

**FINANCIAL
MANAGEMENT
AND ACCOUNTS**



**ANNUAL
REPORT
2022**



Financial balances

Strict 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 strict management of its resources implemented by the Banque de France means that it has been able to reduce its net operating expenditure by 20% over the 2015-22 period. This represents a reduction of EUR 213 million or 3.5% per year in volume. Staff numbers have been reduced by 25% over the same period, which equates to a cutback in full-time equivalent employees of 3,093.

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 2022, 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 which 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 22%, or EUR 62 million, over a seven-year period.

Exiting unconventional monetary policies reduces central bank income

The 2022 reporting period saw the normalisation of monetary policy, with major and closely spaced hikes in key rates to combat inflation following a series of unprecedented shocks. The result is a less favourable outlook for monetary policy income, and even losses, which can be seen in the case of the vast majority of central banks that have carried out 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.

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 a deposit facility rate that has now become positive, and which thus represent an expense for central banks. Due to this asymmetrical impact of interest rate rises on assets characterised by long-term securities compared with liabilities that are highly liquid, monetary policy income will continue to be negatively affected by key rate hikes until the liquidity surplus (of almost EUR 3,800 billion at the end of December 2022 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 over the coming financial periods, the expected future path of key rates will result in significant expenditure to remunerate this excess liquidity; estimating the scale of that expenditure is highly uncertain as it depends on future monetary policy decisions, which in turn depend on changes in inflation.

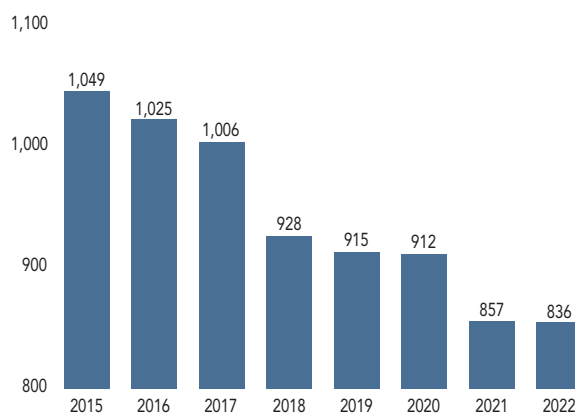
The primary objective of the Eurosystem’s monetary policy is price stability, not profitability. However, the credibility and the capacity to act of central banks relies on the

financial solidity of their balance sheets, i.e. their levels of capitalised reserves, with appropriate provisioning of risks.

Against this backdrop, the Banque de France's priority is to boost its reserves to tackle these costs and therefore to allocate the profit for 2022 to maximising the fund for general risks (FRG), raising it to EUR 16 billion, in line with the increases made in previous years (EUR 1.15 billion and EUR 2.80 billion in 2020 and 2021, respectively). By mobilising a part of the reserves it has put aside, in tandem with its strict financial management, the Banque de France should be able to maintain balanced results over the coming years without having to turn to recapitalisation from its shareholder, the French state, or reporting negative capital.

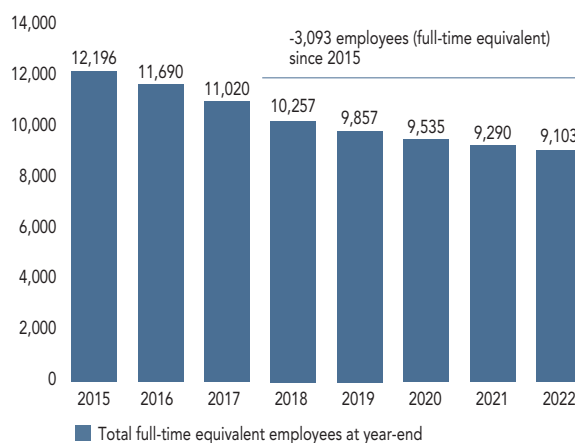
Net operating expenditure

(EUR millions)



Source: Banque de France.

Total staff



Source: Banque de France.

Payments to the state since 2010

(EUR millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Cumulative total since 2015
Corporation tax	1,563	2,014	3,110	2,449	2,151	1,902	2,038	2,690	2,400	2,650	1,633	1,895	1,067	16,275
Dividends	1,555	1,076	2,387	1,699	1,503	1,543	2,464	2,306	3,222	3,478	1,913	568	0	15,494
TOTAL PAYMENT TO THE STATE	3,118	3,090	5,497	4,148	3,654	3,445	4,502	4,996	5,622	6,128	3,546	2,463	1,067	31,769

Financial statements of the Banque de France

The Banque de France's General Council approved the financial statements for the year ended 31 December 2022 at its meeting of 17 March 2023.

The Banque de France's balance sheet reduced from EUR 2,037 billion at 31 December 2021 to EUR 1,884 billion at 31 December 2022. This EUR 153 billion contraction is the direct result of the monetary policy normalisation measures taken from July 2022 onwards, particularly limiting monetary policy securities purchases to the reinvestment of maturities from April 2022 for the PEPP (pandemic emergency purchase programme) and from July 2022 for the APP (asset purchase programme), and additional voluntary early repayment dates for targeted longer-term refinancing operations (TLTRO III), which came into effect on 23 November 2022 in conjunction with their new terms and conditions of remuneration.

Euro-denominated securities acquired under purchase programmes thus only rose by EUR 51 billion (compared with a prior-year increase of EUR 207 billion) and outstanding loans to credit institutions decreased by EUR 159 billion, mainly due to early TLTRO III repayments in November and December 2022. On the liabilities side, there was a significant decline in the current account balance of credit institutions, investment companies and general government (down EUR 131 billion).

Net income from activities amounted to EUR 7,722 million in 2022, up EUR 667 million year-on-year despite the hike in expenses related to remunerating excess liquidity at the deposit facility rate, which returned to positive territory on 14 September 2022 and rose thereafter for the remainder of the year. The new terms and conditions for the remuneration of TLTRO III operations (aligning their rate of remuneration with that of excess liquidity from 23 November 2022) resulted in a sharp decline in the expenses on refinancing operations recorded in 2022. Moreover, income from inflation-linked securities held as part of the APP and PEPP purchase programmes increased sharply in line with rising inflation.

