

Banque de France

Activity Report

2015

The Governor's Foreword



This annual report is the first that I have the honour of presenting. Henceforth, it will be organised around the three main tasks of the Banque de France: monetary strategy, financial stability and, equally rooted in our history, economic services to households and firms.

The Banque de France is the French pillar of the Eurosystem, the federal system that comprises the European Central Bank and the national central banks of the euro area. As regards **monetary strategy**, our role is crucial as we prepare and then implement the decisions taken by the ECB Governing Council, which is a collegiate body. In 2015, our staff carried out 21% of the Eurosystem's asset purchases; having printed 1.9 billion €20 banknotes, the Bank accounts for 44% of the total issuance of this new banknote; and, through our collective action at the level of the Eurosystem, we generated, according to convergent estimates, 0.3% of additional growth. Monetary policy is not an abstract concept but, on the contrary, is part and parcel of our daily lives.

As regards **financial stability**, the Banque de France is charged with strengthening regulations and monitoring risks, as well as ensuring the security of the financial system and savers' deposits. Thanks to the work of the ACPR staff, we have made a significant contribution to the new Single Supervisory Mechanism. We have also shored up banking and insurance regulations, as well as the oversight of payment systems and market infrastructures.

Lastly, the Bank provides **economic services** to households and companies. They include concrete services offered to the most disadvantaged populations: it has processed 237,000 applications to the Household Debt Commissions, and has granted accounts to 69,000 people under the right to a bank account procedure. These services also include company ratings for SMEs, credit mediation and, in the future, providing support for VSEs. Finally, the Bank conducts national and regional business surveys that are always highly anticipated by business leaders.

Since Christian Noyer headed the Banque de France for the 12 years leading up to 1 November 2015, he oversaw the bulk of activity in 2015. I therefore wish to pay tribute to his work and the successes that, under his leadership, the Banque de France has achieved.

A number of projects have been launched over the past few years. They will be pursued and built on in the framework of the overall strategic plan, "**Ambitions 2020**", which we are in the process of designing collectively. Ambitions 2020 has simple goals: enhance the tasks of the Banque de France, build further on the services we provide to French citizens, and bring the Bank to the fore in economic debate in France and in Europe.

François Villeroy de Galhau

2015 in figures



Delivering our three core missions: monetary strategy, financial stability and economic services



12,269 full-time equivalent staff



96 branches

21 economic centres

73 customer service and information offices

6.9 billion euro, net income from activities
4.7 billion euro, profit before tax and exceptional items
2.2 billion euro, net profit
12.9 billion euro in equity capital



-11% , reduction in energy consumption



-1.3% , reduction in energy-related greenhouse gas emissions

-7% , reduction in transport-related greenhouse gas emissions

Monetary strategy 2015 activity



65

publications
in peer-reviewed
journals



47

working papers
published



3rd

largest publisher among
Eurosystem central banks
(by number of listed
publications)



134

billion euro of asset purchases
since October 2014
in the framework
of non-standard monetary
policy operations



145

billion euro,
total amount
of France's gross reserves
(EUR 131.4 billion
in net reserves)



55.2

billion euro,
total foreign
exchange reserves



76.2

billion euro,
value of gold reserves



2,435

tonnes, size of France's
gold reserves (4th largest
holding in the world,
after the United States,
Germany and Italy)



2.8

billion banknotes
manufactured and
delivered



6.7

billion banknotes
sorted



7.0

billion banknotes distributed
by Banque de France counters



18.8

billion coins
in circulation

Monetary policy decisions are based on in-depth economic assessment that uses high-level research:

- expert appraisals, studies and modelling
- diagnoses, analyses and forecasts
- preparation of meetings (ECB, BIS, IMF, G20)

The Banque de France implements monetary policy and provides liquidity to French banks to ensure the financing of the economy:

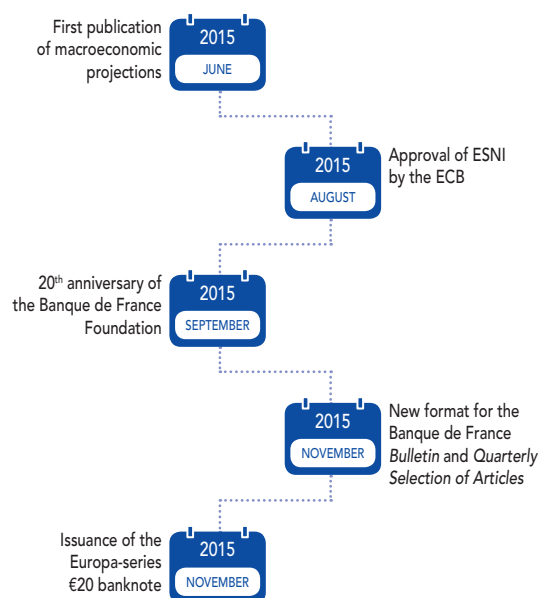
- forecasts of liquidity requirements of the French banking sector
- refinancing of French banks
- asset purchases in the framework of the ECB's non-standard monetary policy operations

The Banque de France is a key market player, via its operational activities, its supervision of market infrastructure and its management of foreign exchange and gold reserves:

- market operations
- operating the future securities settlement system Target2 Securities

As a member of the Eurosystem, the Banque de France maintains confidence in the currency:

- note-issuing bank
- largest printer of euro banknotes
- oversight of payment instruments



Financial stability 2015 activity



204

on-site inspections:
insurance firms, banks
(excl. SSM), business
practices



42

inspections on behalf of
the ECB in the framework
of the SSM



1,028

ACPR staff



80

individuals seconded to the ECB
in the framework of the SSM



777

authorised banks



827

authorised insurance
firms and mutual insurers



12%

core tier one ratio
of the six main French
banking groups



24

billion euro, average daily
settlement flows processed in
retail payment systems in France
in December 2015



307

billion euro, average daily
settlement flows processed by
Target2 (large-value payment
system) in France
in December 2015



2

reports on the assessment
of risks in the French
financial system



20

seminars

1

conference on financial
regulation and stability



15

studies and research
projects

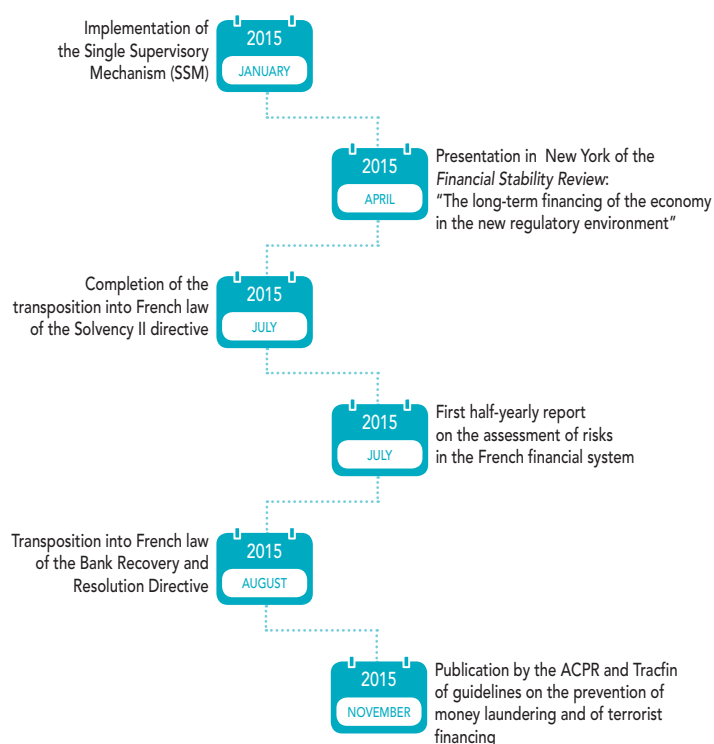
The *Autorité de contrôle prudentiel et de résolution* (ACPR) is charged with supervising the financial sector:

- supervision of banks and insurance companies
- player in the Single Supervisory Mechanism
- enforcement of regulatory changes for banks and insurance companies
- authorisation of banks and insurance companies
- prevention of money laundering and of terrorist financing

The Banque de France ensures the smooth operation and security of the payment systems and market infrastructures that it oversees.

The Banque de France strives to safeguard financial stability and prevent systemic risks:

- analysis of systemic risk
- participation in international committees on systemic risks and the macroprudential framework
- coordination with the *Haut Comité de stabilité financière* (HCSF – High Council for Financial Stability)



Economic services 2015 activity



15,000

companies participating
in business surveys



100,000

subscribers to regional
and national business
surveys



20,000

statistical series
disseminated



7.2

million businesses
registered in the FIBEN
company database
at 31 December 2015



14

million
FIBEN searches



252,534

non-financial corporations
(including SMEs)
attributed a rating



1,102

companies provided
with support (1,258 in
2014)



18,379

jobs saved
or secured
(20,033 in 2014)



370,000

letters and telephone calls
received (mostly via the
ABEIS telephone platform)



69,000

banks designated under the
right to an account procedure



573.7

billion euro
of Treasury securities sold
at auction



237,000

applications to the Household
Debt Commissions resolved
and closed

tasks

Business surveys and statistics, a detailed assessment of the economic situation:

- national surveys
- regional surveys
- Stat Info

The monitoring of firms, based on expert knowledge, allows staff to conduct rigorous assessments:

- rating of companies
- monitoring of very small enterprises (VSEs)
- credit mediation

The economic services provided to individuals aim primarily to ensure consumer protection:

- supervision of business practices
- the ABEIS website (a public service site which indicates risks to banking customers)

The Banque de France is entrusted with a number of tasks aimed at preventing over-indebtedness and promoting banking inclusion:

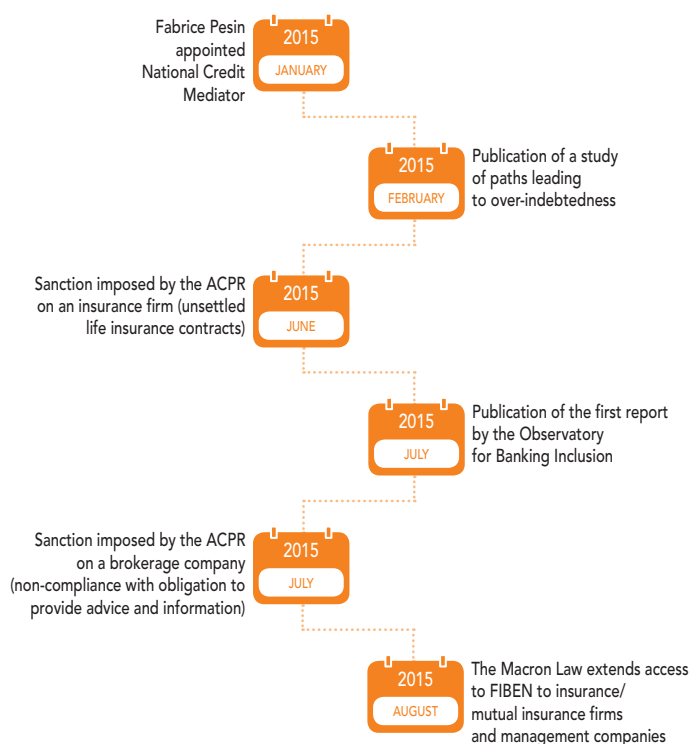
- right to a bank account
- banking and financial inclusion

Provision of secretariat functions for the departmental Household Debt Commissions, one of the most important tasks carried out by the branch network:

- solutions for over-indebted individuals
- typological survey of household debt

The Banque de France is also the state's bank:

- holding of the Treasury's account
- management of government securities auctions



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The background of the top half of the page is a dark blue field filled with various financial data visualizations. It includes several white and light blue line graphs with markers, some of which are trending upwards. There are also red and green curved lines. Faint, semi-transparent numbers are scattered throughout, such as '117 2457', '121 0446', '437.2', '345.', and '225.0043'.

1

Monetary strategy

Economic diagnosis and high-level research
Liquidity for the financing of the economy
A leading player in financial markets
Maintaining public confidence in the currency

As a member of the Eurosystem, the Banque de France plays a role in the conduct of monetary strategy

preparing and implementing monetary policy decisions

issuing and maintaining euro banknotes and coins

The Banque de France is a member of the Eurosystem and its mandate – defined under the Treaty on the Functioning of the European Union – is “to maintain price stability” and, “without prejudice to this objective, to support the general economic policies in the Union (...) with a view to contributing to the objectives of the Union”.

The Governor of the Banque de France is a member of the Governing Council of the ECB, which determines the monetary policy of the Eurosystem.

Monetary policy decisions are based on an in-depth assessment of the economy which requires high-level research

The Bank’s analysis and research activities cover the following:

- expertise in economic research, analysis and modelling;
- the production of complete, detailed diagnoses, analyses and forecasts;
- the collection, analysis and distribution of statistical data (monetary developments, financial statistics, balance of payments, corporate financing);

- assistance in the decision-making of Bank and Eurosystem authorities;

- help in the preparation of external meetings (ECB Governing Council, BIS, IMF, G20, etc.).

The high standard of this work has helped to cement the Bank’s reputation for scientific research in the fields of financial and monetary stability, and has increased its influence in national and international economic debates. To add to its status, the Banque de France maintains close ties with the academic community and supports external research via its Foundation for Research. It has notably established partnerships with the Toulouse School of Economics (TSE), the Paris School of Economics (PSE), the Aix-Marseille School of Economics (AMSE) and Sciences Po.



What's new in our economic publications?

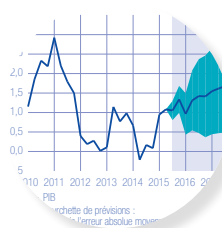


15 editions since December 2014; published twice-monthly since September 2015

<https://www.banque-france.fr/en/publications/economic-documents/rue-de-la-banque.html>

Rue de la Banque, bringing our research to a broader readership

Rue de la Banque is a collection of articles published on the Banque de France website and designed to bring our research to a broader audience (financial journalists, market economists, teachers and students). Published in French and English, the articles frequently cover **topics that are in the news**. Each one provides a **short, non-technical summary** of a research paper recently published by Banque de France economists.



<https://www.banque-france.fr/en/publications/economic-documents/economic-projections.html>

Banque de France macroeconomic projections

The Banque de France conducts economic analyses and business surveys in order to provide the Eurosystem and public decision-makers with detailed macroeconomic information on the French economy, including confidence indicators, forecasts and structural analyses. In the interests of transparency, and to provide more information to economic agents, the Bank has decided to **publish its medium-term assessment of the French economy on a twice-yearly basis** (in June and December). Its analysis includes forecasts for gross domestic product (GDP) and for the main macroeconomic indicators.



<https://www.banque-france.fr/en/publications/banque-de-france-bulletins/quarterly-selection-of-articles.html>

New format for the *Bulletin de la Banque de France* and the *Quarterly Selection of Articles* as of November 2015

The *Bulletin* and the QSA now contain even **more articles explaining or commenting on current events relating to the French and global economy**. Recent articles include: "Adjustments in consumer prices in France in periods of low inflation" (Spring 2016).



http://www.banque-france.fr/fondation/gb/telechar/V6_20ans_fondation_GB_web.pdf

20 years of the Banque de France Foundation

To mark the 20th anniversary of the Foundation for Research into Monetary, Financial and Banking Economics, the Banque de France held an anniversary conference on 14 September. In the past 20 years:

- 81** research grants
- 99** visiting scholars
- 158** seminars.



Key figures for 2015



38
publications
in peer-reviewed
international journals



47
working papers
published



3rd
largest publisher
among Eurosystem
central banks (by number
of listed publications)



2
prizes for research
awarded to Banque
de France researchers



19
conferences organised
(with a total of around
1,000 participants)



137
research seminars



In exchange for guarantees, the Banque de France provides French banks with the liquidity they need to finance the economy

Through its presence in the markets and its interaction with financial institutions, the Banque de France is instrumental in implementing ECB Governing Council decisions on interest rates and the refinancing of the banking system. It participates

in securities purchase programmes and carries out refinancing operations for banks based in France; it also manages the compulsory reserve system for the French banking industry, and anticipates the sector's central bank money needs.

Using its expertise and knowledge of monetary policy transmission mechanisms, the Banque de France actively participates in analyses and discussions on the operational

framework for refinancing operations and eligible collateral (assets pledged as guarantees), and examines the behaviour of Eurosystem counterparties.

- It supported the launch of ESNI – a major step forward for the Paris financial centre – and helped to make the vehicle a success (see box).
- It proposed and carried out trial reverse auctions (see Highlights).

ESNI

Created by five banks (BNP Paribas, BPCE Group, Crédit Agricole Group, HSBC France and Société Générale), Euro Secured Notes Issuer (ESNI) is a securitisation vehicle open to French and European banks, which allows participants to refinance loans to non-financial corporations – in particular to SMEs and mid-tier companies – that meet the eligibility criteria for Eurosystem refinancing operations. The financial instruments issued can be used as high-quality collateral between capital market participants and as a new type of investment vehicle for investors. The Eurosystem recently updated its monetary policy framework to include Euro Secured Notes as eligible collateral and, on 31 August 2015, the ECB approved ESNI as a vehicle for the securitisation of private credit claims for use as collateral. A total of around EUR 5 billion of ESN securities have been issued under the scheme.

The Banque de France facilitates the day-to-day functioning of the system by regularly assessing the quality of the underlying loans and maintaining ESNI's cash accounts. It also awards FIBEN ratings to ESN issues, providing participants with an independent measure of the underlying credit quality as an alternative to rating agency assessments.



Highlights

On 31 August 2015, the ECB approved ESNI as a vehicle for the securitisation of private claims for use as collateral.

For a number of years now, the Eurosystem has been following a non-standard monetary policy, involving the implementation of largely decentralised securities purchase programmes. The Banque de France has actively participated in this framework. October 2014 saw the launch of the third covered bond purchase programme (CBPP3), which totalled around EUR 144 billion by end-2015; this was followed in November 2014 by the asset-backed securities purchase programme (ABSPP) which led to the purchase of some EUR 15 billion of securities by end-2015; and in March 2015, the Public Sector Purchase Programme (PSPP) was launched, totalling EUR 492 billion at end-2015. Between October 2014 and December 2015, the Banque de France purchased EUR 134 billion of

securities under these programmes. Alongside the Banco d’Espana, it also coordinated and helped to execute the Eurosystem’s

purchase of supranational bonds. The Banque de France was the only national central bank to take part in the ABS purchase programme.

