintained the functional links between the Risk Prevention Directorate, which defines and coordinates the implementation of the Banque de France's risk management and permanent control strategy, and local participants in the Directorates General and network branches (risk managers, business line heads of security);
- it awarded qualifications to a sixth cohort of "Risk Management and Permanent Control" officers (making 82 certified employees in six years) and began a seventh round of training;
- it upgraded its risk management software, which provides all three lines of control expertise with a shared database containing processes, risks, controls and action plans, in order to improve efficiency.

The Banque de France also ensures that it has the most effective, state-of-the-art cyber risk management system possible (*see Focus: Cyber risk*). The levels of security in its most sensitive applications comply with the rules and best practices recommended by the *Agence nationale pour la sécurité des systèmes d'information* (ANSSI – the French national cybersecurity agency).

³ The European System of Central Banks (ESCB) comprises the European Central Bank (ECB) and the national central banks (NCBs) of the 27 European Union Member States.

The Eurosystem comprises the ECB and the NCBs of the 20 European Union Member States that have adopted the euro as their currency.

The Internal Audit

The Internal Audit function is managed by the Comptroller General and is the Banque de France's third line of control. It has responsibility over all the Banque de France's entities, processes and activities, and over its branch network and its subsidiaries. The Comptroller General reports directly to the Governor of the Banque de France.

The Internal Audit mainly conducts its inspections on the basis of a risk-based approach, and reports its findings to the Audit Committee, the Banque de France's governance bodies and the Directors General, thus providing independent and objective assurance of:

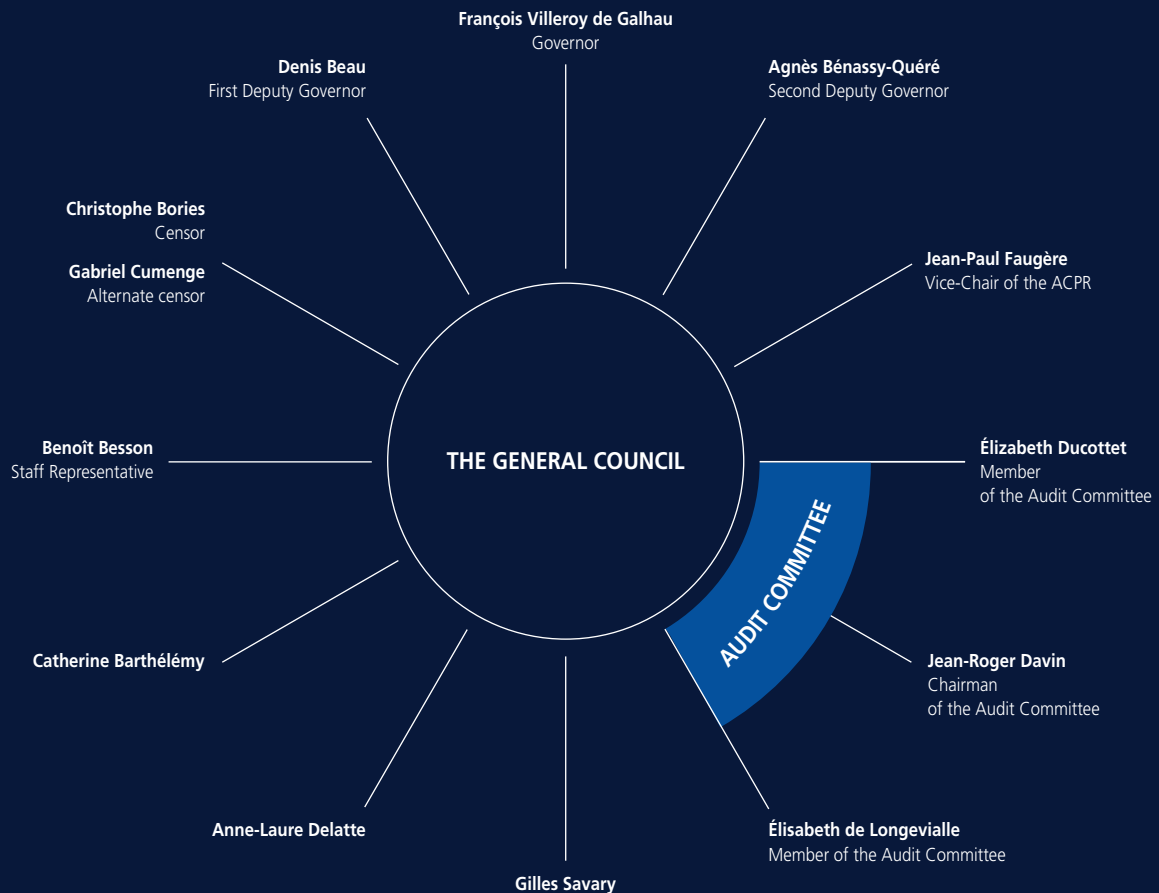
- the achievement of the Banque de France's strategic objectives;
- the integrity and reliability of all financial and operational information;
- the effectiveness and efficiency of all operations;
- the protection of the Banque de France's assets, image and reputation;
- compliance with all laws, regulations, procedures, contracts and compliance rules (*see Focus: Ethics and compliance*).