Operating expenses rose by EUR 646 million year-on-year to EUR 2,245 million, largely due to the Banque de France's payment of its employees' statutory pensions as Employee Reserve Fund (CRE)¹ assets failed to fully cover the year-end pension commitments. Equally, operating expenses in 2022 include employer social security contributions in respect of the pensions of its statutory employees. In previous financial statements, these contributions were allocated to the CRE's capital as part of the distribution of the Banque de France's net profit. Setting aside these two items, operating expenses were up by EUR 28 million, notably including the salary measures implemented on 1 July 2022.

After operating expenses, profit before tax came in at EUR 5,477 million, up EUR 21 million compared with 2021. Given the risks carried on its balance sheet and linked to the assets acquired as part of the purchase programmes, and taking into account future expenses related to remunerating excess liquidity within the Eurosystem (*see previous section on financial balances*), the Banque de France continued to augment its fund for general risks to cover its financial risks (excluding exchange rate risk) in 2022. It thus increased the fund by EUR 4,412 million to EUR 16.4 billion (following allocations of EUR 1,150 million in 2020 and EUR 2,800 million in 2021). After accounting for this allocation and corporate income tax amounting to EUR 1,067 million, net profit for 2022 was zero.

¹ Pensions are only financed by drawing on the special pension reserve or from the CRE's capital to the extent that they continue to cover all future liabilities (see Note 28 to the financial statements below). Note that in 2021, pensions had no impact on operating expenses as they were financed by

drawing on the special pension reserve fund. Note also that the CRE asset surpluses in excess of pension liabilities at the end of 2020 and the end of 2021 were paid back to the state in the form of a distribution of part of the special pension reserve fund (EUR 1,808 million).

The balance sheet and profit and loss account

Balance sheet at 31 December 2022

(EUR millions)

Notes to the balance sheet	ASSETS	At 31 Dec. 2022	At 31 Dec. 2021	Notes to the balance sheet	LIABILITIES	At 31 Dec. 2022	At 31 Dec. 2021
1 A1	Gold	133,661	126,079	12 L1	Banknotes in circulation	295,393	290,198
2 A2	Foreign currency assets (excluding relations with the IMF)	59,083	57,567	4 L2	Euro-denominated liabilities to euro area credit institutions related to monetary policy operations	1,084,184	1,108,740
	2.1 Foreign currency assets held with non-euro area residents	49,546	47,954		2.1 Current accounts	50,726	913,558
	2.2 Foreign currency assets held with euro area residents	9,537	9,613		2.2 Other liabilities	1,033,457	195,182
3 A3	Relations with the IMF	44,949	42,458	13 L3	Other euro-denominated liabilities to euro area credit institutions	26,984	28,162
5 A4	Euro-denominated claims on non-euro area residents	438	620	14 L4	Euro-denominated liabilities to non-euro area residents	49,545	70,840
4 A5	Euro-denominated loans to euro area credit institutions related to monetary policy operations	321,145	480,367	2 L5	Foreign currency liabilities	1,118	2,335
5 A6	Other euro-denominated loans to euro area credit institutions	18,665	19,415	3 L6	Counterpart of SDRs allocated by the IMF	37,034	36,403
6 A7	Euro-denominated securities issued by euro area residents	1,058,324	1,007,696	15 L7	Relations within the Eurosystem	14,799	627
	7.1 Securities held for monetary policy purposes	1,027,386	976,495	16 L8	Euro-denominated liabilities to other euro area residents	91,407	200,125
	7.2 Other securities	30,937	31,201		8.1 Liabilities vis-à-vis the state and government agencies	79,647	140,852
11 A8	Relations within the Eurosystem	107,839	141,650		8.2 Other liabilities	11,759	59,273
7	8.1 Participating interest in the ECB	1,901	1,777	17 L9	Items in course of settlement	41	39
	8.2 Claims arising on the transfer of reserve assets to the ECB	8,281	8,240	18 L10	Banking transactions	96,415	125,636
	8.3 Claims on the Eurosystem for euro banknotes in circulation	97,657	105,756	19 L11	Other items	11,604	9,021
7	8.4 Other claims on the Eurosystem	0	25,878	20 L12	Provisions for liabilities and charges	650	688
8 A9	Advance to the IEDOM	7,525	7,337	21 L13	Revaluation accounts	126,543	118,711
	A10 Claims on the French Treasury	0	0	22 L14	Fund for general risks and tax-regulated provisions	16,441	12,032
9 A11	Other euro and foreign currency denominated financial assets	118,142	136,698	23 L15	Revaluation reserve for state gold and foreign exchange reserves	22,771	22,537
10 A12	Other items	12,116	14,995	24 L17	Capital, reserves and retained earnings	8,932	10,007
11 A13	Fixed assets	1,973	1,982	L18	Net profit	0	763
	13.1 Tangible and intangible fixed assets	1,287	1,295				
	13.2 Participating interests other than the ECB	686	686				
	TOTAL ASSETS	1,883,860	2,036,863		TOTAL LIABILITIES	1,883,860	2,036,863

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 2022

(EUR millions)

Notes to the P&L		2022	2021
1	Net income from Banque de France activities	7,722	7,055
29	1.1 Net interest income	7,458	6,728
	1.1.1 Interest and related income	16,869	11,806
	1.1.2 Interest and related expenses	-9,411	-5,078
30	1.2 Net income from financial transactions	-446	89
	1.2.1 Net realised gains/losses and unrealised losses on foreign exchange	235	355
	1.2.2 Net allocations to/reversals from the foreign currency revaluation reserve	-235	-355
	1.2.3 Other income and expenses on financial transactions, net	-446	89
	1.3 Fees and commission	-10	-7
	1.3.1 Fees and commission income	38	39
	1.3.2 Fees and commissions expenses	-48	-45
31	1.4 Income from equity securities and participating interests	56	162
32	1.5 Net result of pooling of monetary income	-94	-627
33	1.6 Other income and expenses, net	757	710
2	Operating expenses	-2,245	-1,600
34	2.1 Staff costs and related expenses	-1,009	-859
	2.2 Pensions and related expenses	-526	-36
	2.3 Taxes other than income tax	-36	-40
	2.4 Provisions, depreciation and amortisation	-163	-168
	2.5 Other operating income and expenses, net	-511	-496
	Profit before tax and exceptional items (1 + 2)	5,477	5,456
22	3 Net additions to fund for general risks and tax-regulated provisions	-4,410	-2,798
4	Exceptional items	0	0
	4.1 Exceptional income	0	0
	4.2 Exceptional expenses	0	0
35	5 Corporate income tax	-1,067	-1,895
	Net profit for the year (1 + 2 + 3 + 4 + 5)	0	763

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 Council² 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's 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 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).