Statistical database on the euro area interbank market

In 2015, as part of the Eurosystem Money Market Statistical Reporting project (MMSR), the ECB and the Banque de France set up a partnership to construct a statistical database of daily short-term euro transactions carried out by banks. The record is designed to help in the formulation of monetary policy and promote financial stability. As part of the project, the Banque de France is tasked with developing and operating a platform to collect and process data submitted by 50 of the largest euro area banks (of which 14 are French). Together, these contributors account for some 70% of the total euro area banking sector balance sheet, and the scope is set to be extended in a second phase of the project. In parallel, the Banque de France will develop a national platform to analyse data transmitted by French banks. Work on both platforms is scheduled to start in April 2016.



Key figures at 31 December 2015



134.3

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



Highlights

In 2015, the Banque de France was one of three Eurosystem national central banks to conduct the first trial reverse auctions. The mechanism allows bank counterparties to purchase supranational bonds issued by the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM), and eligible for the Public Sector Purchase Programme (PSPP), at best offer, up to a maximum amount and price determined by the Banque de France for each bond.



The Banque de France is a leading player in financial markets through its operational activities, its supervision of market infrastructure and its management of foreign exchange and gold reserves



Market operations: knowledge and expertise

The Banque de France carries out market operations on its own account and on behalf of the ECB, as well as producing market analyses for Eurosystem decision-makers. It uses the markets both for the management of its foreign exchange reserves and as part of its provision of services to institutional clients. The Banque de France offers institutional clients a broad array of services, including efficient cash account management, safe custody of securities and gold, and advice on their investment needs.

The future Target 2 Securities system: towards greater market integration

The Banque de France is actively involved in implementing the cross-border securities settlement-delivery platform or Target 2 Securities (T2S), which is designed to increase the integration of euro area capital markets and harmonise operating methods in the European financial sector (see Highlights).

Management of foreign exchange reserves: a pillar of financial stability

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



Key figures at 31 December 2015



145

billion euro,
size of France's gross reserves
(net amount
of EUR 131.4 billion)



55.2

billion euro,
total forex reserves



76.2

billion euro,
value
of gold reserves



2,435

tonnes, size of
France's gold reserves
(fourth largest holding
in the world, after the
United States, Germany
and Italy)

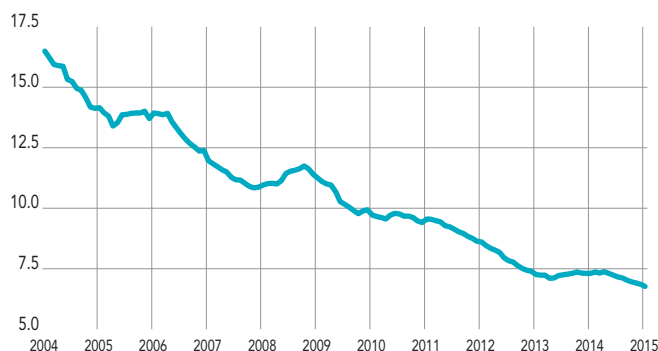
As a member of the Eurosystem, the Banque de France helps to maintain confidence in the currency

The Banque de France's role as banknote issuer

The Banque de France issues and distributes euro banknotes, ensures they are sorted on a regular basis, and puts good quality notes back into circulation while withdrawing counterfeits and destroying notes unfit for use. The Bank also circulates and collects euro coins on behalf of the French government.¹ It monitors the sorting activities of private operators (see Appendix on "The recycling of euro banknotes and coins by private operators in 2015").

Growth in net banknote issuance

(in %; year-on-year change in 12-month average volume of issuance)



Source: European Central Bank.

Note: Net issuance is gross issuance (new banknotes) minus banknotes withdrawn from circulation. The growth rate for December 2015 (6.8%) corresponds to the percentage change in average net issuance from January to December 2015 (4,263 million banknotes) versus average net issuance from January to December 2014 (3,992 million banknotes).

The Banque de France, the leading manufacturer of euro notes

The Bank manufactures a large share of the Eurosystem's euro banknotes,² as well as the notes used in the French overseas territories and in the African monetary unions. Production takes place at the Banque de France paper mill in Vic-le-Comte and the printing

works in Chamalières, both located in the Puy-de-Dôme region. In 2015, the Banque de France printed more than 40% of the total volume of new €20 notes (see box).

¹ See factsheet entitled "Euro banknotes and coins: characteristics and use": https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/publications/Note-Information_2015-10_Billets-pieces-euros_EN.pdf

² Euro coins are manufactured by the Monnaie de Paris in Pessac, near Bordeaux, and not by the Banque de France. The Banque de France no longer sorts coins, but is responsible for managing their circulation.



Highlights

Opening of T2S in June 2015

On Saturday 20 June 2015, the T2S platform was opened up to the first participating central securities depositories. The complete platform will be rolled out in stages over the next two years.

Launch of the euro/yuan renminbi currency trading service in September 2015

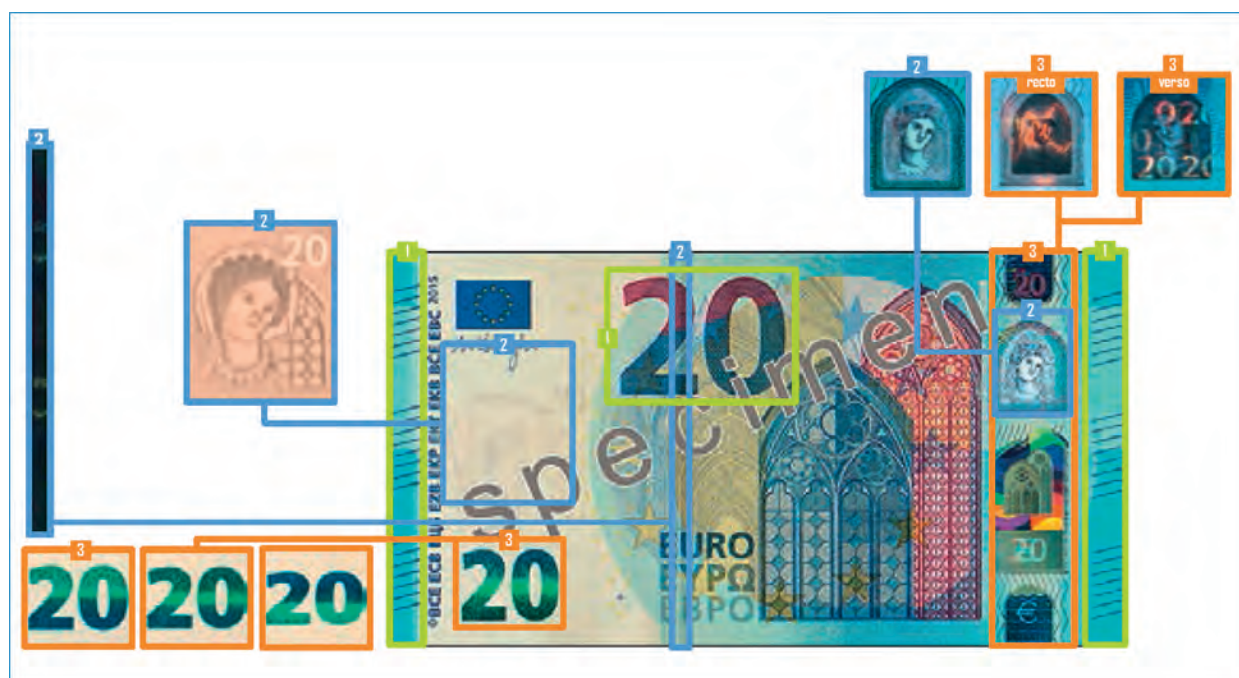
On 18 September 2015, the Paris financial centre launched a new trading service for participants in the offshore renminbi market in Europe. The Banque de France piloted the project, while the Bank of China Paris (the designated renminbi clearing bank in Paris), BNP Paribas, HSBC France and Natixis all set up shared information pages on the euro/renminbi exchange rate.





Successful launch of the Europa €20 banknote on 25 November 2015

The €20 is the most commonly used banknote in France, accounting for over half of all notes distributed by ATMs, compared to around 36% for the euro area as a whole. The roll-out of the new Europa-series €20 in France was thus a major challenge for the Banque de France. Selected as one of seven manufacturers of the new €20, its printing works delivered some 1.9 billion banknotes, or 44% of the total volume produced for the Eurosystem. In the space of a year, the Banque de France trained more than 26,000 cash handlers in how to recognise and authenticate the new note. It also helped industry professionals to adapt the 60,000 ATMs in use across France, as well as distributing hundreds of thousands of information leaflets to the general public. Banque de France branches were stocked with the notes ahead of the launch on 25 November 2015, to ensure the adequate frontloading of banks and ATMs.



In October 2015, the Banque de France split off its paper mill into a separate company called Europafi, and obtained an agreement in principle from other central banks with their own printing works to supply at least 40% of their paper needs. Feasibility studies are still underway into the possibility of grouping the Bank's printing and paper production activities



Highlights

Spin-off of the Bank's paper manufacturing activities in 2015

The spin-off is part of a strategic and industrial partnership with five Eurosystem central banks, aimed at turning the Vic-le-Comte paper mill – or Europafi – into the euro area's leading public sector banknote paper manufacturer. The site's paper production capacity should be doubled to around 5,000 tonnes per year.

New currency management centres

The Banque de France plans to open two new, highly automated currency management centres, which will offer improved working conditions for employees. Work on the centre in the north of France continued in 2015 and the opening is scheduled for 2016. The site for the second centre, located just outside Paris, was fully decontaminated and cleared over the year and construction is due to begin in January 2016, with delivery set for 2018.



Key figures at 31 December 2015



2.8

billion
banknotes
manufactured
and delivered



1.9

billion
new €20
notes



6.7

billion
banknotes
sorted



7.0

billion
banknotes
distributed
by Banque
de France
counters



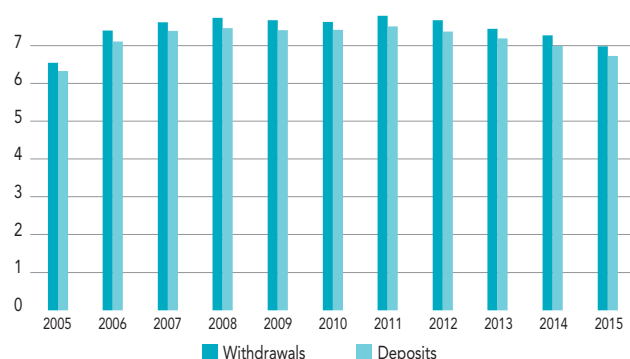
18.8

billion
coins
in circulation



Flow of banknotes at Banque de France and IEDOM counters

(in billions of banknotes)



Source: European Central Bank.

Note: Flow statistics cover all banknotes in circulation.

together at the Vic-le-Comte site. Over the coming years, the existing production apparatus will gradually be modernised, helping to cement the Bank's role as the leading public sector banknote manufacturer in the Eurosystem.

Supervision of payment means

A properly functioning payment system and secure, efficient means of payment are prerequisites for any economy: they help to shore up consumer confidence in the

currency and facilitate monetary policy implementation. The Banque de France is responsible for various aspects of the supervision of payment systems and cashless payment instruments. It operates as the secretariat for the *Observatoire de la sécurité des cartes de paiement* (the French Observatory for Payment Cards Security),³ a coordinating body combining representatives of both suppliers and users of payment cards as well as public authorities.

It also helps to develop the payments market by encouraging the emergence of new, innovative payment tools that are more secure,

³ The most recent report was published in July 2015: <https://observatoire.banque-france.fr/en/home.html>



2015 highlights

2 June 2015

Assises nationales des paiements (the National Payments Conference), organised under the aegis of the French Ministry of Finance.

As part of the preparations for this meeting, the Banque de France helped to draw up recommendations on the security of means of payment.

easier to use and transferable across Europe. As part of this role, for example, it recently coordinated the migration to pan-European payment instruments (SEPA).

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



Key figures for 2014 (latest available data)



20

billion,
total number of
cashless payments



28,505

billion euro,
total value
of cashless payments



50%

share of bank card transactions
in total number of payments,
compared to 36% for direct debits
and 13% for cheques







2

Financial stability

Supervision of the financial sector by the *Autorité de contrôle prudentiel et de résolution*
Security of payment systems and market infrastructures
Financial stability and prevention of systemic risks

The Banque de France ensures financial stability through its three-pronged mission:

supervising the financial sector

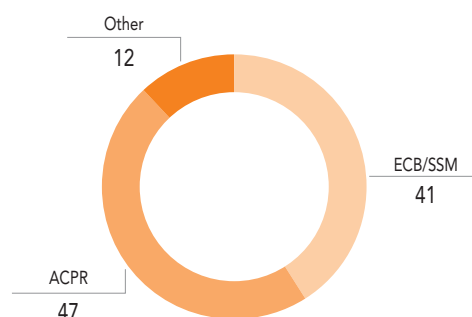
overseeing payment systems

preventing systemic risks

The supervision of the financial sector is carried out by the *Autorité de contrôle prudentiel et de résolution* in the framework of the European Banking Union

The *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervision and Resolution Authority) is responsible for issuing licences and authorisations in accordance with legal and regulatory requirements, and for conducting ongoing supervision of the financial position and operating conditions of banks and insurance companies. It plays a key role in implementing the bank resolution regime (Law of 26 July 2013).⁴ Its tasks are now conducted, with regard to credit institutions, partly within the framework of the Single Supervisory Mechanism (SSM) or the Single Resolution Mechanism (SRM).

Breakdown of tasks (%)



Implementation of the Single Supervisory Mechanism

On-site inspections in the banking sector

- 42 inspections on behalf of the ECB (under the SSM): a dozen inspections reviewed internal models while the general inspections focused on

questions of governance, cybersecurity or credit risk.

- 48 inspections on behalf of the ACPR: centring on anti-money laundering and the terms of enforcement of the Law on the Separation and Regulation of Banking Activities.

⁴ Resolution aims to limit the impact of a bank failure on the clients of the institution and on the economy as a whole.

The protection of depositors and “resolution” in France and Europe

In France, the protection of depositors is based on the Deposit Guarantee (and Resolution since 2013) Fund that steps in when a bank fails. In the event of a bank failure, it reimburses losses of up to EUR 100,000 per depositor. Its resources come from the previously collected contributions of credit institutions.

This protection was strengthened by Directive 2014/59/EU of 15 May 2014 on the recovery and resolution of credit institutions, which harmonised depositor protection mechanisms in Europe: common definition of deposits, harmonisation of the repayment period and the calculation of banks’ contributions, etc. Pre-funded guarantee systems must be established in each Member State. The Directive was transposed into French law by Order 2015-1024 of 20 August 2015.

In the event of a bank failure, a resolution measure known as a “bail-in” can be used to absorb losses and replenish equity through the bank’s creditors. The guaranteed deposits are placed outside the application scope of this measure and the other deposits of private individuals and SMEs are granted preferred treatment as they can only be affected by a bail-in measure as a last resort, after the other liabilities (shares, subordinated or senior debt, in particular bonds).

Ongoing supervision in the banking sector

The supervision of significant banks is conducted by joint supervisory teams (JST – see box below) whereas that of other institutions remains the responsibility of local authorities under the coordination of the ECB.

Joint supervisory teams (JST)

The direct supervision of banks by the ECB (over 120 groups) is carried out by joint supervisory teams (JST) bringing together the ECB, as a coordinator, and the national authorities. Within the JST, inspectors carry out off-site inspections leading to interviews with the representatives of the banks, assess adaptation to additional capital requirements, and conduct on-site inspections.



Preparing regulatory changes in the insurance sector

For the insurance sector, supervision priorities focused on three areas:

- continuing the preparation of the sector for Solvency II (data collection tests, awareness campaigns for senior managers, communication, etc.);
- processing requests with a view to implementing the new prudential regime (analysis of internal models);
- impact studies of the low interest rate environment and specific checks.

Contributions to international projects

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

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

Fight against money laundering

The ACPR supervises financial institutions in the area of the prevention of money laundering and of terrorist financing.



Key figures for 2015

204

on-site inspections of insurance firms and banks in the framework of the ACPR's national prudential supervision tasks (excluding those carried out on behalf of the ECB) and supervision of business practices



42

inspections conducted on behalf of the ECB in the framework of the SSM



2015 highlights

July: completion of the transposition of Solvency II

In the insurance sector, 2015 saw the completion of the transposition into French law of the European legislation on the new prudential regime "Solvency II" by the Order of 2 April 2015, the Decrees and Orders of 7 May 2015, and different acts and instructions in July 2015.

November: publication of anti-money laundering and counter-terrorist financing guidelines

In November 2015, the ACPR and Tracfin published joint guidelines on the reporting of suspicious transactions by financial institutions, and submitted for consultation to professionals the joint guidelines drawn up with the Treasury on the freezing of assets.

http://acpr.banque-france.fr/fileadmin/user_upload/acp/Communication/Communiqués%20de%20presse/20151119-LBFT-lignes-directrices.pdf

The Banque de France ensures the smooth operation and security of the payment systems and market infrastructures that it oversees

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

It ensures that financial market infrastructures comply with the European Market and Infrastructure Regulation (EMIR), i.e. the

implementation at the European level of the Principles for Financial Market Infrastructure, published in April 2012 by the Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO). This regulation focuses on the management of credit and liquidity risk by infrastructures, as well as on the need for CCPs to provide users with a framework for the segregation and portability of the positions and collateral of participants and their customers.

The Banque de France strives to ensure financial stability and prevent systemic risks

The financial system plays a key role in the functioning of the economy,

its long-term performance and its ability to create sustainable conditions for wealth and employment. Its stability, defined as its ability to efficiently allocate resources and withstand shocks, is therefore crucial. The Banque de France has long-standing responsibilities in the area of financial stability, which it exercises as part of its role to ensure the smooth functioning of payment systems and in its capacity of lender of last resort. Over the past few years, it has developed expertise in analysing systemic risk, its determinants and its transmission mechanisms. The Law of 26 July 2013 on the Separation and Regulation of Banking Activities entrusted it with an explicit financial stability mandate in cooperation with France's *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability), of which it is a key member.