The Internal Audit also operates within the framework of the ESCB. The Comptroller General and the Head Office Audit Directorate are permanent members of the ESCB Internal Auditors Committee (IAC). Together with their counterparts at the other national central banks and the European Central Bank (ECB), they draw up the Eurosystem's audit programme and oversee audits conducted under the aegis of the IAC.

In both its organisation and the conduct of its audit missions, the Banque de France's Internal Audit complies with the International Standards for the Professional Practice of Internal Auditing drawn up by the Institute of Internal Auditors (IIA).

In 2023, the Internal Audit carried out more than 70 inspections and investigations, focusing primarily on the steering of the Banque de France's activities, its organisational efficiency, the security of its information systems and its project management.

The General Council and the Audit Committee (as at 1 March 2024)



Pascal Cescon
Ethics Officer
of the General Council

Audrey Metzger
Secretary
of the General Council

Pierre Poulain
Secretary
of the Audit Committee

FOCUS

CYBER RISK

Cyber threats continued to be a very major concern in 2023, notably because of the geopolitical context, as well as the emergence of new risks arising from the development of generative artificial intelligence (AI). Cyber risk is thus one of the biggest operational risks against which the Banque de France has to protect itself. To keep pace with the rapidly changing nature of the threat, the Banque de France pushed on with the implementation of its 2021-24 strategic roadmap for cybersecurity and confirmed its four main objectives: (i) increasing the resilience of its information system; (ii) limiting its use of cloud services; (iii) strengthening its data security; and (iv) optimising the management of security compliance. It also monitors the cybersecurity and resilience of its critical suppliers.

As part of its strategy, it continued to work tirelessly to improve the protection of its information system and to alert all staff to any potential risks. The Banque de France makes sure that it is always compliant with the relevant security

rules, especially those applicable to its public service role. Furthermore, it ensures that all new IT projects incorporate appropriate security mechanisms from their very outset. In 2023, the Banque de France also conducted a cyber-crisis management exercise with the French financial centre, in order to improve the cyber resilience of all financial centre players. Finally, as a non-associated member, the Banque de France plays an active role in *Campus Cyber*, which aims to create a cybersecurity ecosystem by bringing together the main French players in the field of cyber risk.

Alongside these measures, the Banque de France has set up an internationally certified computer emergency response team (CERT), which is tasked with detecting and responding to cyberattacks. Its experts also take part in numerous cybersecurity working groups at national, European and international level, covering a wide range of topics (cyber threats, attack and incident response techniques, indicators of compromise, etc.).

ETHICS AND COMPLIANCE

The new Code of Ethics adopted by the Banque de France General Council came into force on 1 June 2023. The Code complies with the Eurosystem professional ethics framework and adheres to the recommendations of France's High Authority for Transparency in Public Life. It seeks to satisfy the public's legitimate demands in terms of ethics and to maintain their confidence in the Banque de France, notably enhancing protections against the risks of unethical behaviour, conflicts of interest, corruption and insider trading. It reinforces the independence of the Ethics Officer and the responsibility of line managers to ensure that ethical provisions are applied and that any breaches are properly addressed. Senior executives and managers have already taken a new

mandatory training programme on ethics and compliance, and employees will gradually follow suit in 2024 and 2025.