² 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 are written down.

Specific treatment of Banque de France Employee Reserve Fund securities

The rules described in the note on "Other securities" (see *opposite*) 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, as well as 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 Target2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) and give rise to bilateral balances in the Target2 accounts of the ESCB central banks. All these bilateral claims and liabilities are netted out on a daily basis within the Target2 system so that each national central bank (NCB) has a single net bilateral position vis-à-vis the ECB. The Banque de France's net position in Target2 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* (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 expenses 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.³ 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 interest⁴ 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 has been implemented. No NCB was concerned by this mechanism in 2022.⁵

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,⁶ are distributed in January of the following year in the form of an interim dividend unless the ECB Governing Council decides otherwise.⁷ 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 paid by the ECB for the issuing and handling of 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 2022.

Key events in 2022

In a context of high inflation, the ECB Governing Council adopted a series of measures aimed at normalising the Eurosystem's monetary policy:

- key interest rates were raised four times in 2022 from 27 July onwards;
- securities purchases made as part of the PEPP and APP programmes were limited to the reinvestment of maturities from 1 April 2022 and 1 July 2022, respectively;
- new terms and conditions for the remuneration of TLTRO III operations were brought into effect from 23 November 2022⁸ with additional voluntary early repayment dates.

These measures resulted in a contraction in the total Banque de France balance sheet of 7.5%, in contrast to the robust growth reported in 2020 and 2021 of 52% and 17%, respectively.

Post-balance sheet events

Between the end of the 2022 financial reporting period and the date on which the Banque de France's General Council approved the financial statements, the ECB Governing Council twice decided, on 2 February 2023 and 16 March 2023, to increase each of the three key ECB interest rates by 50 basis points. The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility were thus increased to 3.00%, 3.25% and 2.50%, respectively, as from 8 February 2023, and then to 3.50%, 3.75% and 3.00% in March 2023.

Balance sheet

Note 1: Gold

At 31 December 2022, 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 mainly US dollar holdings. Holdings in other currencies are intended to diversify risks. A breakdown of holdings by main currencies is provided below.

Foreign exchange reserves are invested in overnight deposits, fixed-term deposits and fixed-rate and index-linked bonds. 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

(%)	
	US dollar (USD)
	Australian dollar (AUD)
	Net assets vis-à-vis the IMF (SDR)
	Other

Foreign currency assets and liabilities

(excluding relations with the IMF)

Asset item A2 and liability item L5
(EUR millions)

	2022	2021
ASSETS – Foreign currency assets		
Overnight deposits	192	513
Fixed-term deposits	6,223	6,774
Foreign currency liquidity provision to Eurosystem counterparties	0	0
Securities received under repurchase agreements	2,829	2,972
Fixed-rate or index-linked bonds	49,461	47,065
<i>o/w recognised at amortised cost</i>	34,268	32,523
<i>o/w marked to market line-by-line</i>	15,193	14,542
Accrued interest receivable	378	243
TOTAL	59,083	57,567
LIABILITIES – Foreign currency liabilities		
Securities delivered under repurchase agreements	1,104	2,334
Accrued interest payable	15	1
TOTAL	1,118	2,335

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

4 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).

5 In 2023, this mechanism will concern Croatia.

6 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.

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

8 Application of the average key ECB interest rate from 23 November 2022 until the early repayment date or maturity date.

Note 3: Relations with the IMF

The increase in the reserve tranche position in 2022 is the result of greater use – an increase of 633 million special drawing rights (SDR) – of France’s quota in euro (drawdowns net of repayments).

At the end of 2022, loans granted under New Arrangements to Borrow (NAB) amounted to SDR 91 million (EUR 114 million), down SDR 133 million year-on-year. Loans to the Poverty Reduction and Growth Trust (PRGT) granted by the Banque de France amounted to SDR 1,533 million (EUR 1,919 million), up SDR 97 million compared with 2021.

Relations with the IMF

Asset item A3 and liability item L6

(EUR millions)

	2022	2021
ASSETS		
Receivables from the IMF		
Reserve tranche position	7,060	6,188
Loans as part of the NAB	114	276
SDR holdings	35,654	34,215
Loans as part of the PRGT	1,919	1,775
Accrued interest receivable	202	4
TOTAL	44,949	42,458
LIABILITIES		
Counterpart of SDRs allocated by the IMF	36,865	36,400
Accrued interest payable	169	3
TOTAL	37,034	36,403

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.

Other changes mainly arise from fluctuations in SDR valuations against the euro.

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 L2.2.

On the asset side, item A5 includes loans granted to credit institutions of EUR 326 billion (excluding accrued interest receivable). 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 2022, the Banque de France thus bore the risks on 20.42%⁹ of loans to credit institutions granted by the Eurosystem NCBs, which amounted to EUR 1,324 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.

- 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) and the Poverty Reduction and Growth Trust (PRGT) 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.

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 operations (TLTRO III). The first two matured in 2022. Three new operations were added between June 2021 and December 2021. All of these operations have a three-year maturity and can be totally or partially repaid on a quarterly basis.

Based on the initial decisions of the ECB Governing Council, the interest rate applicable to TLTRO III operations depended on the outstanding amount of lending granted to the real economy by the borrowing institutions and could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. In 2020, in response to the Covid-19 crisis, the ECB Governing Council decided that for the periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022 (referred to as the special interest rate period and additional special interest rate period, respectively), the applicable interest rate could be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case no higher than -1%. Moreover, on 27 October 2022, the ECB Governing Council decided to index the interest rate of each TLTRO III operation to average applicable key ECB interest rates from 23 November 2022 until the maturity date or early repayment date. On the same date, the ECB Governing Council also put forward three additional voluntary early repayment dates.