Key figures for 2015



24

billion euro, average daily settlement flows processed by retail payment systems in France in December 2015



307

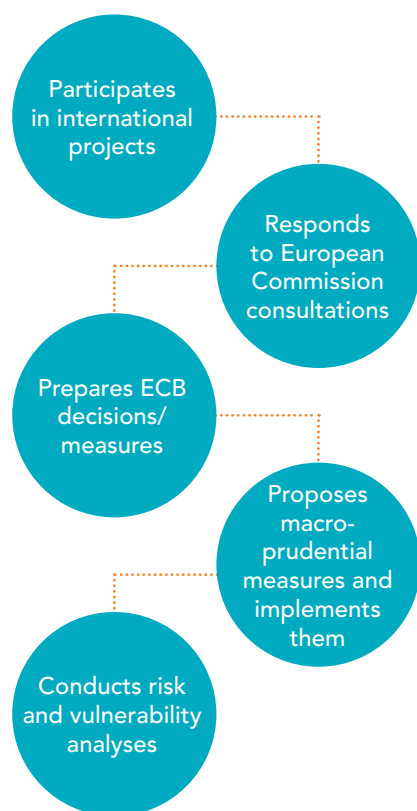
billion euro, average daily settlement flows processed by Target2 (large-value payment system) in France in December 2015



4

meetings of the HCSF





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

- by actively participating in the international work (Basel Committee on Banking Supervision, Financial Stability Board – FSB –, the Committee on the Global Financial System, European Systemic Risk Board) which aims to reduce the risks of financial instability thanks to an increasingly harmonised regulatory framework. Since May 2015, it has co-chaired the European Regional Advisory Group that brings together financial authorities with a view to discussing financial system vulnerabilities and the implementation of FSB initiatives;

- by responding to European Commission consultations prior to the drafting of European financial regulations. In 2015, it published its responses to the Commission's Green Paper on an EU Framework for Simple, Transparent and Standardised Securitisation, to the Green Paper on Building a Capital Markets Union, as well as to the consultation on the possible impact of the CRR and CRD IV on bank financing of the economy;

- by preparing (within the FSB and its working groups) the decisions and the initiatives of the ECB aiming to help the euro area recover from recession while limiting macro-financial imbalances;



Key figures for 2015



1

edition of the *Financial Stability Review* on the impact of financial regulation on the long-term financing of the economy by banks, published in April 2015



2

reports on the assessment of risks and vulnerabilities in the French financial system published in July and December 2015

20

seminars



1

conference on financial regulation and stability, in the framework of the partnership with the Toulouse School of Economics, and in cooperation with Sciences Po Paris



15

research projects and studies launched on macroprudential policies, financial regulation, contagion mechanisms and the risks associated with the energy transition

The work of the HCSF

The HCSF meets quarterly with the aim of safeguarding financial stability in France and preventing the emergence of systemic risks, in particular via the implementation of macroprudential measures such as capital and countercyclical liquidity requirements. Its remit covers both cross-sector risks arising from interlinkages between financial sector participants, and maturity mismatch risks stemming from financial imbalances over the cycle. The Governor of the Banque de France is an *ex officio* member. He has significant powers as he alone can request the activation of macroprudential tools. Macroprudential policy thus benefits from the credibility that its independent authority status gives to the Banque de France. Furthermore, the Banque de France provides the data and the analyses required to assess these risks.

The HCSF finished its work on implementing the countercyclical capital buffer, which came into force on 1 January 2016. Based on all available indicators, the HCSF examined and accepted the proposal of the Governor to set the countercyclical capital buffer for France at 0% of risk-weighted assets and to recognise the countercyclical buffer rates applied in Norway and Sweden (as of 31 December 2016, French banks will have to apply a countercyclical buffer of 1.5% of their exposures in these countries).



- by proposing at the national level, within the HCSF, macroprudential policy measures, and by implementing them where necessary. Moreover, the Bank creates the instruments (systemic risk buffer, countercyclical capital buffer, instruments to prevent real estate risk, etc.) that will be necessary to implement the decisions of the HCSF;
- by carrying out and publishing on a half-yearly basis its analyses of the risks and vulnerabilities of the French financial system as well as its studies

and research on financial stability, in order to shore up the Bank's analytical capacities and means of action, and to enrich the work of the HCSF.





3

Provision of services to the economy

Business and statistical surveys, a regular and detailed assessment of the French economy
Documented monitoring and in-depth assessment of companies
Provision of services to individuals
Prevention of over-indebtedness and promotion of banking inclusion
Secretariat for Household Debt Commissions
Provision of banking services to the state

The Banque de France provides a wide range of economic services to the community

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

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

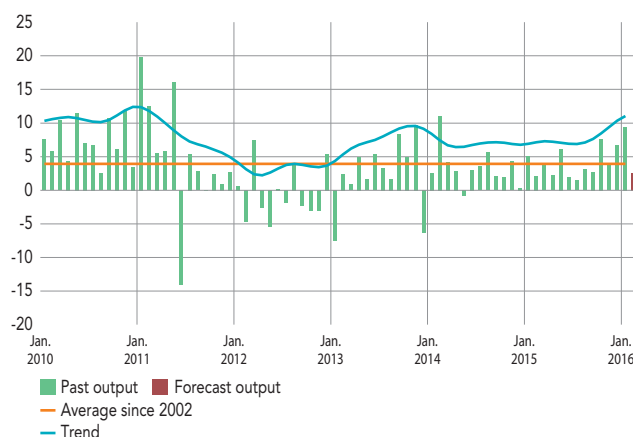
The business surveys and statistics produced by the Banque de France provide a regular and thorough analysis of the economic situation

Business surveys

The nationwide survey:

- summarises the work done on monitoring and analysing business conditions, and provides an assessment of the French economy to the European Central Bank (ECB), public authorities and any other interested parties;

Balance of opinions on manufacturing output
(balance of opinions SA-WDA)



Key figures for 2015



15,000
companies participated
in business surveys



100,000
subscribers to regional
and nationwide business
surveys



20,000
statistical series
published on
webstat.banque-france.fr



100
statistical news
alerts published on
banque-france.fr

- is conducted through the Bank's branch network across a broad panel of business managers;

- covers:

– manufacturing, market services and construction (level and business outlook)

– retail trade, including turnover indices;

- is published on the website of the Banque de France, with the series made available in the Banque de France's interactive database, webstat.

The Banque de France also carries out and publishes quarterly surveys on wholesale trade and public works as well as the financial situation in industry.

Summaries for each region are published on the Bank's website at: <https://www.banque-france.fr/economie-et-statistiques/conjoncture-et-croissance/publications-regionales.html>

Other statistics produced by the Banque de France

The Banque de France has developed a system for collecting monetary, financial, balance of payments and corporate-financing statistics that helps to paint a detailed picture of the economic situation, forms the basis of economic analysis and forecasts, and can be used to support Eurosystem monetary policy decisions (see "Monetary strategy"). These statistics are extremely useful to economic decision-makers and researchers and can be accessed on the Banque de France website.

The documented corporate monitoring process enables the Banque de France's expert teams to carry out rigorous assessments

Expert ratings helping to shape monetary policy

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

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



Key figures for 2015



7.2

million businesses registered in the FIBEN company database at 31 December 2015



14

million FIBEN searches



252,534

non-financial corporations (including SMEs) rated based on analysis of their individual or consolidated financial statements



61%

of companies rated as "eligible for refinancing" (i.e. rated 3++ to 4), of which 95% have a turnover of less than EUR 50 million



The rating

An overall assessment comprising two components:

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

The rating also provides business leaders with an external analysis of their credit quality and enables them to identify the determining factors in said analysis. This improves dialogue between the Bank and companies by

offering a shared, recognised point of reference.

The Banque de France adopts an expert approach based on an individual and in-depth analysis of the financial and extra-financial situations of companies or groups. It rates more non-financial corporations on the basis of their financial statements than any other central bank within the Eurosystem.

Monitoring of microbusinesses to ensure better coverage of the entire economy

The Banque de France has monitored the bank financing of micro-businesses on a quarterly basis since 2011. In 2013, it extended this activity through a partnership with the *Fédération des centres de gestion agréés* (FCGA – Federation of Chartered Management Centres), which covers 250 trade, craft and service professions and represents 300,000 French small businesses. The quarterly survey on credit access, which provides an overview of the supply and demand of credit from the perspective of companies, therefore covers a broad range of businesses, with the Bank surveying 4,000 SMEs and 500 mid-sized

companies, and the FCGA surveying 3,000 microbusinesses.

Credit mediation: engaging in dialogue to help save jobs

The Banque de France's branch directors act as credit mediators for their respective *département*, facilitating dialogue between companies and credit institutions and identifying solutions for companies experiencing financing difficulties.

Since the service was launched in November 2008, over 48,000 companies have applied for credit mediation, of which 79% were admitted to the procedure. More than 20,000 businesses have been able to obtain financing after an initial rejection, which has helped to save or secure nearly 380,000 jobs.



Extending access to FIBEN in order to generate new sources of financing

Government authorities are looking for new ways to finance the economy. Thanks to the opening up of the Banque de France's FIBEN banking database on companies – which is a risk management tool already available to credit institutions, credit insurers and surety insurers – to new categories of investor, the latter have been given far-reaching access to information such as company ratings.

Having received legal authorisation on 1 October 2014, ten of the main crowdfunding platforms signed up to FIBEN in 2015. Moreover, Article 169 of the Macron Law (Law 2015-990 of 6 August 2015 to promote growth, activity and equal economic opportunities) widened the scope for potential FIBEN members to include insurers, cooperatives and pension and social security institutions, as well as asset management companies (as defined by Decree 2015-1854 of 30 December 2015) that invest in businesses by way of loans or similar.



2015 highlights

Partnership agreement with *Financement Participatif France*, which represents crowdfunding operators.

Fabrice Pesin replaces Jeanne-Marie Prost as National Credit Mediator.

National credit mediation agreement renewed for three years up to 31 December 2017.

Departmental credit mediators take part in emergency response units as part of the farming support programme.



Key credit mediation figures for 2015



2,990

applications received
(-16%), of which 70%
were admitted to the
procedure (72% in 2014)



1,102

companies received
financing as a result
of mediation
(1,258 in 2014)



18,379

jobs saved or secured
(20,033 in 2014)



61%

success rate
(58% in 2014)



Consumer protection is the primary aim of the services provided to individuals

Greater involvement in the supervision of business practices

The ACPR's General Secretariat is responsible for supervising business practices in the banking and insurance sectors. This supervision also extends to intermediaries in both sectors and covers all stages in the marketing and distribution of products and services, from advertising through to contract execution.

Relevant powers:

- on-site or remote supervision;
- administrative enforcement measures;
- referral to the Sanctions Committee for disciplinary procedures;
- publication of the ACPR's position on specific regulations;
- best practice recommendations.

Cooperation with the AMF and with the government's competition authorities makes the supervision of market practices more effective.

In the banking sector, intervention by the ACPR has highlighted

problems with account closures, loan renegotiations or debt consolidation, and fraud. In insurance, malpractice has been flagged in relation to cold calling. Lastly, supervision of intermediaries has confirmed that the functioning of distribution chains (one or more intermediaries between the bank/insurer and the client) plays an important role in consumer protection.

The public receive information and alerts via press releases on the *Assurance Banque Épargne Info Service* (ABEIS) website (<http://www.abe-infoservice.fr/accueil.html>) explaining the risks incurred by consumers. The main subjects of press releases issued in 2015 were fraudulent credit offers, a list of unauthorised forex websites and identity theft.



Key figures for 2015



370,000

complaints and appeals
(mostly through the ABEIS
telephone platform)



2

disciplinary procedures

- one concerned the duty of advice (20/07/15: official warning and EUR 20,000 fine);
- the other concerned unclaimed life insurance policies (25/06/15: official warning and EUR 3 million fine).

The law has also entrusted the Banque de France with several tasks aimed at preventing over-indebtedness or promoting financial inclusion

Improving reliability through management of large registers

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

- The Central Cheque Register (FCC) lists all payment incidents relating to cheques and bank cards, with a view to combating the issue of bad cheques and the misuse of bank cards.

- The National Database on Household Credit Repayment Incidents (FICP) records payment incidents related to loans awarded to individuals as well as methods for resolving over-indebtedness.

- the National Register of Irregular Cheques (FNCI) contains a record of lost or stolen cheques and disseminates this to retailers and information service providers, helping them to verify that cheques are valid.

This service was already largely automated, but in 2015 underwent further digitisation to improve data accuracy, speed up exchanges with reporting entities and enhance follow-up.

Banking inclusion: a challenge at national level

The Banque de France continually promotes banking inclusion, improving access to suitable banking services for people in financial difficulty while ensuring best practices are implemented by credit institutions.

Part of this role involves the “right to a basic account” procedure, set up in 1984. Under this system, individuals or organisations that have been refused an account can appeal to the Banque de France, and the central bank will then designate a high street credit institution to provide basic, free banking services.



Key figures for 2015



840

million searches by banks in the three registers (FCC, FICP and FNCI)



FCC

1.6

million people registered in the FCC



FICP

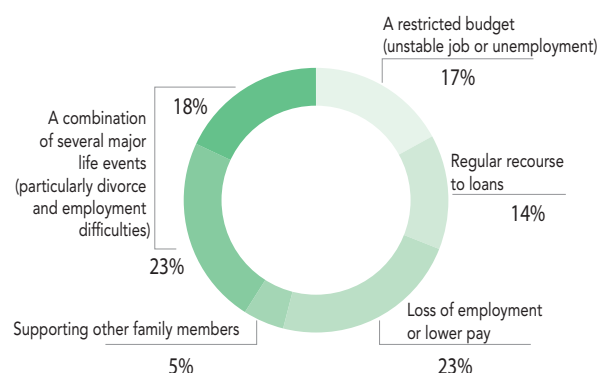
2.7

million people registered in the FICP



Causes of over-indebtedness

In line with the multi-year plan to fight poverty and promote social inclusion, adopted on 21 January 2013 by the French Inter-Ministerial Committee for Combating Social Exclusion, and at the request of the country's Economy and Finance Minister, the Banque de France conducted a study on the causes of over-indebtedness, which it published in February 2015. As well as confirming that there are many reasons for over-indebtedness (a mix of budgetary, banking, social and behavioural issues) and that external shocks have an impact, the study identified the most common causes of over-indebtedness, highlighted a combination of factors that can weaken a person's financial situation and put forward ways in which over-indebtedness can be prevented, including improved personal budgeting and financial education.



https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/La_Banque_de_France/study-of-path-leading-to-over-indebtedness.pdf

The Observatory for Banking Inclusion

The Observatory for Banking Inclusion (OIB), set up by the Law of 26 July 2013, chaired by the Governor of the Banque de France, and made up of representatives

from government, credit institutions and associations, is tasked with gathering and regularly publishing information on access to and use of banking services.

The OIB's first annual report, concerning 2014, was published

on 20 July 2015. In particular, it updates the figures on accessibility that were previously provided in the Observatory for Regulated Saving's report.

The Observatory's initial work focused on defining groups of people in



Key figures for 2015



69,000

banks designated under the "right to a bank account" procedure



+88%

increase in bank designations between 2008 and 2015



80%

of designations concerned natural persons

financial difficulty. At the same time, its Scientific Board studied the implementation of indicators enabling as objective a view as possible of the impact of various financial inclusion mechanisms.



The Banque de France branches provide secretariat functions for the departmental Household Debt Commissions

This is one of the most important tasks performed by the Bank's network of branches.

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

In order to resolve over-indebtedness more effectively and ensure that the community and all parties involved (government, households, creditors,

banks, etc.) get a high-quality service at the best possible price, the Banque de France has begun to modernise all its processes. In particular, 2015 saw an increasing proportion of electronic (as opposed to paper) correspondence with major creditors as well as the digitisation of receipt acknowledgement slips, which facilitates the case handling process while ensuring security and reliability.

In compliance with Article L331-12 of the Consumer Code, each Household Debt Commission produces an annual report on operations, which contains the number of cases processed, the measures taken or recommended, the types of debt in question and any difficulties encountered (see "Summary of the Household Debt Commissions' activity reports for the year" appended to this report).



Key figures for 2015



237,000
over-indebtedness
cases resolved
and closed



217,302
cases filed
(-6% on 2014), of which 56%
were new



70%
of permanent measures
established
by the commissions



A Banque de France study shows that revolving credit facilities, which often lead to excessive consumer debt, are in decline

Following the work carried out by the usury reform monitoring committee, the Banque de France continues to analyse the distribution of consumer credit. Totalling EUR 150 billion, these loans play an important role in financing the economy.

Studies show that, since the Law of 1 July 2010 was implemented, the distribution of consumer credit has become more responsible, diversified and competitive, resulting in a decline in revolving credit facilities and an increase in personal loans.

Other findings:

- the profile of people using revolving credit facilities differs from that of individuals taking out personal loans;
- specialist institutions charge a higher interest rate on revolving credit facilities than deposit banks;
- the interest rates on revolving credit facilities and personal loans tend to be lower for higher earners.

Each year, the Banque de France conducts a survey on household over-indebtedness. The most recent survey,

concerning 2015, was published on 25 January 2016.

https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/La_Banque_de_France/enquete-typo-surend-menages-2015.pdf



Main results of the 2015 survey on household over-indebtedness



417

cases for every
100,000 householders
aged 15 and over (national average)



65.2%

live alone
and are not
in stable employment



76.8%

are tenants, but the share
of home owners
and first-time buyers
(11.2%) is rising



53.4%

share of consumer debt
and outstanding
current expenses



41,254

euro, average amount
of debt per person,
up 2.5% on 2014

The Banque de France's role providing banking services to the state

Holding government accounts and offering best-in-class services

Under an agreement signed with the government, the Banque de France provides online banking services for government accountants and enables the Directorate General of Public Finances (DGFIP) to monitor on behalf of the general government the management of its

resources and its most important specific payments. The DGFIP can therefore fulfil its obligation of maintaining a surplus in its Banque de France account, pursuant to a law passed in 1993 stating that the Bank can no longer grant an advance to the government.

Managing Treasury auctions

Every month, the Banque de France organises several auctions⁵ of Treasury securities (Treasury bonds – OATs, Treasury bills).

⁵ Debt auctions are carried out following the principle of the "Dutch auction", i.e. "an auction with multiple and sealed bids". Before each auction, *Agence France Trésor* announces the amount it wishes to borrow. Each primary dealer (SVT) then makes a bid, indicating the amount they wish to buy and at what price.



Key figure for 2015



573.7

billion of Treasury securities sold at auction







Transformation strategy

Threefold objective for the modernisation of the branch network

Reengineering of operational functions

Reengineering of support functions

Digital Plan

Reform of human resources management

The Banque de France is changing

its action plan covers all business areas

and concerns its entire staff

The transformation underway since 2013 consists in a set of actions covering all the Bank's business areas. These actions are designed to streamline its organisation and methods of operation so it can better meet the challenges of the next decade.

They can be broken down into four main axes: the modernisation of the branch network; the reengineering of both operational and support functions; and the "digital enterprise" approach. They also involve a substantial reform of human resources management.