The subsidiaries (IEDOM, Europafi and BDF Gestion) are committed to ensuring full integration into a common system of ethical risk prevention in 2024, revising their Codes of Ethics and sharing the same Ethics Officer as the Banque de France.

The Banque de France General Council also reviewed its own new Code of Ethics, which was adopted on 11 December 2023, drawing on best practices adopted by the European System of Central Banks (ESCB) and particularly the Code of Conduct for high-level officials of the European Central Bank (ECB).





7 FINANCIAL MANAGEMENT AND ACCOUNTS

Financial balances

Rigorous management of Banque de France resources since 2015

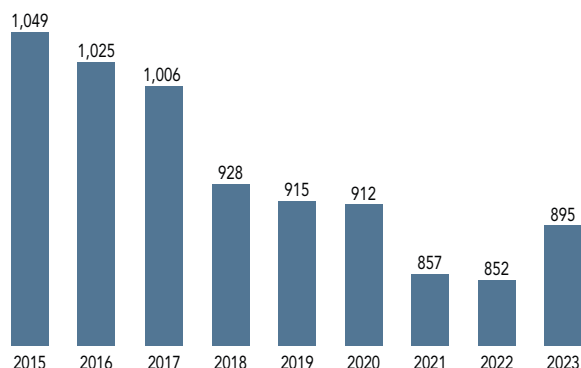
Since its first Ambitions 2020 strategic plan, which began in 2016, the Banque de France has been committed to reducing its workforce and controlling its operating expenses. This commitment was reaffirmed as part of the Building 2024 Together strategic plan launched at the beginning of 2021.

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

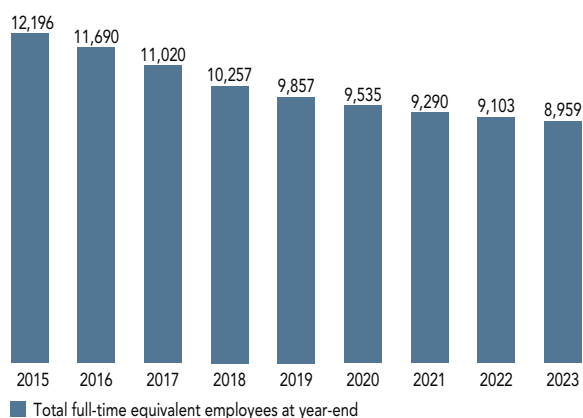
In addition to this exemplary management of its expenses, it is important to highlight the substantial profits made in previous years thanks to income generated by monetary policy and the Banque de France's own assets. More recently, the unconventional monetary policies put in place by the euro area 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	27,286	49,461
<i>o/w recognised at amortised cost</i>	14,508	34,268
<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)				
ABSP	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
PSP	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>	<i>997</i>	<i>163</i>	<i>98</i>	<i>1,062</i>
<i>Amortisation and impairment</i>	<i>689</i>	<i>76</i>	<i>30</i>	<i>736</i>
Net value of intangible fixed assets	308	87	68	327
<i>Tangible fixed assets (gross value)</i>	<i>2,540</i>	<i>1,016</i>	<i>1,000</i>	<i>2,556</i>
<i>Depreciation and provisions</i>	<i>1,561</i>	<i>92</i>	<i>56</i>	<i>1,597</i>
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-Eurosysteem 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		
Euro receivable	25,310	16,068
Foreign currency deliverable	25,030	15,774
Foreign currency to be received against euro to be delivered		
Foreign currency receivable	13,534	12,126
Euro deliverable	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	At 31 Dec.		Funding	At 31 Dec.	
	2023	2022		2023	2022
Pension liabilities	13,248	13,536	Funding	12,107	11,607
			<i>o/w to Employee Reserve Fund</i>	9,150	8,651
			<i>o/w to special pension reserve fund</i>	2,957	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	123
			Revaluation accounts	1,985	1,237
Total gross liabilities	13,368	13,659	Total funding	14,212	12,967
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
On profit before exceptional items	0	1,067

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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

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