Therefore, the actual interest rates for these TLTRO III operations can only be known for each operation when it matures or is repaid early. A reliable estimate is not possible until that time unless interest rate information for the special interest rate period and the additional special interest rate period has been communicated to

counterparties. The following rates were thus taken into account to calculate accrued interest on TLTRO III operations in the 2022 financial statements:

- until 23 June 2022, the interest rate for the additional special interest rate period communicated to counterparties on 10 June 2022;
- for the period from 24 June 2022 to 22 November 2022, the average applicable key interest rate calculated from the date the funds were made available until 22 November 2022;

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

Asset item A5 and liability item L2

(EUR millions)

	2022	2021
LOANS		
Main refinancing operations	8	43
Longer-term refinancing operations	326,371	486,574
Fine-tuning operations (a)	0	0
Structural operations	0	0
Marginal lending facilities (b)	0	0
Margin calls paid	0	0
Accrued interest receivable	-5,233	-6,250
TOTAL	321,145	480,367
LIABILITIES		
Current accounts	50,705	913,589
Other liabilities	1,033,400	195,182
<i>Deposit facilities</i>	<i>1,033,400</i>	<i>195,182</i>
<i>Collection of fixed-term deposits (a)</i>	<i>0</i>	<i>0</i>
<i>Repurchase agreements</i>	<i>0</i>	<i>0</i>
<i>Margin calls received</i>	<i>0</i>	<i>0</i>
Accrued interest payable	79	-31
TOTAL	1,084,184	1,108,740

(a) Fine-tuning operations/collection of fixed-term deposits are executed on an ad-hoc basis with the aim of managing market liquidity and steering interest rates. Fine-tuning operations 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.

9 This key declined to 20.26% on 1 January 2023 with Croatia's membership of the euro area.

- for the period from 23 November 2022 to 31 December 2022, the average applicable key interest rate calculated over that period.

In addition, the changes in key interest rates in 2022 also modified the calculation of interest applicable from the date the funds were made available until 23 June 2020. Their impact is recognised in the 2022 financial statements.

Deposits from credit institutions related to monetary policy operations held by the Banque de France 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. Current account amounts are made up of minimum reserve requirements (calculated as 1% of the reserve base¹⁰ since January 2012) and sums in excess of minimum reserve requirements. Since 2021, funds that are not freely available to credit institutions have been recorded separately in liability item L3, "Other euro-denominated liabilities to euro area credit institutions" (see Note 13).
- 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.¹¹

Until 20 December 2022, minimum reserve requirement holdings bore interest at the average MRO rate over the period during which the reserves were built up. On 27 October 2022, the ECB Governing Council decided to set the remuneration of minimum reserves at the deposit facility rate as from 21 December 2022.

Deposits in excess of minimum reserve requirements bear interest at the lower of 0% or the deposit facility rate. However, the two-tier system for excess reserve remuneration introduced by the ECB Governing Council on 30 October 2019 was applied during the reporting year until it was suspended on 14 September 2022 when the deposit facility rate rose above zero. Thus, under this system, part of the excess liquidity of credit institutions (i.e. reserve holdings in excess of minimum reserve requirements) was not subject to the negative remuneration corresponding to the application of the

deposit facility rate. For each institution, the exempt tier of reserve holdings was calculated as a multiple of six times its minimum reserve requirements. The exempt tier was remunerated at an annual rate of 0%. The non-exempt tier of excess liquidity holdings was remunerated 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 asset 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)

	2022	2021
Securities held to maturity	255	448
Other claims	182	169
Accrued interest receivable	1	4
Total euro-denominated claims on non-euro area residents	438	620
Securities received under repurchase agreements	18,319	14,210
Other including loans	339	5,207
Accrued interest receivable	6	-2
Total other euro-denominated loans to euro area credit institutions	18,665	19,415

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),¹² the second and third corporate bond purchase programmes (CBPP2 and CBPP3),¹³ the public sector purchase programme (PSPP)¹⁴ and the corporate sector purchase programme (CSPP).¹⁵ Since March 2020, this item has also included

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

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

securities purchased within the scope of the pandemic emergency purchase programme (PEPP).¹⁶ The ECB is responsible for the asset-backed securities purchase programme (ABSPP).¹⁷

As at 31 December 2022, the ECB and euro area NCBs no longer had exposure under the first and second covered bond purchase programmes (CBPP1¹⁸ and CBPP2), as the last securities held under these programmes at the Eurosystem level matured during 2022.

During the first quarter of 2022, the Eurosystem conducted net purchases under the asset purchase programme (APP) at a monthly pace of EUR 20 billion on average. In March 2022, the ECB Governing Council¹⁹ revised the net purchase amounts, introducing a path from EUR 40 billion in April, EUR 30 billion in May and EUR 20 billion in June. In June 2022, the ECB Governing Council²⁰ decided to end net asset purchases under its asset purchase programme (APP) as of 1 July 2022 while continuing to reinvest the principal payments from maturing securities until the end of February 2023.

10 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/politique-monetaire/>

11 The deposit facility rate was set during 2022 at -0.5% until 26 July, 0% from 27 July to 13 September, 0.75% from 14 September to 1 November, 1.50% from 2 November to 20 December and 2.00% from 21 December onwards.

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

13 Covered bond purchase programme – ECB decisions

No. 2011/17 of 3 November 2011 and No. 2020/8 of 3 February 2020 (recast).