A threefold objective for the modernisation of the Banque de France network: improve the quality of service, improve staff working conditions, search for greater efficiency and cost reductions

The industrialisation of cash management

The bank network is undergoing profound changes, aimed at concentrating operations in centres

that process higher volumes (two large cash centres and a reduced number of branches with cash activities), and automating processes to a greater extent. This approach involves the use of standardised, high-capacity sorting equipment and the streamlining of internal logistics, and has already led to a complete overhaul of operating procedures at the Bank's sorting workshops. Important steps were taken in 2015 (see section entitled "The Banque de France's role as banknote issuer").



Changes in the operating procedures of the branch network

The Banque de France is overhauling the organisation and operating procedures of its entire branch network. Its approach consists in the construction of new cash management centres, the use of standardised, high-capacity sorting equipment, and the introduction of a new information system and more efficient internal logistics, all of which implies a complete rethink of the existing organisation. In Avignon, the first site to be modernised, the new sorting machine was put into service in April 2015.

The central objective of the transformation plan is to improve the quality of service while reducing operating costs. The idea is to modernise all aspects of the way cash activities are carried out: logistics management, information systems, traceability, security of operations, working conditions. The latter are a key focus of the reforms: in Avignon, for example, the number of handling operations has been reduced threefold thanks to the use of transportation carts and racks for storing cartons of banknotes.

The reform of service activities

These reforms concern the branch network and are aimed primarily at: dematerialising household debt and company rating files to facilitate processing and reduce costs; modernising relations with the Bank's partners; and improving contact with the general public.

- They form part of the Bank's digital transformation process, which is designed to provide operational business areas with an efficient and cutting-edge information system. This reengineering of information systems should in particular facilitate the implementation of the new functional and territorial organisation of the branch network by 2020.
- The optimisation of the Bank's territorial organisation also involves using all available communication tools to improve the provision of services: the management and follow-up of household debt files will be made much easier and more direct; exchanges with companies will increasingly be carried out via the Internet; and contact with the public will be extensively reformed with the introduction of an integrated "multi-channel" approach.
- The household debt portal will be opened in 2016 to members of the household debt commissions and creditors to improve the services offered to all stakeholders by providing them "online".
- In April 2016, the service activities of the Nanterre, Paris Raspail and Montrouge units will be grouped together in the new branch in the EQHO Tower at Paris-La Défense. The new site will also house the Île de France regional directorate.

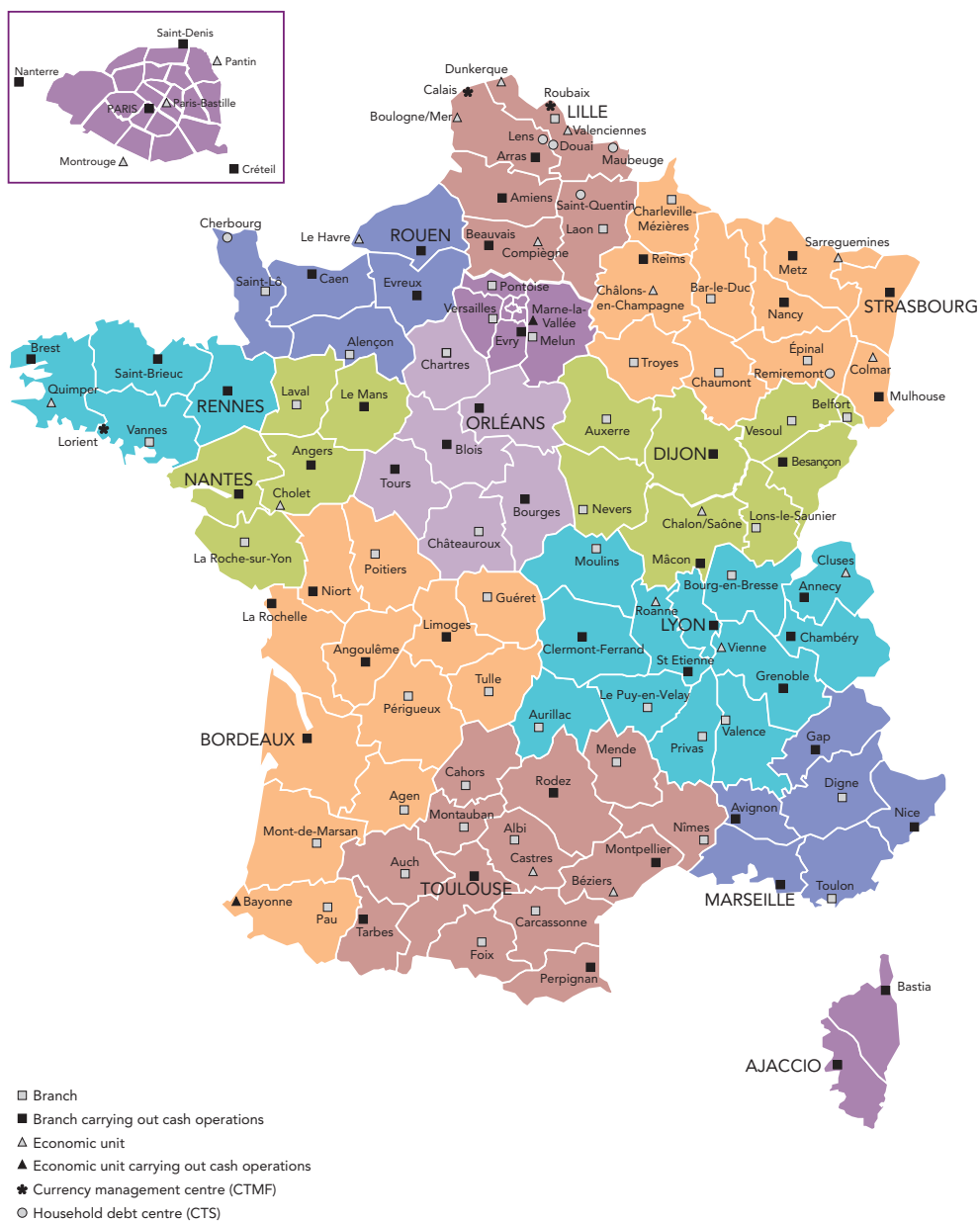
Changes in the management of service activities

The Banque de France has created a number of specialised branches and is encouraging the adoption of a network model in order to optimise expertise and management. It is also seeking to enhance services by taking advantage of the possibilities offered

by modern communication tools. While all branches are expected to strengthen their relations with businesses, individuals, local authorities and, more generally, local economic and financial players, a certain number will have cross-branch departments charged with handling company and household debt issues.



The Banque de France network as at 1 January 2016



These major changes to the functioning of the network are being implemented gradually. They should generate significant productivity gains over the period 2016-2020, some as early as 2016.

The reengineering of operational functions is aimed at simplifying the organisation and processes while improving risk management and staff skills

New organisation at the Directorate General Operations

The objective of the new organisation scheduled for 2016 is essentially fourfold:

1) to separate trading activities (proprietary and on behalf of institutional clients) from monetary policy implementation in order to improve efficiency and management;

2) to rationalise the organisation of the back offices by merging them together;

3) to pool the management of outsourcing;

4) to strengthen the permanent risk control system.

Further modernisation and rationalisation at the paper mill and the printing works

The Banque de France is the Eurosystem's number one public banknote producer, with significant processing capacity, enabling it to successfully produce the first three denominations of the new ES2 series banknotes (€5, €10 and €20) between 2013 and 2015, and launch the pilot production phase for the forthcoming €50 note. Since 2013, it has also been a test centre for the Eurosystem, alongside two other national central banks.

Over the coming years, the continuation of the project to spin off the paper mill and modernise industrial capabilities – with the rationalisation of processes, organisation and management – should all help to cement

the Banque de France's position as a leading player in this field.

The reengineering of support functions is designed to improve performance and efficiency

This reengineering has three main focuses:

- increased automation (to reduce the costs associated with manual processing) and process dematerialisation (to cut back on processing and paper storage);
- increased pooling of needs to build up higher volumes that can be managed more efficiently;
- outsourcing of activities, where this offers the best value for money.

Certain projects took shape in 2015 with the finalisation of the new invoice processing system and the launch of the implementation phase of the new platform for processing all outgoing mail at the head office and in the branch network.



The Digital Plan consists of a set of projects that directly contribute to the modernisation and reengineering strategy

The Digital Plan aims to:

- facilitate and enhance relationships with partners and customers through increased interactivity (internet access, including via mobile devices) and the provision of information using digital technologies;
- improve the staff working environment through upgrades to existing tools and the creation of new tools such as the Agora enterprise social network launched in 2014;
- incorporate harmonised and shared components into the Bank's information system, in order to speed up the development of new applications and increase standardisation.

The Bank has launched a reform of its human resources management

This approach involves the development and recruitment of new skills and takes into account the impact of the very large number of retirements.

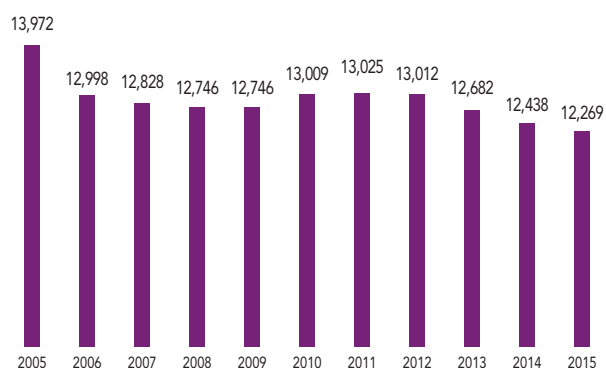
At 31 December 2015, the Bank had 12,269 full-time equivalent employees, of whom 83.1% were tenured staff, 16.6% contract staff and 0.3% public sector employees.

While 49.2% of the Bank's employees work in its head office, 43.2% work in the branch network and 7.6% work at the banknote manufacturing sites.

Staff numbers have fallen by more than 12% over the past decade, despite the integration in 2010 of the insurance supervision teams from the ACAM, and are continuing to decline. This reduction is being facilitated by the Bank's demographic structure, as 35.4% of the workforce are aged 55 and above. Some 730 staff took retirement in 2015, and more than 3,500 are expected to follow suit between 2016 and 2020.

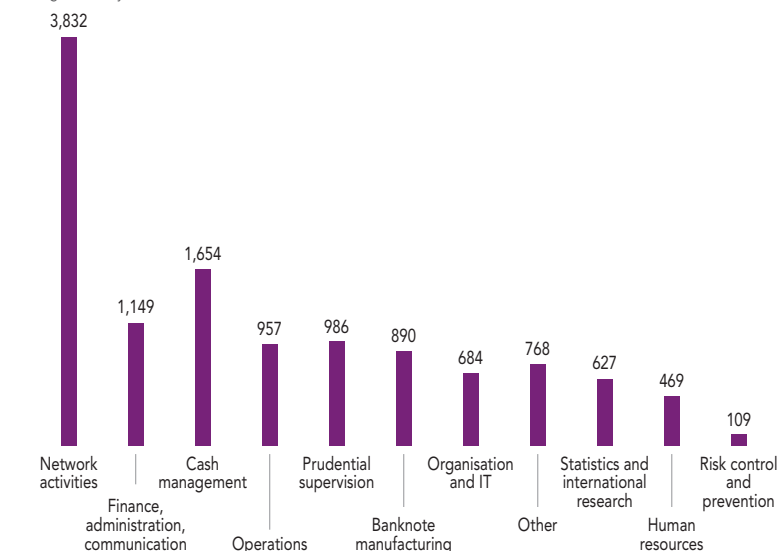
Total staff numbers

(FTE staff at 31 December 2015)



Breakdown by activity

(average monthly FTE staff numbers over 2015)



Other = seconded staff, staff on long-term leave, staff involved in social activities (trade unions, workers' council, associations, etc.).

The Banque de France has embarked on a major transformation which is enabling it to only replace a portion of these departures without affecting its mission or activities. The issue of how to adapt its human resources is therefore extremely important, and the Bank is focusing on developing three main axes: mobility, adaptability and job attractiveness.

- **Developing internal mobility** is a prerequisite for a successful transformation in an organisation such as the Banque de France, where staff turnover tends to be low.



Key figures for 2015



12,269
FTE employees



49.2%
of employees working
at the head office



43.2%
of employees working
in the branch network



7.6%
of employees working
at the banknote
manufacturing sites



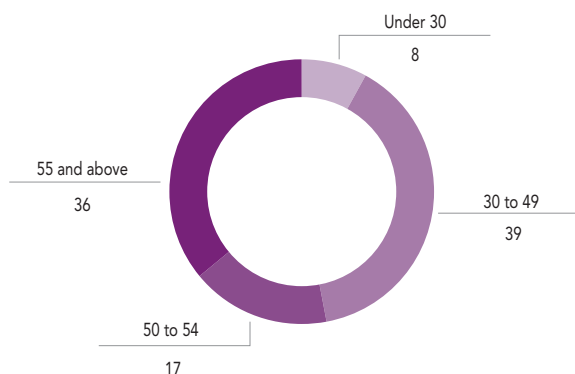
12%
reduction in staff numbers
over the past ten years



- To be effective, any policy aimed at encouraging mobility requires the implementation of measures to promote **adaptability**. As part of this strategy, employees both in the network and at the head office will be encouraged to change jobs and/or assignments, and will be provided with specific training for this purpose as part of a new company agreement (see box below). This training offer will be aligned with the needs of the Bank's business activities, but will also focus increasingly on developing behavioural skills and on change management.
- As a result of the wave of departures, there is a need to recruit and to strengthen the Bank's **attractiveness** as an employer. This means increasing its visibility at careers fairs and on social media, and opening up its recruitment policy to experienced professionals from a scientific background (see box).

Breakdown by age bracket

(FTE staff numbers at 31 December 2015, in %)



New company agreement on training and skills development

A new company agreement on training was signed on 30 October 2015 with the social partners. It provides in particular for new types of training, the recourse to professional development counselling and different ways of recognising professional achievements.

A new entrance exam for executives: the recruitment of scientific profiles

The Bank has adjusted its entrance exams to its needs. In 2015, it introduced an exam for candidates with a scientific background. It is aimed at graduates in engineering or actuarial sciences, or with a masters degree in a scientific subject, and provides access to the following positions: banking and insurance supervisor, auditor, actuary, econometrician, statistician, financial risk analyst, market operator, IT project manager. 37 candidates were recruited after passing the first exam.

In order to attract the best possible profiles, the Bank is focusing on building its image as an employer and increasing its presence in the market for young graduates.

In 2015, close to 500 employees were recruited, and around 45% of these were appointed to positions in professional or higher categories. This transition towards a "Bank of professionals" should continue in 2016, with some 300 additional recruitments forecast, the majority

for skilled positions in supervision, financial stability and IT.

To support its recruitment policy, the Banque de France is also continuing to enhance its reputation as an employer:

- its ranking among students has improved;
- it has increased its presence on social media, to add to its more traditional initiatives (such as open

days, conferences, presentations on school campuses, job fairs);

- it accepts increasing numbers of interns (262) and students on work-study contracts (214 in 2015, of whom 92 were new).

Ambitions 2020

At the start of 2016, the Executive Committee decided to capitalise on the progress already made in improving the Bank's organisation and operations by merging together – and extending – its existing transformation initiatives. Several working groups were set up to develop and share a new master plan, "Ambitions 2020". The proposals will give rise to a number of action plans, designed to make the Banque de France a stronger and more agile institution, better able to serve the community.





A photograph of a modern office interior at sunset. Several people are silhouetted against a large window, sitting at a long table and working on laptops. The room has a high ceiling and large glass panels, with long shadows cast across the floor. The word "Governance" is overlaid in white text.

Governance

Executive bodies
Decision-making and control bodies
Internal audit and risk management

Governance

Executive bodies

Governor and Deputy Governors

The Governor, assisted by two Deputy Governors, is responsible for the management of the Banque de France. He chairs the Bank's General Council and is responsible for preparing and implementing its decisions. The Governor and Deputy Governors are appointed by decree by the Council of Ministers for a six-year term, renewable once. François Villeroy de Galhau was appointed Governor of the Banque de France as of 1 November 2015 by a decree dated 30 September 2015.⁶

The Governor is also Chairman of the *Autorité de contrôle prudentiel et de résolution* (ACPR – Prudential Supervision and Resolution Authority), the Banking Mediation Committee, the Observatory for Payment Instruments Security, the Observatory for Regulated Savings and the Observatory for Banking Inclusion. He is a member of the *Haut Conseil de stabilité financière* (HCSF – High Council for Financial Stability).



François Villeroy de Galhau
Governor

The Executive Committee

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

NB The permanent features of governance bodies and audit and control functions are described in the 2013 Activity Report: <https://www.banque-france.fr/en/publications/annual-report-banque-de-france.html>

⁶ Under Article 13 of the French Constitution, in the case of certain official appointments made by the President of the Republic, the relevant committee must first submit a public notice on the appointment to the upper and lower houses of the French parliament. Under Law No. 2010 837 of 23 July 2010, the appointment of the Governor of the Banque de France falls under this category.



Anne Le Lorier
First Deputy Governor



Robert Ophèle
Second Deputy Governor

Operational management bodies

Two bodies play a crucial role in the conduct of investment policies and market operations: the Assets-Liabilities Committee and the Risk Committee. The Assets-Liabilities Committee is chaired by the Governor and advises him on the investment strategy for the Bank's portfolios (euro and foreign currency portfolios). The Risk Committee, which is also chaired by the Governor, defines the overall risk management framework for the conduct of market operations for the Bank's portfolios.

The three other committees responsible for operational management are under the authority of the Secretary General: the IT Strategy Group, the Real Estate Strategy Group, and the Procurement Strategy Group.

The branch network and the College of Regional Managers

The Banque de France network currently comprises 96 departmental branches (of which 13 were regional branches as of 1 January 2016), to

which are linked 21 economic centres and 6 household over-indebtedness centres. Services related to currency management are carried out at 52 of these sites, as well as at 3 specialised centres.

To facilitate access to the public services provided by the Banque de France (household over-indebtedness, access to payment incident databases), 74 customer service and information offices have been opened in towns where the Banque de France has no permanent branch.



Members of the Executive Committee (at 1 March 2016)



Denis Beau
Director General Financial Stability
and Operations



Édouard Fernandez-Bollo
Secretary General of the ACPR



Frédéric Peyret
Director General Human Resources



Michel Cardona
Deputy Secretary General
Secretary of the Executive Committee

Gilles Vaysset
Director General Cash Management
and Branch Network Activities



Didier Elbaum
Comptroller General

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



Jacques Fournier
Director General Statistics

Érick Lacourrège
Director General
Banknote Manufacturing



Nathalie Aufauvre
Secretary General



Jacques Milleret
Director Legal Affairs



Hervé Gonsard
Director General of the IEDOM
and the IEOM



Decision-making and control bodies

The General Council

The General Council performs the main functions of a board of directors. It deliberates on issues relating to the management of activities that are not within the remit of the ESCB.

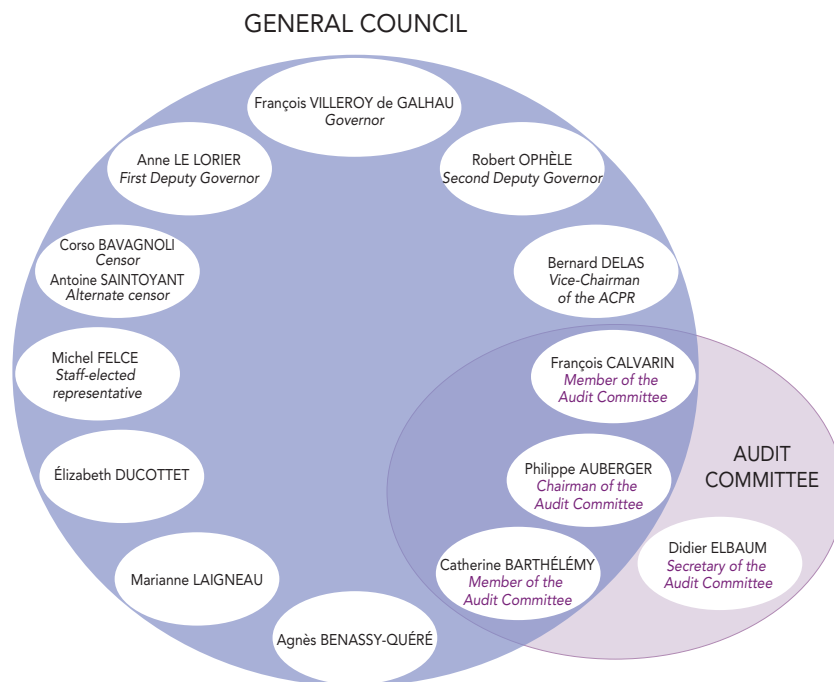
At 14 March 2016, the General Council comprised the Governor, the Deputy Governors, Philippe Auberger, Agnès Benassy-Quéré, Catherine Barthélémy, François Calvarin, Élisabeth Ducottet, Michel Felce (staff-elected representative), Marianne Laigneau, Bernard Delas (Vice-Chairman of the ACPR), Corso Bavagnoli (censor) and Antoine Saintoyant (alternate censor).

In 2015 the General Council met eight times.

The Audit Committee

The Audit Committee is charged with informing the General Council on issues related to financial reporting, external and internal auditing, internal control and risk management. As part of this role, it was responsible for

The General Council and the Audit Committee



examining and validating the reports submitted by the auditors on the Bank's 2015 financial statements.

The Committee also examined the following:

- the main findings of the internal audit missions and the progress reports on the action plans defined by the audited units;
- the 2016 audit programme;

- the changes to the Bank's permanent control and risk management system, notably those relating to market operations.

The Compensation Committee

The Compensation Committee is responsible for reviewing the remuneration of the Bank's senior management.

Internal audit and risk management

Internal Audit

The Internal Audit is responsible for assessing all the Bank's units, processes and activities. Its missions are carried out by the General Inspectorate, and can take place at the Bank's head offices, the regional administrative centres and throughout the branch network.

The Internal Audit establishes its annual work programme on the basis of risk priorities. Its primary objective is to oversee the implementation and effectiveness of management, risk control and internal audit processes within the Bank. It also aims to ensure that the Bank's operations are conducted to the highest standard and provides advice on

possible areas for improvement. By assisting the Banque de France in achieving its objectives, the Internal Audit helps to enhance corporate governance.

The Banque de France's Internal Audit complies with international professional standards – defined by the Institute of Internal Auditors (IIA) – in both the organisation and conduct of its missions.

Its work forms part of the ESCB framework. The Comptroller General and the Director of Head Office Audit are permanent members of the ESCB Internal Auditors Committee (IAC), which meets several times a year at the ECB. Together with their counterparts at the other national central banks (NCBs) and the ECB, they draw up the Eurosystem's audit programme and oversee the conduct of audits. The IAC submits its findings

to the ECB's Audit Committee and Governing Council; findings relating to the Single Supervisory Mechanism (SSM) are submitted to the ECB's Supervisory Board.

Risk management

The Banque de France's framework for risk management and permanent control has two objectives:

- strengthen the Bank's overall control system by evaluating the operational risks to which it is exposed and the action plans to mitigate those risks, and assessing the suitability and efficiency of the control mechanisms already in place;
- adopt the best practices in the ESCB as well as those recommended by the Basel Committee.







Corporate social responsibility

An educational and cultural commitment

An economic and civic commitment

A commitment towards staff

An environmental commitment

Our corporate social responsibility

In 2015, the 195 nations represented at the Paris Climate Conference (COP21) adopted the Paris Agreement, acknowledging the need to limit climate warming to below 2°C. The financial sector was unanimous in hailing the accord. Speaking at a conference organised in late November 2015⁷ on finance and the environment, the Governor of the Banque de France stressed the need for central banks and financial supervisors to heed the risks associated with climate change.

In the same year, France published its Energy Transition Act. The new legislation sets out the objectives for a new energy model and encourages businesses to take responsible steps towards this transition.

Over the course of 2015, the Banque de France continued and ramped up its CSR efforts, reflecting its continued engagement in this area. In an important new development, it incorporated CSR criteria into its business rating process (see box).

“Integrating the risks linked to climate change is a key challenge”

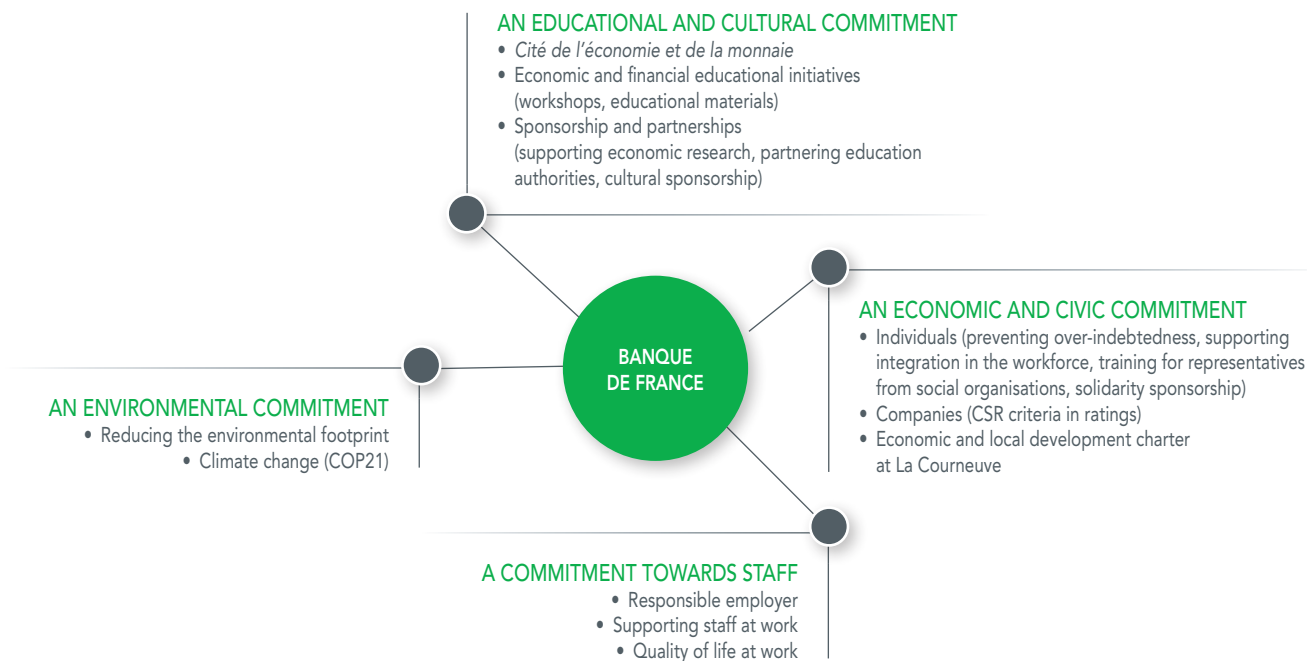
(François Villeroy de Galhau, Governor of the Banque de France, in his speech “Climate change: the financial sector and pathways to 2°C”, delivered at the COP21 conference on 30 November 2015)

Integrating CSR criteria in business ratings

After integrating corporate social responsibility (CSR) criteria into its business rating process on a trial basis, the Banque de France surveyed around 4,500 companies to gather information about their recognition of CSR aspects. The aim was to gain a better idea of firms’ strengths and qualitative risks to support or refine ratings derived from analyses of accounting and financial data.

With the overhaul of data collection tools, CSR criteria should be included in rating interviews on a permanent basis from 2016. CSR data will also be subject to qualitative analyses that could result in rating upgrades or downgrades. Approximately 5,000 companies are slated to have a CSR interview in 2016, which will expand the existing database and enable an even more in-depth analysis of the potential linkages between a company’s commitment to a CSR approach and its resilience, particularly in terms of the ability to honour financial commitments.

⁷ By the 2° Investing Initiative, the Oxford Martin School and France Stratégies on 30 November 2015.



Responsibility is a core principle of the Banque de France and one that is written into our values and applied to our dealings with stakeholders, with whom we maintain a sustained, ongoing dialogue.

Our responsibility approach is based on four key commitments:

- an educational and cultural commitment;
- an economic and civic commitment;

- a commitment towards staff;
- an environmental commitment.

An educational and cultural commitment

One of the Banque de France's tasks is to make the economy more understandable and more accessible to everyone. Drawing on its expertise in communication and financial reporting, it stepped up measures

targeting the general public in 2015 as it sought to build greater awareness of economic mechanisms, especially among younger people.

Citéco, *Cité de l'économie et de la monnaie*

Work on renovating and converting the Hôtel Gaillard building began in 2015, with the inauguration of the new facility scheduled for 2018. The centre, which is up and running already, got a name – Citéco – a new



visual identity, a new-look mobile-friendly website (citeco.fr), and put together a first programme of events for the 2015-2016 season.

Citéco was involved in various public and educational events in 2015, including the *Rencontres des sciences économiques et sociales* (Economic and Social Sciences Conferences) organised in partnership with the Paris education authority, plus other conferences and events such as *Rendez-vous de l'histoire* in Blois, *Journées de l'économie* in Lyon and the Science and You 2015 festival in Nancy. Also, the travelling exhibition *L'économie: krach, boom, mue?* was staged in Marseille (see Focus). A new partnership was signed in 2015 with Cap Sciences, Bordeaux's science museum, which will host the exhibition from February to May 2016.

The range of educational resources was steadily extended online at www.citeco.fr and through the social media sites maintained by the Citéco.



Cité de l'Économie et de la Monnaie

"L'économie : krach, boom, mue?" makes a stop in Marseille

The temporary exhibition *L'économie : krach, boom, mue?*, which was coproduced with the *Cité des sciences et de l'industrie*, provides an educational and interactive way for people to learn about key economic concepts and get to grips with today's big economic issues and debates. After being put on in Paris in 2013-2014, the 1,000m² exhibition was given a makeover and taken to Marseille from March to June 2015. In a nod to the future centre's offerings, Citéco added three new features: guided tours of the show, educational workshops for school groups to show how prices form on a market, plus a series of nine lectures. Educational publishing houses expressed interest in including the animated films presented as part of the exhibition in teaching resources for secondary schools.

Other educational initiatives by the Banque de France

Workshops

In 2015, the Banque de France continued to put on educational workshops. Run by Banque de France experts, these events are provided for schools, universities and associations and explain in an interactive and practical manner the tasks assigned to the Banque de France and its role within the

Eurosystem. The workshops also tackle more technical issues such as monetary creation, monetary policy and the foreign exchange market.

Educational materials

To promote wider understanding of key economic concepts, *L'éco en bref*, a new collection of factsheets, has been made available on the Banque de France's website and the "Guide to Economics" section has been expanded (see box).

Materials designed to make young people more economically and financially literate

The Banque de France has created two new sets of educational materials for the general public and especially young people:

- *L'éco en bref*, a new collection of factsheets. Covering a wide spectrum of issues, from monetary creation to gold and household over-indebtedness, these publications are packed with graphics, maps and timelines. By late 2015, ten or so sheets had been posted on the "Guide to Economics" section of the Bank's website.
- More detailed briefing sheets dealing with a variety of central banking-related issues. By the end of 2015, the Bank had webposted 13 briefing sheets.



Partnerships with education authorities go from strength to strength

Over the last three years, the Banque de France has signed agreements with numerous education authorities aimed at providing teachers and students with information about monetary and economic developments and prudential supervision. Ties to the academic world were further strengthened in 2015 thanks to the commitment of the Banque de France's regional managers and their teams. Other contacts were forged during the year that will lead to the signature of new agreements in 2016.



Key figures for 2015



14,000

people toured the Bank during European Heritage Days on 19 and 20 September



800

people took part in educational workshops



796

teachers and 7,000 students took part during the 2014-2015 school year in training sessions organised by the Banque de France, including 4,000 as part of the *Krach, boom, mue?* exhibition put on by Citéco



3,000

high school students took part in individual or group company placements or in sessions organised within their schools (50% more than in 2014)



12

agreements were signed, with the education authorities of Ajaccio, Besançon, Bordeaux, Clermont-Ferrand, Dijon, Limoges, Lyon, Marseille, Nantes, Orléans, Poitiers and Toulouse



Sponsorship policy

For many years, the Banque de France has engaged in partnership and sponsorship programmes.

Sponsoring research is the central pillar of the Banque de France's activities in the economic field. As part of its drive to develop its own research activities, the Bank has established strong partnerships with, and helps to fund, three research centres: the Toulouse School of Economics, the Paris School of Economics and Sciences Po. It has significant ties to other institutions as well, including the Aix-Marseille School of Economics (see "Transformation strategy").

It also acts through the Banque de France Foundation for Research, which in 2015 hosted ten researchers affiliated with foreign institutions.

Calls for research projects are the flagship programme of the Foundation as it seeks to promote economic research. In 2015, the Foundation awarded total research grants of around EUR 120,000 to four international teams. In the same year, the Foundation also awarded prizes for the best young researcher and for the best monetary, financial and banking thesis, each of which

came with a EUR 3,000 prize and, if applicable, 80 hours of teaching relief over two years.

A conference celebrating the Foundation's 20th anniversary and chaired by the Governor provided an opportunity to think about the specific qualities of economists and about the role of finance in society.

In cultural sponsorship, the Banque de France has chosen to help France's major governmental institutions in acquiring cultural assets classified as national treasures or works of major interest from a heritage point of view. Accordingly, Turgot's archives were added in 2015 to the collections of the *Archives nationales* thanks to the aid of the Banque de France. The Bank also helped the Louvre to acquire a painting by Rembrandt.

An economic and civic commitment

The Banque de France has been active for many years in efforts to prevent social and financial exclusion.

It has put together a host of initiatives to support the most vulnerable

members of society and is especially active in at-risk urban areas. As a local player, it works to promote the economic and social growth of the areas in which it is based.

Supporting integration in the workforce

The Banque de France has signed a partnership agreement with the Créteil education authority. The agreement, which covers high school pupils and BTS students from different ethnic backgrounds, is designed to improve participants' economic and financial literacy, organise work placements and support integration in the workforce.



In 2015, the Bank's commitment to this partnership translated into:

- teaching sessions on methodology (450 students);
- individual mentorship provided by Bank employees: 56 mentor/student pairs took part in 21 meetings on job counselling and baccalaureate exams;
- participation in economics workshops (180 students);
- a series of conferences led by the Bank's experts in partner high schools.

The partnership with Créteil, which was signed in 2010, boasts its own dedicated unit, which has successfully supported 800 students in two partner high schools: Jean Moulin and Samuel de Champlain.

Initiatives to support social workers

Keen to maintain the quality of the support provided to those carrying too much debt, the Banque de France continued to provide training and

information sessions for people working in the social sector. These programmes provide updates on legislative and regulatory developments and explain the procedures for handling excessive debt.

Partnership with Crédit Municipal de Paris

In May 2015, the Banque de France renewed the partnership that it first established in 2011 with Crédit Municipal de Paris (CMP), which is designed to provide over-indebted people with personalised support within the framework of the solution determined by the departmental commission for Paris.

The social utility of the support provided through the programme was the subject of a joint survey by the Banque de France and CMP, which contacted a representative sample of beneficiaries. The findings from these qualitative interviews, which were compared against information gathered from discussions with a control sample and representatives of participating organisations, demonstrated that the programme satisfies the needs of the targeted populations by listening to people's concerns and providing support in implementing commission decisions, managing household budgets or ensuring that rights may be exercised.



Key figures for 2015



738
sessions held
for social workers



11,935
people reached through awareness-raising exercises
targeting over-indebtedness (social action community
centres, departmental social services, benefits offices, etc.)



The agreement with *Union nationale des centres d'actions sociales* (National Union of Social Action Community Centres), the partnership with CMP, and collaborative efforts, such as in the town of Longwy in north eastern France, with *Points d'information médiation multiservices*, an organisation that promotes mediation services, have helped to strengthen the valuable cooperation between the Bank and the social and non-profit sector, and to provide support for financially vulnerable people.

Solidarity sponsorship

A partner of the *Jeunesse et entreprise* association, the Banque de France sponsors and awards prizes for payment times and assisted microcredit. The Bank's flagship initiative in the field of solidarity sponsorship is its partnership with the *Hôpitaux de Paris-Hôpitaux de France* foundation. Since 1992, Banque de France staff have taken on the task of counting and sorting all the coins collected through the *Pièces jaunes* donation campaign. The Banque de France is also a long-standing partner of *Restos du cœur*, which provides food to the needy.



Making a local commitment: signature of an economic and local development charter for the cash management centre in La Courneuve

In May 2015, as part of the creation of the future cash management centre in La Courneuve, the Banque de France signed an economic and local development charter. With this move, it made a commitment to promote the region's economic and social development, support equal opportunities and non-discriminatory hiring practices and help the Bank to establish itself in this new location.

First tangible result: the Bank is offering 45,000 workplace integration hours, to be administered by the local job office in partnership with the Bank. This commitment will strengthen the Banque de France's local foundations.



Key figures for 2015



165
tonnes of coins collected



1.9
million euro raised through
the *Pièces jaunes* campaign

A commitment towards staff

Supporting staff throughout their careers

Getting different generations to work together

The main goals of the intergenerational agreement signed with employee representatives on 24 December 2013 are to attract young people, ensure adaptability, support staff throughout their careers and organise the end of their careers.