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

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

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

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

18 Covered bond purchase programme – ECB decision No. 2009/16 of 2 July 2009.

19 See the press release on the decision of the ECB Governing Council of 10 March 2022.

20 See the press release on the decision of the ECB Governing Council of 9 June 2022.

Securities held for monetary policy purposes

Asset item A7.1

(EUR millions)

	2022		2021		Variation	
	Amortised cost	Market price	Amortised cost	Market price	Amortised cost	Market price
Completed programmes						
SMP	205	235	1,064	1,139	-859	-904
CBPP2	0	0	809	814	-809	-814
Total completed programmes	205	235	1,873	1,953	-1,668	-1,718
Asset purchase programme (APP)						
CBPP3	66,987	58,361	63,453	64,098	3,534	-5,737
PSPP – issued by French public bodies	452,372	397,077	437,218	452,601	15,154	-55,524
PSPP – issued by supranational bodies	76,085	63,378	71,435	72,641	4,650	-9,263
CSPP	107,045	92,492	97,144	99,033	9,901	-6,541
Total APP	702,488	611,308	669,250	688,374	33,239	-77,065
Pandemic emergency purchase programme (PEPP)						
PEPP-PSPP – issued by French public bodies	262,463	216,616	246,322	243,518	16,141	-26,902
PEPP-PSPP – issued by supranational bodies	43,214	33,544	41,038	40,257	2,176	-6,713
PEPP-CSPP	11,354	9,715	10,613	10,715	741	-1,000
PEPP-CBPP	2,010	1,606	1,917	1,890	93	-284
Total PEPP	319,040	261,481	299,890	296,380	19,151	-34,899
Accrued interest receivable	5,653		5,482		170	
TOTAL	1,027,386		976,495		50,891	

Thereafter, APP portfolios should decline at a measured and predictable pace as the Eurosystem will not reinvest all of the principal payments from maturing securities. On 15 December 2022, the ECB Governing Council decided that this decline would amount to EUR 15 billion per month on average from the beginning of March 2023 to the end of June 2023. Its subsequent pace will be determined over time. The ECB Governing Council will regularly reassess the pace of the APP portfolio reduction to ensure it remains consistent with the overall monetary policy strategy and stance, to preserve market functioning, and to maintain firm control over short-term money market conditions.

Furthermore, the Eurosystem continued net asset purchases under the pandemic emergency purchase programme (PEPP) during the first quarter of 2022, albeit at a slower pace than in the previous quarter, in accordance with the ECB Governing Council decision of December 2021.²¹ Based on the same decision, net asset purchases under the PEPP were discontinued at the end of March 2022, although the ECB Governing Council

intends to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. The ECB Governing Council will continue to apply flexibility in its reinvestments with a view to countering risks to the monetary policy transmission mechanism related to the pandemic. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The variation in the amortised cost of securities held for monetary policy purposes between 2021 and 2022 is shown in the table on the next page.

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 the tests carried out as at 31 December 2022, no impairment loss in respect of the portfolios held by the Eurosystem for monetary policy purposes (with an amortised cost, excluding accrued interest, of EUR 4,937 billion) was recognised in the financial statements.

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

	2021	Inflows	Outflows	Other variations (a)	2022
Completed programmes					
SMP	1,064	0	-826	-32	205
CBPP1	0	0	0	0	0
CBPP2	809	0	-809	0	0
Total completed programmes	1,873	0	-1,635	-32	205
Asset purchase programme (APP)					
CBPP3	63,453	10,708	-7,316	141	66,987
PSPP – issued by French public bodies	437,218	52,837	-39,872	2,188	452,372
PSPP – issued by supranational bodies	71,435	9,645	-4,895	-101	76,085
CSPP	97,144	15,040	-4,911	-228	107,045
Total APP	669,250	88,231	-56,994	2,001	702,488
Pandemic emergency purchase programme (PEPP)					
PEPP-PSPP – issued by French public bodies	246,322	31,185	-13,782	-1,262	262,463
PEPP-PSPP – issued by supranational bodies	41,038	8,918	-6,603	-139	43,214
PEPP-CSPP	10,613	2,606	-1,835	-30	11,354
PEPP-CBPP	1,917	95	0	-3	2,010
Total PEPP	299,890	42,804	-22,220	-1,434	319,040
TOTAL	971,013	131,035	-80,849	534	1,021,734

(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, 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 for portfolios of monetary policy securities, impairment tests are also carried out on the Banque de France's other 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)

	2022	2021
Securities held to maturity (a)	28,464	28,562
Other bonds	2,127	2,213
Accrued interest receivable	346	426
TOTAL	30,937	31,201

(a) In 2022, there were no sales of securities held to maturity.

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)

	2022	2021
Claims arising on the transfer of reserve assets to the ECB	8,240	8,240
Accrued interest receivable	41	0
TOTAL	8,281	8,240

21 See the press release on the decision of the ECB Governing Council of 16 December 2021.

Claims are remunerated 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"

At the end of 2021, asset item A8.4 covered the Banque de France's net claim on the Eurosystem generated by transfers via the Target2 payment system with other ESCB NCBs. The Banque de France's net position in Target2 was a creditor at the end of 2022 and is thus recognised as a liability in item L7 (see Note 15).

Item A8.4 also included the claim on the interim dividend paid by the ECB at the end of 2021. With regard to 2022, given its performance outlook, the ECB 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). Consequently, no receivables in this respect have been recognised in the Banque de France's financial statements as at 31 December 2022.

Other claims on the Eurosystem

Asset item A8.4

(EUR millions)

	2022	2021
Claims on the Eurosystem (Target2)	0	25,847
ECB interim dividends	0	31
Other claims	0	0
TOTAL	0	25,878

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)

	2022	2021
Debt securities held to maturity (a) (b)	65,133	69,681
Other securities	7,825	7,706
Other transactions	45,145	59,308
Accrued interest receivable	38	2
TOTAL	118,142	136,698

(a) In 2022, none of these securities were transferred to another portfolio.

(b) Collateralised securities earmarked against customer deposits: EUR 63,479 million of which EUR 55,546 million of foreign currency denominated securities.

Securities portfolios

Extract from asset item A11

(EUR millions)

	2022	2021
Debt securities held to maturity		
Euro-denominated securities	9,587	12,179
Foreign currency denominated securities	55,546	57,503
Accrued interest receivable	20	-26
Net balance sheet value	65,153	69,655
Equities and investment fund units (a) (b)		
Collective investment funds	6,712	6,497
Other variable-yield securities	640	649
Net balance sheet value	7,352	7,146

(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 2021 and 2022 was EUR 5,006 million and EUR 5,660 million, respectively.

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 adjustment accounts" at the end of 2021 reflected the impact of the revaluation of off-balance sheet foreign currency positions held in relation to transactions with customers. As it is a credit balance as at the end of 2022, it is reported in liability item L11 (see Notes 19 and 26).

Other items

Asset item A12

(EUR millions)

	2022	2021
Other items including CRE portfolios	11,394	12,392
Accruals and deferred expenses	722	2,604
Accrued income	678	370
Prepaid expenses	43	26
Other adjustment accounts	1	2,208
TOTAL	12,116	14,995

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 7.5 billion as part of its euro banknote circulation activity on behalf of the Banque de France 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.