With 92 young people hired under block-release training schemes in 2015, the Bank continued to take an approach that meets the needs both of its own departments and of young people looking for a partner company. More than 210 block-release students are currently working at the Banque de France. A full 37 have taken part in the Bank's competitive exams, benefited

from free preparation provided by the National Centre for Distance Education and been exempted from sitting the aptitude tests of the clerical staff competitive exam.

As regards personnel at the end of their career, 125 staff members have asked to be covered, up to three years before retiring, by the part-time scheme for seniors introduced by the agreement. Of these, 26 are covered by the enhanced part-time scheme for seniors that allows employees having carried out arduous jobs to receive higher pay.

Promoting gender equality in the workplace

The corporate agreement signed on 6 May 2014 seeks to build on the progress already made and develop new initiatives, notably with a view to achieving a better balance between work and family life and increasing the number of women in senior positions, which are

focus areas of the new agreement. The appointment in early 2015 of a manager of gender equality in the workplace at the Banque de France lent new impetus to the efforts made in this regard and raised their profile both inside and outside the organisation. Aided by gender equality ambassadors, the new manager is working to identify and share best practices to promote equal job opportunities for men and women inside the Banque de France.

The Bank hired its first female firefighter in 2015, illustrating the determination to promote gender diversity in every area.

To challenge the stereotypes, new awareness-raising initiatives were introduced, including an equality leadership training course. A network of female managers was set up in 2015 and will provide a forum to talk about possible career obstacles for women within the Banque and suggest solutions.



Key figures for 2015



210

block-release students



125

people enrolled in the part-time scheme for seniors



Promoting the integration of disabled people

As part of the ninth agreement promoting the employment of disabled people (2014-2016) signed in February 2014, the Bank is continuing its efforts to recruit and integrate disabled employees and to adjust working conditions to meet their needs. Approximately 600 disabled people work at the Bank. The *Mission Handicap* disability taskforce took part in several job fairs in 2015, which led to the recruitment of 15 people.

A list of those acting as contact persons for disabled employees was drawn up in 2015, and a brochure was prepared to raise employee awareness about the role and tasks of disability contact persons.

The Bank also has a Work Adjustment and Rehabilitation Centre, giving



22 disabled workers the opportunity to gain valuable job experience and promote integration. In 2015, these workers were assigned the task of digitising expense claims.

Quality of life at work

Facilitating exchanges between employees

Set up in 2014, the dedicated space for managers on Agora, the Bank's

enterprise social network, continued to expand, with over 900 managers trying out at least one workshop organised for the management community. With 340 members connected to its collaborative site, the management community has become extremely active on Agora.

Preventing psychosocial risks

Work continued in the areas of workload and mental strain, the two main risk factors identified by the 2013 survey conducted to measure psychosocial risks. The Bank also trialled a participative and qualitative approach to measuring and regulating workload. The programme, which involved a total of 400 employees and managers, is set to be gradually phased in throughout the Bank.



Key figures for 2015



600

disabled workers at the Banque de France



900

managers active on the Bank's enterprise social network



72%

job satisfaction



In September 2015, Bank employees took part in the second biannual survey to measure psychosocial risks. Participation was high, reflecting the interest in this issue. While job satisfaction was steady at 72%, the stress rate, measured using a standardised methodology, edged down from 32% to 29%. Overall, the results were stable or better than in 2013, even though the Bank has started on its transformation plan. Training for all managers in preventing psychosocial risks, the success of the training courses offered on managing stress and workplace well-being, plus practical prevention initiatives tailored to address actual conditions both locally and within the directorates

general delivered valuable support to managers and their employees in these challenging times.

Psychological counselling was provided to people close to the victims of the 13 November attacks in Paris as part of the system designed to be deployed in the case of a dramatic event.

An environmental commitment

Setting new goals for reducing the Bank's environmental footprint

With the publication of France's Energy Transition Act in 2015, the Banque de France set new targets in terms of cutting its greenhouse gas (GHG) emissions (see box).

The Bank's three-year GHG emission reduction target is informed by the government's goal of cutting emissions by 40% between 1990 and 2030. This goal was reaffirmed by the Energy Transition Act, which additionally set the goal of a fourfold reduction in emissions by 2050 compared with 1990 levels.

Energy consumption reduction targets

Benchmark year: 2008

2015			
2016			
2018			
2020			
-24	-27	-33	-38

As regards reducing the energy consumption of its buildings, the Bank's strategy is in line with the Grenelle 1 and Grenelle 2 Acts (in particular the objective of reducing the energy consumption of its buildings by 38% by 2020). The Bank also used the European objectives of the Climate and Energy Package as a guide when setting its own objectives.

Environmental initiatives: 2015 highlights

Systematic use of electricity from renewable sources

Following the signature of a global master agreement at the end of 2014, the Banque de France exclusively used electricity from renewable sources in 2015. This procurement policy made it possible to avoid releasing approximately 5,000 tonnes of CO₂ into the atmosphere.



The goal of cutting emissions by 3.8% by 2017 forms part of France's long-term strategy

As part of fulfilling the legal requirement to carry out an assessment of greenhouse gas emissions,¹ the Banque de France has set itself the new goal of cutting emissions by 3.8% in 2017 relative to 2014. To this end, the Bank applied the Bilan Carbone® (carbon footprint assessment) method, as it did in the last financial year, to measure its emissions and prepare forecasts for 2017. Emissions were found to be generated chiefly by energy consumption, employee travel, fixed assets and purchases of goods and services.

Energy consumption, which makes up 22% of emissions, is being targeted specifically for cuts, with an 8% reduction by 2017. Another focus is employee travel and commuting, where emissions are to be lowered by 10.6%.

¹ https://www.banque-france.fr/uploads/tx_bdfgrandesdates/DD-2015-BEGES-Banque_de_France.pdf

A real estate policy centred on energy efficiency and environmental quality

The Banque de France pursues an active construction and renovation policy for its real estate portfolio. Illustrating this, the Lyon-Confluence branch, which in 2014 began the process of seeking HQE office building operation certification for its Le Bayard building, received an "Excellent" rating in early 2015 in the sustainable use category, and a "Very Good" rating for the sustainable building and management categories. This is the first Banque de France building to obtain certification for its operating approach.

The cash management centre currently being built in La Courneuve received High Environmental Quality (HQE) design certification in late 2015, "Exceptional" HQE rating for construction and an "Excellent" HQE rating for renovation. The facility, which occupies a surface area of more than 22,000 m², has been designed to meet the most stringent criteria for environmentally responsible buildings, with a low-impact worksite, energy efficiency and greening of surface areas.

Rationalising use of computer hardware and software

The Bank is also taking action on computer equipment. Now that the nationwide three-year target aimed at reducing the number of printers and photocopiers has been reached, efforts will continue with the introduction of new hardware and software solutions to reduce the number of printouts.



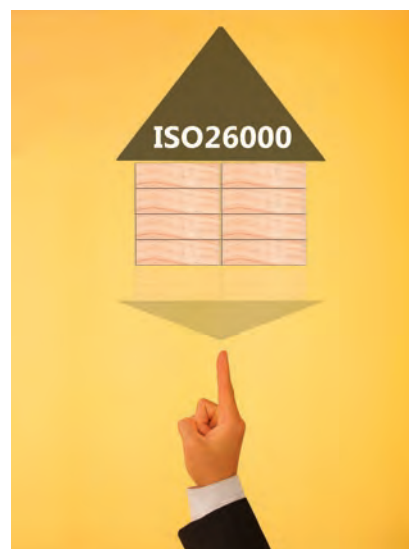
Using electronic transmission to gather balance sheets

The introduction in early 2010 of the BilanDirect FIBEN system, which allows balance sheets to be collected from businesses and chartered accountants through electronic transmission, marked an important step forward in the drive towards sustainable development. In 2015, a full 200,000 balance sheets were received by electronic transmission, or 9% more than in 2014. Now, 68% of balance sheets are integrated into the FIBEN database through this channel. The 2015 exercise benefited from the arrival of new partners and continued

close cooperation with the national order of chartered accountants and its regional representatives.

CSR approaches recognised

Two directorates had their CSR approaches assessed under the ISO 26000 framework⁸ in 2015. The Directorate General Banknote Manufacturing's rating was confirmed as "Mature", enabling the Bank to position itself at the leading edge on CSR among banknote printers. One head office directorate also had an outside audit done of its ISO 26000 approach, which confirmed the previous "Progressing" rating.



⁸ CSR international standard.

⁹ Administrative Centres and Sustainable Development Directorate



Highlights

"Mature" rating confirmed for the CSR approach of the Directorate General Banknote Manufacturing. "Progressing" rating confirmed for the CSR approach of the Administrative Centres and Sustainable Development Directorate.



Key figures for 2015



5,000
tonnes of CO₂
not released by using
electricity from
renewable sources



200,000
balance sheets
received through
electronic
transmission



Reduction of GHG emissions in 2015

Reducing GHG emissions linked to energy consumption

In 2015, taking all sources of energy into account and across all its activities, the Banque de France consumed 173 GWh of energy (an 11% reduction), while associated GHG emissions were down by 1.3% at 21,280 TCDE (tonnes of carbon dioxide equivalent). Different sources of energy have very different GHG emission factors. For example, electricity from renewable sources emits 10 g of CO₂/kWh, while oil emits 329 g and gas 241 g. Accordingly, the Bank's emissions depend both on its consumption and its energy mix.

In 2015, while electricity was the most heavily consumed energy source at 84 GWh (down 7%), GHG emissions were low. Gas was the second-largest energy source at 60 GWh (up 9%), notably in banknote manufacturing (paper manufacturing and printworks). However, the increased gas consumption should not prove lasting because it partly reflected replacement for the heat generated by computers that were shut down during renovation work. Although used slightly less than

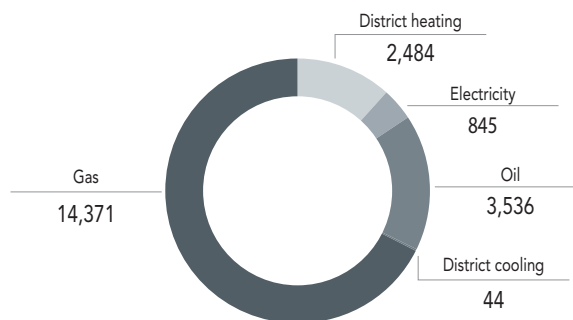
district heating (11 GWh compared with 12 GWh), oil suffers from its high emission factor. Used chiefly as a heating source, oil is taking on a more marginal role as the Bank replaces its old systems with higher-performance gas boilers (see below).

Reducing GHG emissions from travel

GHG emissions from travel were reduced by almost 7% compared with 2014. While air travel increased slightly (by 1%), the proportion

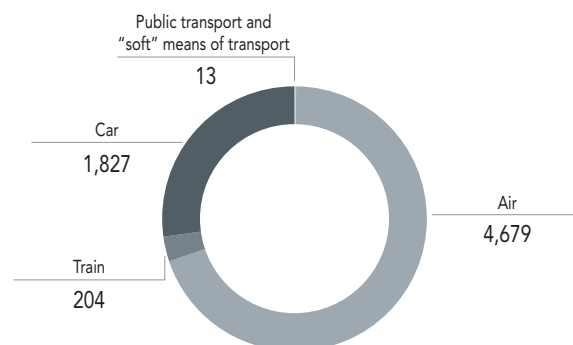
GHG emissions by energy source in 2015

(in tonnes of CO₂ equivalent)



GHG emissions per mode of transport used for business trips in 2015

(in tonnes of CO₂ equivalent)



of travel in economy class rose significantly (by 4 percentage points), which had a positive impact on the amount of GHG emissions. Since 2013, the Bank's travel policy has reserved business class for trips over six hours.

Reducing the energy consumption of office buildings

The objective of reducing energy consumption applies solely to operating activities, i.e. excluding industrial and IT centres, with 2008 used as the

benchmark year. Although the target for 2015 was to reduce consumption by 24%, the actual outcome, with consumption of 88.6 GWh, was a 19% reduction. Sharply increased gas consumption was a key reason why the target was not reached.



Key figures for 2015



11%
reduction
in energy consumption



1.3%
reduction in GHG emissions
linked to energy consumption



7%
reduction in GHG emissions
from employee travel







Financial management and the accounts

Report on assets, liabilities and results
The individual accounts of the Banque de France
Combined accounts

Report on assets, liabilities and results

The Banque de France General Council approved the accounts for the year ended 31 December 2015 at its meeting of 14 March 2016. Net profit for the year came in at EUR 2.228 billion, a slight increase over 2014 (+161 million).

The size of the Banque de France's balance sheet increased sharply in 2015, rising from a total of EUR 578 billion at 31 December 2014 to EUR 710 billion at 31 December 2015. This increase stems from the implementation, starting from March 2015, of the new quantitative monetary easing programme adopted by the European Central Bank: a Public Sector Purchase Programme (PSPP), which joins the third Covered Bond Purchase Programme (CBPP 3) and the Asset-Backed Securities Purchase Programme (ABSPP), which were both initiated in October 2014. Overall, the Eurosystem has been acquiring EUR 60 billion of securities every month since March 2015.

With regard to the Banque de France's profit and loss account, the effect of these measures, in a very low interest rate environment, has been to limit the decline in

net income from activities, which fell to EUR 6.897 billion in 2015 from EUR 7.013 billion in 2014.

After covering operating expenses, down 0.9% relative to 2014, profit before exceptional items and tax came in at EUR 4.713 billion.

The Bank continued its efforts, begun in 2007, to strengthen its financial structure. It allocated EUR 500 million to the fund for general risks (FRG), compared with EUR 590 million in 2014.

For clarity, items appearing in the published accounts have been grouped in the presentation below. On the balance sheet, negative figures indicate net sources of funds or liabilities, while positive figures indicate net uses of funds or assets. Details of the accounting

principles used by the Banque de France are provided in the Notes to the annual accounts.

Assets and liabilities

On the Bank's balance sheet, the increase in the size of the portfolios of securities held for monetary policy purposes exceeds EUR 120 billion from one year-end to the next. Its main counterpart has been an increase in deposits from credit institutions on the liabilities side – deposits that bear interest at the marginal deposit facility rate.

In addition, outstanding loans to banks under the monetary policy

NB: In the tables below the sum of the components cannot equal the total due to rounding differences.

Financial position

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Net sources of funds (-)	-455,165	-317,227	-137,939
Net sources of funds from banknote operations	-195,735	-184,799	-10,936
Deposits by banks for monetary policy purposes	-219,802	-109,955	-109,847
Operations with institutional customers	-21,315	-5,216	-16,099
Own funds and other items	-18,313	-17,256	-1,056
Net uses of funds (+)	455,165	317,227	137,939
Net bank refinancing	89,303	76,054	13,249
Securities portfolios held for monetary policy purposes	162,656	42,483	120,172
Net position with the Eurosystem	67,090	72,717	-5,627
Gold and foreign exchange reserves (net)	43,020	35,388	7,632
Other euro-denominated assets	93,096	90,585	2,511

relating to targeted long-term refinancing operations, recorded as an asset, increased, as did net sources of funds in banknotes and Treasury account deposits.

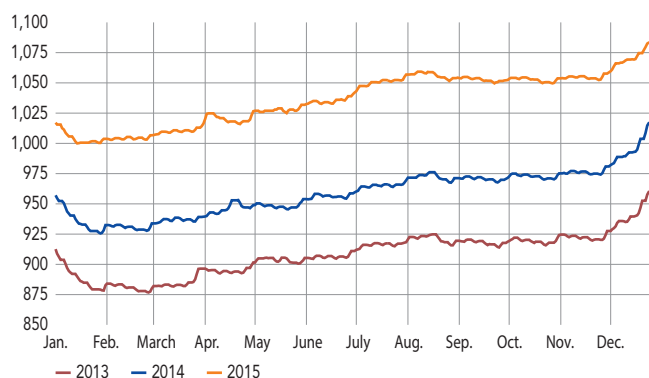
Banknotes

Euro banknotes are issued by the Eurosystem. In 2015 growth in the circulation of euro banknotes continued at a faster pace than in 2014 (up 6.6% year on year and up 8.1% as an annual average, compared with average annual growth of 5.6% in 2014).

In accordance with the Eurosystem's allocation mechanism, the Banque de France records as a liability the share in the total value of Eurosystem banknotes corresponding to its holding in the ECB's paid-up capital (20.14% in 2015), after deducting banknotes allocated to the ECB in the amount of 8% of total notes put into circulation.

Total euro banknotes put into circulation by the Eurosystem

(EUR billions)



Source: European Central Bank.

The *Institut d'émission des départements d'outre-mer* (IEDOM – the French overseas departments' note-issuing bank) acts on behalf of the Banque de France in managing banknote circulation in France's five overseas departments and some of its overseas territorial communities. It receives a non-interest bearing advance in return for the notes it distributes. This advance amounted to EUR 5.0 billion in 2015 and corresponds

to a percentage of France's euro banknote allocation, which, since 1 July 2007, has been calculated according to the allocation mechanism in force within the Eurosystem. This advance is eliminated in the Banque de France/IEDOM combined accounts.

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

Banknotes in circulation

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Net sources of funds from banknote operations (euro banknotes)	-195,735	-184,799	-10,936
Banknotes allocated to the Banque de France	-200,781	-189,498	-11,283
Advance to the IEDOM	5,046	4,699	347

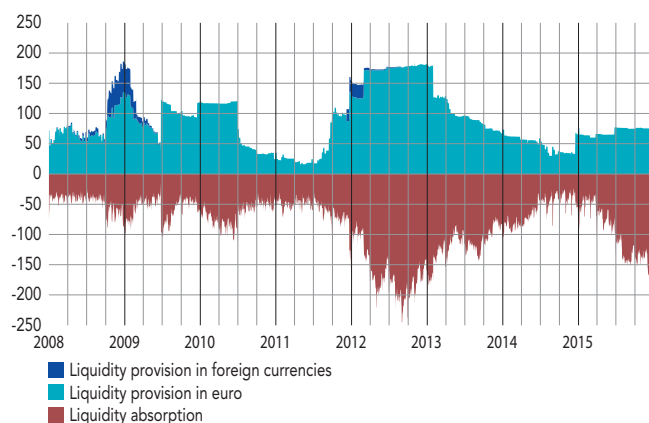
Net bank refinancing and bank deposits

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



Liquidity provision and absorption by the Banque de France

(EUR billions)



Source: Banque de France.

New targeted long-term refinancing operations were conducted in 2015 at a reduced fixed rate of 0.05% as opposed to the fixed rate of 0.15% for operations carried out in 2014. Credit institutions have the option of repaying these loans early after 24 months. They will be forced to repay them in full if they do not comply with the stipulated credit distribution terms.

The liquidity granted to credit institutions in France is reported as an asset on the Banque de France's balance sheet, while deposits by banks, corresponding to the minimum reserves they are required to hold, are carried as

liabilities. Added to these deposits are excess reserves maintained in their current accounts on top of the minimum reserves as well as marginal facility deposits. After having been absorbed in 2013 and 2014, the liquidity surplus rose again in 2015, in line with the new securities purchase programmes (PSPP and CBPP 3).

It should be noted that the deposit facility rate is negative (therefore it also applies to excess reserves): fixed at -0.20% in September 2014, it was reduced to -0.30% on 9 December 2015, whereas the main refinancing operations rate remained unchanged at 0.05%.

Euro-denominated securities portfolios held for monetary policy purposes

These portfolios include:

- securities from Covered Bond Purchase Programmes (CBPPs) 1, 2 and 3 launched in 2009, 2011 and 2014 respectively;
- securities from the Securities Markets Programme (SMP) launched in 2010;
- securities from the Public Sector Purchase Programme (PSPP) announced on 22 January 2015. This new programme is being implemented within the scope of monetary easing measures aimed at creating a liquidity surplus to combat the risks of deflation in the euro area in accordance with the mandate given to the Eurosystem by the Treaty on the Functioning of the European Union.

With no new purchases, the outstanding amount in the CBPP 1, CBPP 2 and SMP portfolios held for monetary policy purposes has declined by the amount of maturing securities. Conversely, the outstanding amounts on the balance sheet for the implementation of the CBPP 3 and PSPP programmes have increased sharply.

Overall, the outstanding amount in securities portfolios held for monetary policy purposes stands at EUR 163 billion, up EUR 120 billion from one year-end to the next.

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

Net position with the Eurosystem

The Banque de France has several claims and liabilities with the Eurosystem, notably:

- a claim arising on adjustments to banknotes, corresponding to the difference between banknotes allocated to the Banque de France in accordance with its share in the ECB's capital and the banknotes put into circulation by the Banque de France;
- a claim arising from gold (15%) and foreign currency (85%) assets transferred to the ECB;
- a liability relating to the operation of the Target2 payment system, which corresponds to the balance

Net position with the Eurosystem

(EUR millions)

	2015	2014	2015/2014
Net position with the Eurosystem	67,090	72,717	-5,627
Claims on the Eurosystem for banknotes	88,022	81,199	6,822
Claims on the ECB for gold and foreign exchange assets transferred	8,221	8,229	-8
Other claims on the Eurosystem	164	309	-208
Liability towards the Eurosystem including debt related to Target 2	-29,315	-17,020	-12,234

of payments initiated by the Bank, on its own behalf and for entities whose accounts it holds, to other Eurosystem central banks;

- accrued income resulting from interim ECB dividends (EUR 164 million) and accrued expenses in respect of the pooling of monetary income (EUR 71 million in 2015, compared with income of EUR 129 million in 2014).

These positions, whether on the assets or liabilities side, bear interest at the Eurosystem's main refinancing

operations rate, with the exception of the 15% portion of the claim on the ECB corresponding to transferred gold assets.

Gold and foreign exchange reserves

The Banque de France manages the State's gold and foreign exchange reserves pursuant to the agreement between the State and the Banque de France on the management and accounting of the State foreign exchange reserves, published in the Official Journal of 2 February 2011. Under this agreement these assets

Gold price per ounce

(EUR)



Source: Banque de France.



Gold and foreign exchange reserves

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Gold and foreign exchange reserves	43,020	35,388	7,632
Gold	76,211	77,343	-1,132
Net assets in reserve currencies	50,817	38,689	12,128
SDR assets (relations with the IMF)	17,292	17,198	94
Counterpart to SDR allocations	-12,900	-12,085	-815
Revaluation accounts (gold, foreign currency and securities denominated in foreign currencies)	-66,341	-63,627	-2,714
Revaluation reserve of State gold and foreign exchange reserves	-22,060	-22,130	70

are partly backed by the *Réserve de réévaluation des réserves en or et en devises de l'État* (RRRODE – Revaluations Reserve of State Gold and Foreign Exchange Reserves), which covers foreign exchange risk.

The Banque de France's gold reserves were unchanged at 2,435 tonnes. The euro value of the reserves fell by EUR 1.1 billion because of the decline in the euro gold price from one year-end to the next. The gold revaluation account decreased accordingly.

Foreign exchange assets, whose value in euro increased in line with the appreciation of the US dollar, increased

in 2015. They are mainly invested in US dollar-denominated short-term investment securities and money market instruments. Long-term investment portfolios have also been established in order to generate returns while continuing to meet the security objective.

Positions in Special Drawing Rights (SDRs) reflect relations with the IMF. These positions are recorded on the Banque de France's balance sheet pursuant to a 2011 agreement with the State. After increasing for three years between 2010 and 2012, the net SDR position has been declining since 2013, reflecting the IMF's reduced financing requirements.

Other euro-denominated assets

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Other euro-denominated assets	93,096	90,585	2,511
Euro-denominated money market portfolios	81,852	80,100	1,752
Available-for-sale securities	4,170	4,178	-8
Held-to-maturity securities	77,682	75,922	1,760
Own funds investment portfolio and provisions of which share in ECB capital	11,244 1,545	10,485 1,545	759 0

The Banque de France's other euro-denominated assets

In addition to the portfolios established for monetary policy programmes, the Bank holds portfolios to invest its monetary resources within the limits defined by the agreement on net financial assets adopted by the Eurosystem in 2003 and reviewed annually by the ECB (see "The Banque de France's net financial assets" below). Accordingly, the Bank holds a short-term available-for-sale (AFS) portfolio, as well as an own-account held-to-maturity portfolio, intended – via long-term investments – to make financial income less sensitive to the policy rate cycle.

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

Operations with institutional customers

The Banque de France offers banking services such as current account-keeping to institutional customers, mainly central banks outside the European Union. Non-euro area central banks and international organisations have

Operations with institutional customers

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Operations with institutional customers	-21,315	-5,216	-16,099
Assets	108,454	132,105	-23,652
of which claims on the French Treasury	0	0	0
Liabilities	-129,769	-137,322	7,552
Of which liabilities vis-à-vis the State	-13,869	-2,438	-11,431

access to a range of services allowing them, inter alia, to invest a portion of their foreign reserve assets and carry out foreign currency transactions.

Outstanding liabilities vis-à-vis the French Treasury and other government bodies increased year on year, rising from EUR 2.4 billion at 31 December 2014 to EUR 13.9 billion at 31 December 2015, but remained marginal compared with outstanding deposits by international institutional customers, which are reinvested on the markets.

Own funds and other items

The balance in "own funds and other items" is a resource whose growth,

after stripping out net profit for the year, reflects the Banque de France's strengthened capital structure.

The Banque de France's strengthened capital structure is mainly the result of allocations to reserves from 2014 profits.

Furthermore, a total of EUR 500 million was transferred to the fund for general risks, bringing it to EUR 8.0 billion, to improve coverage of the financial risks to which the Bank is exposed in the course of its operations. These risks have substantially increased as a result of the financial and sovereign crises that began in 2008. With operating profit generally declining in a low

interest rate period, the fund must enable the Banque de France to cover any exceptional losses.

The Banque de France's net financial assets

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

The total net financial assets of the Banque de France at 31 December 2015

Own funds and other items

(EUR millions)

	Amount at the financial year-end		Change
	2015	2014	2015/2014
Own funds and other items	18,313	17,256	1,056
Capital, reserves and retained earnings	7,857	7,440	417
Provisions for liabilities and charges	898	927	-29
Fund for general risks	8,000	7,500	500
Fixed assets	-1,047	-982	-65
Other items	378	306	72
Net profit	2,228	2,066	161



amount to EUR 111.8 billion, down EUR 5.8 billion compared to 31 December 2014, in line with the increase in liabilities to customers. This amount mainly comprises gold and foreign exchange reserves and the claim arising from the transfer of reserve assets to the ECB, the interest-free advance granted to the IEDOM, the other euro-denominated assets mentioned above, less own funds and other items, as well as net assets and liabilities from operations with customers.

Breakdown of profit

The fall in profit before exceptional items and tax reflects the decline in net income from activities, which fell from EUR 7.013 billion to EUR 6.897 billion. This decline, which remains limited, essentially results from the decrease in income related to monetary policy amounting to EUR 165 million. Against this backdrop, the average rate of return earned on net interest-bearing assets fell from 3.1% in 2014 to 2.7% in 2015 and remained well above break-even (0.67% versus 0.73% in 2014).

In spite of the fall in profit before exceptional items, the net profit for 2015 was EUR 2.2 billion, up

EUR 161 million on 2014 due to a reduction in corporate income tax.

Net income from activities

Net income from the Banque de France's activities contracted by 2% from EUR 7.013 billion in 2014 to EUR 6.897 billion in 2015.

An analysis of the breakdown of net income from activities shows the increase in interest received through the application of the negative deposit facility rate granted to credit institutions as well as an increase in income from foreign currency reserves and in income from operations with institutional clients, whereas income deriving from euro-denominated securities portfolios recorded a decrease

amid a persistent environment of very low bond yields. Income generated by securities purchases made within the scope of the PSPP and CBPP 3 purchase programmes actually only partly offset the loss in income resulting from the maturing of securities under the previous programmes (SMP and CBPP 1 and CBPP 2), which had been acquired at significantly higher rates. In the case of held-to-maturity portfolios, maturing securities could not be reinvested at the same rates as when they were purchased.

In 2015 the ECB paid an additional dividend of EUR 37 million to the Banque de France in respect of income generated in 2014. The ECB also paid seigniorage income and income from the securities it holds for monetary

Net income from activities

(EUR millions)

	2015	2014	Change 2015/2014
NET INCOME FROM ACTIVITIES	6,897	7,013	-116
Net income in connection with monetary policy	2,103	2,268	-165
Interest received on refinancing operations	85	100	-15
Interest paid/received on bank deposits	183	-51	234
Income from securities held for monetary policy purposes	1,890	2,011	-120
Net interest on positions with the Eurosystem	16	79	-63
Net result of pooling of monetary income	-71	129	-201
Income from foreign currency and SDR assets	829	739	90
Net income from other euro-denominated assets	3,965	4,006	-40
Income from euro-denominated securities earmarked against the liability base (excluding monetary policy)	2,629	2,728	-99
ECB and IEDOM dividends	201	189	12
Net income from operations with institutional clients	336	224	112
Other non-monetary income	799	865	-66

policy purposes, representing an interim dividend of EUR 164 million for the Banque de France.

As regards other non-monetary income, the amount paid by the State for services provided by the Bank fell by EUR 17 million.

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

Operating expenses

Operating expenses totalled EUR 2.184 billion in 2015, down 0.9% relative to 2014.

Within operating expenses, personnel expenses were down by almost 1%, linked to the reduction in the workforce and the stability of compensation. The other operating expenses also contracted significantly, due to the exceptional expense borne in 2014 for the bank assessment process in connection with creating the single supervisory mechanism. Pension expenses paid under the

Operating expenses

(EUR millions)

	2015	2014	Change 2015/2014
Operating expenses	-2,184	-2,204	20
Personnel and related expenses	-997	-1,006	9
Pensions and related expenses	-461	-455	-5
Taxes other than income tax	-46	-39	-7
Depreciation charges on fixed assets	-129	-115	-15
Other operating expenses	-551	-589	38

special pension scheme increased as a result of demographic trends.

Spending controls and an increase in interest-bearing assets lowered the Banque de France's breakeven point, which represents the minimum return that has to be generated on net interest-bearing assets to cover net recurring expenses, to 0.67%.

Net profit

Fund for general risks

The fund for general risks (FRG) is calibrated to cover the risks to which the Bank is exposed in the course of its activities, except currency risk on gold and foreign exchange reserves, which is covered by the revaluation reserve of State gold and foreign exchange reserves. The fund represents a provision that is intended to cover any risks that could not be adequately covered by operating profit.

The increase in the volume of operations conducted as part of

monetary policy since 2007, which accelerated in 2015, and the risks associated with the exceptional measures taken in response to the financial crisis prompted the Bank to continue increasing the FRG. This is in keeping with the policy it has been pursuing since 2007 and stepping up since 2009. An additional EUR 500 million was transferred to the FRG in 2015, bringing the value of the fund to EUR 8.0 billion.

An exceptional expense of EUR 80 million was recorded in 2015 in connection with the Bank's patronage of the Louvre Museum, intended to finance the acquisition of a work of art of major heritage interest. In accordance with current tax legislation the Bank received a tax credit equalling 90% of the sum paid.

Corporate income tax

The Banque de France is liable for corporate income tax and a number



Profit/loss

(EUR millions)

	2015	2014	Change 2015/2014
Net income from activities of the Banque de France	6,897	7,013	-116
Operating expenses	-2,184	-2,204	20
Profit before exceptional items and tax	4,713	4,809	-96
Net additions to fund for general risks and accelerated tax depreciation	-504	-592	88
Exceptional expenses	-80		-80
Corporate income tax	-1,902	-2,151	249
Profit for the year	2,228	2,066	161

of additional tax contributions. For 2015 the Banque de France's income tax commitment totalled EUR 1.902 billion, including EUR 183 million for the 10.7% addition to corporate income tax introduced by Supplementary Budget Act 2011-1978 of 28 December 2011, as amended by Supplementary Budget Act 2013-1279 of 29 December 2013, and EUR 45 million for the dividend

tax introduced by the 2012 Supplementary Budget Act.

After consolidation of the Bank's fund for general risks, a provision of EUR 4 million for accelerated tax depreciation charges and payment of the Bank's income tax commitment, net profit for the Bank was up EUR 161 million in 2015 to EUR 2.228 billion.

The Bank's General Council approved the 2015 accounts at its meeting of 14 March 2016. As in previous years, these accounts were certified by the auditors, who issued an unqualified opinion.

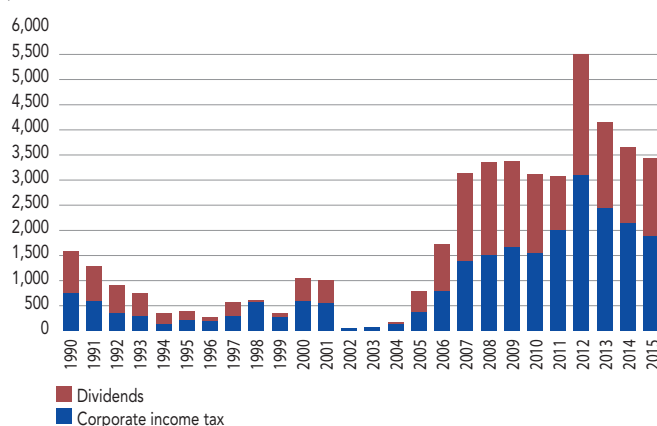
After taking into account retained earnings of EUR 6 million from 2014 profits, the General Council decided on the following appropriation of total distributable profits of EUR 2.234 billion:

- a regulatory appropriation to the general reserve of EUR 111 million, i.e. 5% of net profit;
- the payment of a dividend of EUR 1.543 billion to the State;
- an appropriation to the Employee Reserve Fund of EUR 174 million in respect of entitlements acquired during 2015;
- an appropriation to the special pension reserve amounting to EUR 398 million;
- a contribution to the provision for investment amounting to EUR 2 million.

The balance of EUR 6 million was carried forward as retained earnings.

Payments to the State

(EUR millions)



Source: Banque de France.

The individual accounts of the Banque de France

The balance sheet and profit and loss account

Balance sheet at 31 December 2015

(EUR millions)

Notes to the balance sheet		ASSETS	2015	2014	Notes to the balance sheet		LIABILITIES	2015	2014
1	A1	Gold	76,211	77,343	14	P1	Banknotes in circulation	200,781	189,498
2	A2	Foreign exchange assets (excl. relations with the IMF)	51,750	39,859	4	P2	Euro-denominated liabilities to euro area credit institutions within the framework of monetary policy operations	219,802	109,955
	2.1	Foreign exchange assets held with non-euro area residents	32,799	23,751			2.1 Current accounts	133,034	95,753
	2.2	Foreign exchange assets held with euro area residents	18,951	16,108			2.2 Other liabilities	86,768	14,202
3	A3	Relations with the IMF	17,292	17,198		P3	Other euro-denominated liabilities to euro area credit institutions	10	15
	3.1	Financing provided to the IMF	3,782	4,777	15	P4	Euro-denominated liabilities to non-euro area residents	15,039	28,472
	3.2	Acquisitions of Special Drawing Rights	13,510	12,421					
5	A4	Euro-denominated claims on non-euro area residents	4,376	3,226	2	P5	Foreign exchange liabilities	933	1,17
4	A5	Euro-denominated loans to euro area credit institutions in the framework of monetary policy operations	89,303	76,054	3	P6	Counterpart to SDR allocations	12,900	12,085
5	A6	Other euro-denominated loans to euro area credit institutions	30,538	44,144	16	P7	Relations within the Eurosystem	29,315	17,020
6	A7	Euro-denominated securities issued by euro area residents	243,312	121,039	17	P8	Euro-denominated liabilities to other euro area residents	19,878	6,612
	7.1	Securities held for monetary policy purposes	162,656	42,483		8.1	Treasury's account	13,869	2,438
	7.2	Other securities	80,656	78,557		8.2	Other liabilities	6,009	4,174
	A8	Relations within the Eurosystem	97,951	91,282	18	P9	Items in the course of settlement	100	157
13	8.1	Participating interest in the ECB	1,545	1,545	19	P10	Banking transactions	95,844	102,224
7	8.2	Claims arising on the transfer of reserve assets to the ECB	8,221	8,229	20	P11	Other items	6,183	5,037
8	8.3	Claims arising on the Eurosystem for euro banknotes in circulation	88,022	81,199	21	P12	Provisions for liabilities and charges	898	927
9	8.4	Other claims on the Eurosystem	164	309	22	P13	Revaluation accounts	68,438	65,335
10	A9	Advance to the IEDOM	5,046	4,699	23	P14	Fund for general risks and accelerated tax depreciation	8,098	7,594
	A10	Claims on the French Treasury	0	0	24	P15	Revaluation reserve of State gold and foreign exchange reserves	22,060	22,130
11	A11	Other euro and foreign currency denominated financial assets	87,818	90,763	25	P17	Capital, reserves and retained earnings	7,857	7,440
12	A12	Other items	5,179	10,742		P18	Net profit	2,228	2,066
13	A13	Fixed assets	1,588	1,389					
	13.1	Tangible and intangible fixed assets	1,047	982					
	13.2	Participating interests	541	407					
TOTAL ASSETS			710,364	577,737	TOTAL LIABILITIES			710,364	577,737

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



2015 Profit and loss account

(EUR millions)

Notes to the balance sheet		2015	2014
1	Net income from activities of the Banque de France	6,897	7013
31	1.1 Net interest income	5,928	5,792
	1.1.1 Interest and related income	6,362	6,386
	1.1.2 Interest and related expenses	-434	-594
32	1.2 Net income/loss on financial transactions	63	94
	1.2.1 Net realised gains/losses and unrealised losses on foreign exchange	-70	229
	1.2.2 Net charges to/releases from the revaluation reserve of State foreign exchange reserves	70	-229
	1.2.3 Net other income and expenses on financial transactions	63	94
	1.3 Commission	18	18
	1.3.1 Commission (income)	43	40
	1.3.2 Commission (expense)	-25	-22
33	1.4 Income from equity securities and participating interests	236	224
34	1.5 Net result of pooling of monetary income	-71	129
35	1.6 Net other income and expenses	724	755
2	Operating expenses	-2,184	-2,204
36	2.1 Personnel and related expenses	-997	-1,006
	2.2 Pensions and related expenses	-461	-455
	2.3 Taxes other than income tax	-46	-39
	2.4 Provisions, depreciation and amortisation	-129	-114
	2.5 Net other operating income and expenses	-551	-589
	Profit before tax and exceptional items (1 + 2)	4,713	4,809
3	Net additions to fund for general risks and accelerated tax depreciation	504	-592
4	Exceptional items	-80	-
	4.1 Exceptional income	-	-
	4.2 Exceptional expenses	-80	-
37	5 Corporate income tax	-1,902	-2,151
	Profit for the year (1 + 2 + 3 + 4 + 5)	2,228	2,066

Notes to the annual accounts

Accounting principles and valuation methods

Legal framework

The annual accounts of the Banque de France are presented in accordance with a format decided by the Bank's General Council 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 Bank as part of the ESCB and its diverse range of activities. The accounts are expressed in millions of euro.