Fixed assets

Asset items A8.1 and A13

(EUR millions)

	31 December 2021	Increase (a)	Decrease (a)	31 December 2022
Participating interest in the ECB (balance sheet value)	1,777	125		1,901
Participating interests other than the ECB (gross value)	686			686
<i>Intangible fixed assets (gross value)</i>	922	179	103	997
<i>Amortisation and impairment</i>	617	73	1	689
Net value of intangible fixed assets	305	106	102	308
<i>Tangible fixed assets (gross value)</i>	2,522	637	619	2,540
<i>Depreciation and provisions</i>	1,531	90	60	1,561
Net value of tangible fixed assets	991	547	559	979
Total tangible and intangible fixed assets (net balance sheet value)	1,295	653	661	1,287

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

Information relating to subsidiaries and participating interests at 31 December 2022

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 2022
European Central Bank (a)	Frankfurt, Germany	A8.1	10,825	20.42	43,123	0	1,901	900	9
IEDOM	Paris, France	A13.2	33.5	100.00	123	9	149	53	8
Bank for International Settlements (b)	Basel, Switzerland	A13.2	858	8.82	27,894	425	405	669	17
Europafi	Vic-le-Comte, France	A13.2	133	99.00	19	-2	132	87	2
La Prévoyance immobilière	Paris, France	A13.2	<0.1	98.00	na	na	ns	na	0
Banque de France Gestion	Paris, France	A13.2	0.6	99.99	8	7	ns	24	14

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 out of all euro area member NCBs. Dividends are allocated on the basis of this key.

(b) Last financial year-end at 31 March 2022, accounts prepared in SDR, EUR/SDR conversion rate as at 31 March 2022.

(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.

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

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 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) and each time there is a change in the ESCB's composition.

Since 31 January 2020, when the Bank of England withdrew from the ESCB, the Banque de France's share in the ECB's subscribed capital has been 16.6108%, as the Bank of England's share of the ECB's subscribed capital (EUR 10,825 million) was reallocated among both the euro area NCBs and the 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 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 2022.²² 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 2022, 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 2022, includes the net amounts paid by the Banque de France as a result of the increase in its share of the ECB's equity value²³ resulting from all previous ECB capital key adjustments.

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 Europafi

In 2015, the Banque de France spun off its paper business within Europafi. At 31 December 2022, 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 BDF Gestion

BDF Gestion, the Banque de France's 99.99%-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

Euro banknotes in circulation increased by 1.8% from 2021 to 2022.

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

(%)

Until 31 Dec. 2003	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
16.8337	14.8712	14.3875	14.2212	14.1342	14.1792	14.2061	16.6108

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

Liability item L3 is 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)

	2022	2021
Euro-denominated liabilities to euro area residents	26,977	28,162
Accrued interest payable	7	0
TOTAL	26,984	28,162

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

This item comprises euro credit balances and fixed-term deposits (excluding Target2) with non-euro area central banks, commercial banks and non-financial customers in non-Eurosystem member countries. In most cases the assets offsetting 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)

	2022	2021
Euro-denominated liabilities to non-euro area residents	49,470	70,862
Accrued interest payable (a)	74	-22
TOTAL	49,545	70,840

(a) In the financial statements for the year ended 31 December 2021, the negative balance for accrued interest payable of EUR 22 million at year-end 2021 was recorded within "Euro-denominated liabilities to non-euro area residents".

Note 15: Euro-denominated liabilities to the Eurosystem

In 2022, euro-denominated liabilities to the Eurosystem were made up of:

- the Banque de France's net creditor position in Target2, which had been recognised in asset item A8 in 2021 due to its debit balance (see Note 7);
- accrued interest payable related to the remuneration of the Target2 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)

	2022	2021
Euro-denominated liabilities to the Eurosystem (Target2)	14,531	0
Accrued expenses in respect of the pooling of monetary income	94	627
Accrued interest payable	175	0
TOTAL	14,799	627

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.

- The Treasury's account, which earned interest at the following rates in 2022:²⁴
 - until 13 September 2022, when the deposit facility rate became positive, remuneration on the basis of the euro short-term (€STR) rate up to a capped amount²⁵ and then, above this amount, on the basis of the deposit facility rate,
 - as from 14 September 2022, remuneration at the €STR rate up to the capped amount mentioned above and then, above this amount, at the lower of the deposit facility rate and the €STR rate.

22 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).

23 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.

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

25 EUR 872.3 million in 2022.

- The accounts of other government agencies, as well as deposits from certain international bodies.

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

Euro-denominated liabilities to other euro area residents

Liability item L8

(EUR millions)

	2022	2021
L8.1 Liabilities vis-à-vis the state and government agencies	79,552	140,852
L8.2 Other liabilities	11,752	59,271
Accrued interest payable	102	1
TOTAL	91,407	200,125

Note 17: Items in the course of settlement

Liability item L9, “Items in the course of settlement”, includes balances (primarily cheques) debited or credited to a customer’s account, but not yet credited or debited to a credit institution’s account, and vice versa.

Note 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)

	2022	2021
Customer deposits	1,531	833
Other banking transactions o/w fixed-term deposits	94,449	124,638
Accrued interest payable	435	165
TOTAL	96,415	125,636

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)

	2022	2021
CRE capital	8,631	8,240
Accrued expenses	324	303
Other adjustment accounts	0	5
Miscellaneous	2,648	473
TOTAL	11,604	9,021

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)

	2021	Increase	Decrease	2022
Provisions for restructuring and changing the age pyramid	130	0	7	123
Provisions for retirement benefits	128	13	15	126
Provision for supplementary health insurance	159	0	15	144
Other miscellaneous provisions – current employees	93	18	21	89
Other miscellaneous provisions – retirees	159	0	13	146
Provision related to monetary policy operations	0	0	0	0
Other	20	12	10	22
TOTAL	688	43	81	650

- 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% (2.25% in 2021) and pension and salary revaluation assumptions based on long-term inflation of 2% (1.75% in 2021).

Note 21: Revaluation accounts

Gold and foreign currency assets and liabilities were revalued at the reference prices indicated by the ECB on 30 December 2022.

The revaluation rates used at 30 December 2022 for gold and the main currency holdings were:

- EUR 54,852 per kilogram of fine gold (compared with EUR 51,746 per kilogram at end-2021);
- EUR 1 = USD 1.0666 (compared with USD 1.1326 at end-2021);
- EUR 1 = SDR 0.7989 (compared with SDR 0.8091 at end-2021);
- EUR 1 = AUD 1.5693 (compared with AUD 1.5615 at end-2021).

The increase in the balance of item L13 is mainly the result of a significant rise in the price of gold and the value of the US dollar against the euro. The downturn in equity markets and the impact of rising interest rates on bonds explain the decrease in unrealised capital gains on euro-denominated and foreign currency denominated securities portfolios.

Revaluation accounts

Liability item L13

(EUR millions)

	2022	2021
Revaluation accounts – gold	114,254	106,688
Revaluation accounts – foreign currency	9,357	6,835
Revaluation accounts – securities and financial futures	2,932	5,188
TOTAL	126,543	118,711

Note 22: Fund for general risks

An allocation of EUR 4,412 million was made to the fund for general risks in respect of 2022 based on an analysis of the potential risks associated with exposures at the balance sheet closing date and future expenses related to remunerating excess liquidity within the Eurosystem.

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

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

Note 24: Capital, reserves and retained earnings

Capital, reserves and retained earnings

Liability item L17

(EUR millions)

	2022	2021
Capital	1,000	1,000
Reserves	7,932	9,007
Statutory reserve (a)	1,614	1,576
Long-term capital gains	100	100
Special pension reserve fund (see Note 28)	2,957	4,074
Other reserves (b)	3,261	3,257
Retained earnings	0	0
TOTAL	8,932	10,007

(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. Expenses of almost EUR 1 million will be charged to the FAS in 2023 in respect of an incident at the Chamalières site in 2022.

Off-balance sheet

Note 25: Interest rate financial futures and securities commitments

Notional amount of financial futures

(EUR millions)

	2022	2021
Outright transactions on organised markets		
Foreign currency denominated interest rate contracts		
Purchases	1,832	0
Sales	17,318	0
Euro-denominated interest rate contracts		
Purchases	189	43
Sales	2,434	232
Over-the-counter market operations		
Foreign currency denominated interest rate swaps	173	163
Euro-denominated interest rate swaps	0	0

At the end of 2022, the Banque de France had also committed EUR 274 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 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.

The amounts of foreign currency receivables and deliverables resulting from foreign exchange reserve management operations each amounted to EUR 1.1 billion.

Foreign currency receivables and deliverables on transactions with customers

(EUR millions)

	2022	2021
Euro to be received against foreign currency to be delivered		
Euro receivable	16,068	19,303
Foreign currency deliverable	15,774	19,477
Foreign currency to be received against euro to be delivered		
Foreign currency receivable	12,126	24,623
Euro deliverable	12,253	24,094
Foreign currency to be received against foreign currency to be delivered	91,684	113,157
Foreign currency to be delivered against foreign currency to be received	92,639	110,855

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, additional drawing rights of SDR 18.4 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,²⁶ SDR 0.1 billion of which was drawn down at 31 December 2022. Additional drawdowns of SDR 18.8 billion can still be made.

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.²⁷ 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 2022, the additional drawdowns that could be made amounted to SDR 3.8 billion.

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.

Note 28: Pension liabilities

Banque de France employees benefit from a pension scheme, governed by Decree 2007-262 of 27 February 2007 (amended), aligned with that of the civil service.

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. 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".

²⁶ IMF decision No. 16645.

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

²⁷ As part of the renewal for 2021-23, the amount was revised

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's General Council to ensure the progressive financing of the unfunded portion of pension liabilities;²⁸
- by the use of CRE capital;
- by a balancing subsidy paid by the Banque de France.

The other benefits paid by the CRE²⁹ 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 2020³⁰ specifies that this authorisation may be given to service the pensions of the following financial 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 2022, as pension liabilities were not fully covered, the proportion of statutory pensions that exceeded income from portfolios was funded by a balancing subsidy paid by the Banque de France.

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.

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.

Pension liabilities and funding

(EUR millions)

	Liabilities			Funding	
	2022	2021		2022	2021
Pension liabilities	13,536	14,139	Funding	11,607	12,329
			<i>o/w to Employee Reserve Fund</i>	8,651	8,255
			<i>o/w to special pension reserve fund</i>	2,957	4,074
<i>o/w to current employees</i>	3,881	4,356			
<i>o/w to retirees</i>	9,655	9,783			
Liabilities in respect of the additional seniority granted as part of restructuring plans	123	130	Provision	123	130
			Revaluation accounts	1,237	2,927
Total gross liabilities	13,659	14,269	Total funding	12,967	15,387
Insufficient coverage	692		Excess coverage		1,118

The TGH-TGF 2005 statutory mortality tables applicable to life insurance contracts were used to calculate pension liabilities at 31 December 2022.

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% was applied in 2022 compared with 2.25% in 2021. Pension and salary revaluation assumptions based on long-term inflation rose to 2% from 1.75% in 2021 (see Note 20).

Profit and loss account

Note 29: Net interest income

Net interest income for 2022 amounted to EUR 7.5 billion, up year-on-year from EUR 6.7 billion.

Although the 2022 financial year was strongly impacted by the ongoing normalisation of monetary policy and the associated recognition of interest expenses as part of the remuneration of deposits recorded as Banque de France liabilities, net interest income rose by EUR 730 million. This is due to the decrease in accrued

Net interest income

Profit and loss item 1.1

(EUR millions)

	2022	2021
Interest on foreign currency assets	3,683	1,485
Interest on reserve assets (excluding the IMF)	1,449	963
Interest on financing provided to the IMF	539	14
Other interest	1,695	508
Interest on euro-denominated assets	13,184	10,321
Monetary policy securities	8,451	4,093
Interest levied on financial institutions' accounts	2,523	4,164
Securities earmarked against reserves	663	898
Interest levied on the Treasury's account	426	536
Interest on claims arising on the transfer of reserve assets to the ECB	41	0
Interest on claims on the ECB with regard to banknotes	583	0
Other interest	497	630
Total interest and related income (A)	16,869	11,806
Interest on foreign currency liabilities	-666	-102
Interest on foreign currency reserve liabilities	-16	0
Interest on SDR allocations	-456	-11
Other interest	-193	-91
Interest on euro-denominated liabilities	-8,745	-4,976
Interest on bank refinancing operations	-2,275	-4,585
Interest on financial institutions' accounts	-3,986	0
Interest paid on the Treasury's account	-269	0
Interest on Target2 positions	-602	0
Other interest	-1,613	-391
Total interest and related expenses (B)	-9,411	-5,078
Net interest income (A + B)	7,458	6,728

interest calculated on TLTRO III operations (see Note 4 on calculation methods) and the increase in income from inflation-indexed securities held for monetary policy purposes. Furthermore, income from foreign currency and euro reserve assets increased compared with 2021.

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 2022, net realised gold and foreign currency gains and losses represented a gain of EUR 283 million. 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, this net balance and the unrealised foreign exchange losses on reserve currencies of EUR 48 million were allocated to the RRRODE, with the corresponding entry taken to the profit and loss account (item 1.2.2).

Other income and expenses on financial transactions, net

Profit and loss item 1.2.3

(EUR millions)

	2022	2021
Net gain/loss on foreign currency denominated securities (a) (b) (c)	-376	14
Net gain/loss on euro-denominated securities recorded in items A7.1 and A7.2 (b) (c) (d)	-74	26
Net gain/loss on available-for-sale securities recorded in item A11 (b)	-14	38
Net foreign currency gains and losses (excluding foreign exchange reserve management)	17	12
TOTAL	-446	89

(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) In 2022, this item includes expenses of EUR 26 million from the early redemption of securities initiated by the issuer at a price below nominal value. It also includes capital gains on disposal of EUR 1 million from sales intended to ensure compliance with limits.

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

29 In particular additional seniority, travel allowances and death benefits.

30 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.

Note 31: Income from equity securities and participating interests

For 2022, this item includes the balance of the dividend distributed by the ECB from its net profit for 2021. However, given its performance outlook for 2022, the ECB 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).

Income from equity securities and participating interests
Profit and loss item 1.4

(EUR millions)

	2022	2021
ECB dividend (final for the previous financial year and interim dividend for the current financial year)	9	109
Dividends from other participating interests	40	49
Other dividends	7	3
TOTAL	56	162

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 2022, it amounted to an expense of EUR 102 million. It also contains prior-year adjustments related to the 2020 and 2021 financial statements following the availability of the rates applicable to TLTRO III operations for the additional special interest rate period from 24 June 2021 to 23 June 2022 (see Note 4).

Net result of pooling of monetary income

Profit and loss item 1.5

(EUR millions)

	2022	2021
Monetary income pooled by the Banque de France	-1,559	-897
Monetary income allocated to the Banque de France	1,457	239
Net result of pooling of monetary income in 2022	-102	-658
Other expenses and income arising from the pooling of monetary income	8	31
Sub-total	-94	-627
Net provisions/reversals related to monetary policy operations	-	-
TOTAL	-94	-627

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.

Income includes levies for supervisory expenses by the *Autorité de contrôle prudentiel et de résolution* (ACPR – the French Prudential Supervision 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 monetary income pooled by the Eurosystem is allocated between 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 banknotes in circulation, euro-denominated liabilities to euro area credit institutions related to monetary policy operations, intra-Eurosystem liabilities resulting from Target2 transactions, net intra-Eurosystem liabilities on euro banknotes in circulation within the Eurosystem, and, 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 euro-denominated lending to euro area credit institutions related to monetary policy operations, securities held for monetary policy purposes, claims arising on the transfer of reserve assets to the ECB (excluding the gold component), net intra-Eurosystem claims resulting from Target2 transactions, net intra-Eurosystem claims arising on the distribution of euro banknotes within the Eurosystem, claims on the central banks that are not members of the Eurosystem relating to euro liquidity provision, accrued interest on securities held for monetary policy purposes whose risks and income are pooled and which have been written down, and 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 to it the marginal rate of main refinancing operations.

The ACPR is a financially autonomous, independent administrative authority without legal personality, chaired by the Governor of the Banque de France and 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 2022, levies 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.

Other income and expenses, net

Profit and loss item 1.6

(EUR millions)

	2022	2021
Remuneration for services provided to the state	218	222
Payments for ACPR supervisory expenses	205	205
Miscellaneous income (a)	1,040	368
Total other income (A)	1,464	795
Total other expenses (B)	-705	-84
Other income and expenses, net (C = A + B)	757	710

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

Note 34: Staff costs and related expenses

With effect from these 2022 financial statements, social security contributions include employer contributions in respect of the pensions of its statutory employees. In previous financial statements, these contributions were allocated to the CRE's capital as part of the distribution of the Banque de France's net profit.

The arrangements made to finance pension expenses are presented in Note 28, "Pension liabilities".

The total gross remuneration of the Governor of the Banque de France for 2022 was EUR 293,652. The First Deputy Governor, Denis Beau, received EUR 237,671 and the Second Deputy Governor, Sylvie Goulard, received EUR 217,860 (up to her departure in early December). No employee accommodation is made available to them

Staff costs and related expenses

Profit and loss item 2.1

(EUR millions)

	2022	2021
Salaries and wages	584	567
Taxes on salaries and wages	95	92
Social security contributions	294	164
Profit-sharing and incentive plans	35	36
Total staff costs and related expenses	1,009	859

Profit and loss item 2.2

(EUR millions)

	2022	2021
Pensions and related expenses	526	36
Total pensions and related expenses	526	36

Remuneration of management bodies

(EUR millions)

	2022	2021
Total remuneration paid to management bodies (a)	3,2	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 gross 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.

but they each receive a gross housing allowance of EUR 5,974 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.

Corporate income tax

Profit and loss item 5

(EUR millions)

	2022	2021
Income tax expense	1,067	1,895
On profit before exceptional items	1,067	1,895

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STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2022

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 2022.

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 2022 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 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 2022 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. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

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. 823-10-1 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, 17 March 2023

The Statutory Auditors

KPMG S.A.
Marie-Christine Jolys
Partner

Mazars
Franck Boyer
Partner