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

- for all activities carried out within the framework of the ESCB the Banque de France must comply with the accounting and valuation methods laid down by the ECB in its Guideline of 11 November 2010¹⁰ on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20), amended by the Guidelines of 24 January 2012 (ECB/2011/27), 22 December 2012 (ECB/2012/29), 13 March 2015 (ECB/2014/54) and 21 July 2015 (ECB/2015/24)¹¹. This Guideline establishes in particular the accounting rules applicable to refinancing operations for the banking sector, securities, foreign currency transactions carried out in the course of foreign currency reserve management, and the issue of banknotes;

¹⁰ OJEU of 09/02/2011, L35 page 31.

¹¹ An unofficial consolidated version was published in the OJEU on 21 July 2015.

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

With effect from 1 January 2003 the Bank's General Council extended the accounting methods laid down by the Governing Council of the ECB in its 5 December 2002 Guideline (since replaced by the Guideline of 15 December 2014) to securities portfolios recorded in asset item A11.

Valuation methods

Foreign currency gains/losses

Spot and forward purchases and sales of foreign currencies are recorded in off-balance sheet accounts at the trade date. They are recognised in the balance sheet at the settlement date.

Foreign currency gains/losses
on State gold and currency reserves

Realised gains/losses are computed for each currency. A weighted

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

Where outflows exceed inflows, a second realised gain/loss is calculated.

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

Gold and foreign currency positions are valued at year-end on the basis of the rates/prices prevailing on the last business day of the year. Unrealised gains are recorded as

liabilities in revaluation accounts (item P13). Unrealised losses are booked as expenses on financial transactions (profit and loss account item 1.2.1). Unrealised gains and losses are not netted.

Revaluation reserve of gold
and foreign exchange reserves

The agreement between the State and the Banque de France dated 2 February 2011 neutralises the impact on the Bank's profit and loss account of realised gold and foreign exchange gains and losses and of unrealised gold and foreign exchange losses at year-end, thanks to a mechanism whereby the counterpart in the profit and loss account is symmetrically offset against the RRRODE.¹² The amount of net foreign currency gains taken to the RRRODE is limited to the net profit for the year before the transfer to the reserves.

The agreement also stipulates that:

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

¹² Revaluation reserve of State gold and foreign exchange reserves.



the gold and foreign currency position; it must also be sufficient to cover the losses that would arise from a fall in prices equivalent to that of the worst of the past ten years;

- if the RRRODE falls below its minimum amount as defined above, it is supplemented from profits for the financial year, up to a maximum of 20% of net profit.

Other foreign currency gains/losses

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

Securities portfolios

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

- A2 of the balance sheet for securities denominated in foreign currencies held in connection with foreign currency reserve management;
- A7.1 for securities acquired for monetary policy purposes;
- A11 for euro-denominated securities earmarked against the Bank's own funds, provisions and customer deposits recorded in items P4 or P10;
- A12 for securities held in the Bank's Employee Reserve Fund (see Note 30);
- A4 or A7.2 for other securities denominated in euro depending on whether they are issued by non-residents or residents.

The recognition method applied to securities held for monetary policy purposes (item A7.1) was changed in 2014: these securities are now recognised at amortised cost, irrespective of their intended holding period. They

may therefore be sold ahead of maturity if the Governing Council so recommends. They are tested for impairment annually. The accounting Guideline was amended on 15 December 2014 to reflect this new accounting framework.

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

- Fixed-income securities that the Banque de France has decided to hold to maturity are recognised in the accounts at amortised cost. They are tested for impairment annually and may be subject to impairment in the event of a risk of non-recovery.
- Other fixed-income securities that may be sold before their maturity, and variable-yield securities, are marked to market line by line on the last business day of the year. Unrealised gains are recorded as liabilities in revaluation accounts (item P13). Unrealised losses are booked as expenses on financial transactions (profit and loss account item 1.2.3). Unrealised gains and losses are not netted. Gains and losses arising from sales realised during the year are calculated on the basis of the weighted average

price of each line of securities; they are booked in item 1.2.3 of the profit and loss account, “Net other income and expenses on financial transactions”.

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

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

Financial futures

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

Interest rate swaps are revalued at market value at 31 December. Unrealised gains are recorded as liabilities in revaluation accounts (item P13). Unrealised losses are booked as expenses on financial transactions (profit and loss account item 1.2.3). Unrealised gains and losses are not netted. Unrealised losses are amortised over the remaining life of the contract.

The interest is recorded in item 1.1 of the profit and loss account on an accruals basis.

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

Open positions on currency options at the balance sheet date are valued at their market price. Unrealised gains are recorded as liabilities in revaluation accounts (item P13). Unrealised losses are booked in item 1.2.3 of the profit and loss account. Unrealised gains and losses are not netted.

Eurosystem claims and liabilities

Net claims on or liabilities to the Eurosystem arise on cross-border euro payments that are made within the European Union and settled in central bank money. These payments are allocated to the Target2 system (Trans European Automated Real-time Gross settlement Express Transfer system) and give rise to bilateral balances in the Target2 accounts of the ESCB’s central banks. All such bilateral claims and liabilities are then netted on a daily basis within the Target2 system so that only one position is shown for each NCB vis-à-vis the ECB. The Banque de France’s net position in Target2 vis-à-vis the ECB along with other euro-denominated liabilities to the Eurosystem are carried on the Bank’s balance sheet as a net liability to the Eurosystem in item P7 (see Note 16) if it is a creditor and as a net claim on the Eurosystem in item A8 if it is a debtor.

The Banque la France’s claim on the Eurosystem due to its stake in the ECB’s capital is recorded in item A8.1 (see Note 13), the one resulting from the transfer of a portion of reserve assets is recorded in item A8.2 (see Note 7),



the one resulting from interim dividends and accrued income receivable from the ECB in respect of the distribution of the balance of monetary income (see Note 9) is recorded in item A8.4, and finally the one resulting from the allocation of banknotes among national central banks and the ECB (see Note 14) is recorded in item A8.3.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised and valued in accordance with French standards.

Land is valued at acquisition cost. Buildings and equipment are carried at historical cost, less depreciation or provisions for impairment booked since they were brought into service.

In accordance with Article 322-1 of the French *Plan Comptable Général* (PCG – General Chart of Accounts), the depreciation period for each asset is determined on the basis of its probable useful life. Components of the Bank's property assets are depreciated over 50, 33, 20 or 10 years, depending on the type of asset. Computer equipment is depreciated over 2 to 10 years and other equipment over periods ranging from 3 to 12 years.

Purchased software is amortised over 3 or 6 years. Most fixed assets are depreciated using the straightline method. In accordance with ANC Regulation 2014-03 the useful lives of long-term fixed assets are reviewed regularly and modified as required.

Expenses relating to the development and integration of computer software are recorded under fixed assets.

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

Banknotes in circulation

See Note 14

Fund for general risks

See Note 23

Pension scheme

See Note 30

Key events in 2015

During 2015 the Banque de France's balance sheet was affected above all by the expansion of non-standard monetary policy measures, which resulted in a

marked increase in the items concerned and in the balance sheet as a whole.

A new Public Sector Purchase Programme (PSPP) in connection with monetary policy operations was launched during 2015, alongside the continuing programmes launched during 2014 (ABS and CBPP 3).

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

Post-balance sheet events

None.

Balance sheet

Note 1: Gold assets

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

The gold stock of the Banque de France (2,435 tonnes) remained unchanged in 2015.

Note 2: Foreign currency assets and liabilities

Foreign currency reserves are invested in overnight deposits, fixed-term deposits, reverse repo transactions with delivery of securities, and fixed-income securities. The Bank may also borrow foreign currencies in the form of repurchase agreements with delivery of securities, recorded in liability item P5.

Fixed-income securities denominated in foreign currencies comprise securities that the Bank has the intention of holding to maturity and securities that may be sold. These two portfolio

categories are subject to different valuation rules that are described in the section above on accounting principles and valuation methods. Securities intended to be held to maturity totalled EUR 17.033 billion at 31 December 2015, compared with EUR 10.537 billion at 31 December 2014.

Note 3: Relations with the IMF

The amount of financing provided to the IMF is equivalent to the euro value of:

- drawing rights under the reserve tranche that corresponds to the fraction of France's share in the IMF's capital¹³ that is settled in gold and other foreign currency assets, plus the IMF's net utilisation

of euro, notably in the form of euro-denominated drawings and repayments by member countries on France's account;

- loans granted to the IMF as part of the agreement that came into effect on 2 December 2009 (see below);
- loans granted to the Poverty Reduction and Growth Trust (PRGT) set up under the auspices of the IMF.

The "Acquisitions of Special Drawing Rights" item includes the euro equivalent of the SDRs held by France and chiefly comprises SDRs allocated to France as part of the IMF's general SDR allocations to member countries, along with purchases of SDRs as part of voluntary swap agreements with member countries designated by the IMF.

The amount of acquisitions of SDRs should be considered together with that recorded in liability item P6, "Counterpart to SDR allocations", to determine France's net SDR position.

Foreign exchange assets and liabilities (excl. relations with the IMF)

Asset item A2 and liability item P5
(EUR millions)

	2015	2014
ASSETS		
Foreign currency assets		
Overnight deposits	32	134
Fixed-term deposits	7,684	5,551
Provision of foreign currency liquidity to Eurosystem counterparties	–	–
Securities received under repurchase agreements	5,484	6,786
Fixed-income securities	38,302	27,178
Accrued interest receivable	247	209
TOTAL	51,750	39,859
LIABILITIES		
Foreign exchange liabilities		
Securities delivered under repurchase agreements	924	1,161
Accrued interest payable	9	9
TOTAL	933	1,170

13 In the first quarter of 2016 France's share in the capital of the IMF will be increased by SDR 2.354 billion, representing 25% of the total increase of SDR 9.4 billion. In return, France's commitment to lend SDR 18.7 billion under the New Arrangements to Borrow (NAB) will be reduced to SDR 9.2 billion.



Relations with the IMF

Asset item A3 and liability item P6
(EUR millions)

	2015	2014
ASSETS		
Financing provided to the IMF	3,782	4,777
Acquisitions of Special Drawing Rights	13,509	12,420
Accrued interest receivable	1	1
TOTAL	17,292	17,198
LIABILITIES		
Counterpart to SDR allocations	12,899	12,084
Accrued interest payable	1	1
TOTAL	12,9	12,085

Changes in financing provided to the IMF in 2015 stem from:

- net repayment by the IMF of EUR 615 million on France's quota (excess of repayments over drawings);
- net repayment of SDR 421 million (equivalent to EUR 533 million) in 2015 under the loan agreement between the Banque de France and the IMF of December 2009. This agreement provides for a maximum of EUR 21.178 billion since the bilateral loan agreements were merged with the New Arrangements to Borrow of February 2011;
- the remainder of the change is due to SDR appreciation relative to the euro.

The change in asset item A3.2, "acquisitions of Special Drawing Rights" (SDR assets), arises from the payment of interest relating to receivables and liabilities in SDRs as well as the purchases of SDRs under voluntary swap agreements with other central banks and the change in the price of SDRs from one year-end to the next. Voluntary swap agreements in 2015 totalled SDR 196 million (EUR 249 million). The counterpart of loans granted to the PRGT is the "SDR assets" item. In 2015 loans granted in this respect totalled SDR 146 million (equivalent to EUR 187 million).

The last entry under liability item P6, "counterpart to SDR allocations", was made in 2009 with a general allocation and a special allocation of SDRs by the IMF for a total of SDR 9 billion. The change in the item results from movements in the SDR/euro exchange rate.

Note 4: Loans to and deposits received from credit institutions in connection

with monetary policy operations

Total receivables held by the Eurosystem in relation to monetary policy operations amounted to EUR 558.989 billion, of which EUR 89.303 billion are recorded on

the Banque de France's balance sheet. With the exception of certain decisions made by the Governing Council, any risks that may materialise as a result of monetary policy operations are eventually to be shared in full by the Eurosystem NCBs, in proportion to their prevailing ECB capital key shares.

Asset item A5 and liability item P2.2 show operations carried out by the Banque de France under the Eurosystem's single monetary policy.

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

Long-term refinancing operations (LTROs) and targeted long-term refinancing operations (TLTROs) are carried out through monthly

tenders for loans with maturities of up to 48 months.

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

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

In late 2011 and early 2012 two very long-term refinancing operations (VLTROs) with a maturity of 36 months and the option of early repayment after one year, totalling EUR 1,018.7 billion for the Eurosystem, of which EUR 169 billion was for France, were conducted. The rate applicable to these operations was equal to the average rate applicable to main refinancing operations over the life of the long-term refinancing operation concerned, with interest being payable in arrears at maturity. These operations were repaid in full in 2015.

Targeted long-term refinancing operations (TLTROs) with a maturity

of 48 months and the option of early repayment after two years were set up with effect from 2014. The interest rate applicable throughout the term of each TLTRO is the rate in force for main refinancing operations at the date when the tender is announced, with interest being payable in arrears at maturity. In 2014 two TLTROs were set up totalling EUR 212.4 billion, of which EUR 48.5 billion was for France. In 2015 four operations totalling EUR 205 billion were set up, of which EUR 30.7 billion was for France.

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

Fine-tuning operations and the collection of deposits are executed on an ad-hoc basis with the aim of managing the liquidity situation in the market and steering interest rates. Fine-tuning operations take the form of reverse transactions, outright foreign currency swaps or the collection of deposits. These operations are generally executed by means of quick tenders or bilateral procedures. With interest being paid at a variable rate close to Eonia,

they were used throughout 2013 to neutralise the liquidity provided through the SMP portfolio. In June 2014 the Governing Council decided to suspend weekly fine-tuning operations to sterilise liquidity injections in connection with the Securities Markets Programme. The outstanding balance on these operations was nil at 31 December 2015.

Liability item P2.1 comprises the current accounts opened by credit institutions in the books of the Banque de France. These accounts comprise minimum reserves, for which the calculation base has been 1% since January 2012, and unconditional deposits made by the institutions. Holdings of minimum reserves bear interest at the average rate of the main refinancing operations over the period the reserves are built up. Deposits exceeding minimum reserves bear interest at the same negative rate as deposit facilities with effect from June 2014.

Deposit facilities enable Banque de France counterparties to make overnight deposits. The interest rate on the deposit facility is set by the Eurosystem and normally acts as a floor for the interbank market rate. This rate became negative



Euro-denominated loans to euro area credit institutions within the framework of monetary policy operations

Asset item A5

(EUR millions)

	2015	2014
Main refinancing operations	7,362	11,691
Long-term refinancing operations	81,851	64,208
Fine-tuning operations	0	0
Structural operations	–	–
Marginal lending facilities	–	–
Margin calls paid	–	–
Accrued interest receivable	90	155
TOTAL	89,303	76,054

on 13 June 2014 (-0.10%, falling to -0.20% on 4 September 2014, then to -0.30% on 9 December 2015).

Note 5: Items A4,

“Euro-denominated claims

on non-euro area residents”,

and A6, “Other euro-denominated loans to euro area credit institutions”

These items include euro-denominated investments earmarked against euro-denominated deposits recorded in liability item P4 (see Note 15).

These claims and loans, which do not

relate to monetary policy operations, are split between these two asset items A4 and A6, according to whether the counterparty is located within or outside the euro area.

Note 6: Item A7,

“Euro-denominated securities issued by euro area residents”

A7.1, “Securities held

for monetary policy purposes”

Asset item 7.1 includes securities acquired within the scope of the

Euro-denominated claims on non-euro area residents

Asset item A4

(EUR millions)

	2015	2014
Securities held until maturity	1,273	1,656
Other claims	3,079	1,536
Accrued interest receivable	23	34
TOTAL	4,376	3,226

three Covered Bond Purchase Programmes (CBPPs),¹⁴ the Securities Markets Programme (SMP)¹⁵ and the Purchase Sector Purchase Programme (PSPP).¹⁶

The amount of covered bond purchases established in the first programme (CBPP 1) was reached at end-June 2010.

On 6 October 2011 the Governing Council of the ECB announced the second Covered Bond Purchase Programme (CBPP 2), which provides for the purchase by NCBs and the ECB of euro-denominated covered bonds issued in the euro area with a view to improving the financing conditions of credit institutions and companies and encouraging credit institutions

Euro-denominated liabilities to euro area credit institutions within the framework of monetary policy operations

Liability item P2

(EUR millions)

	2015	2014
Current accounts	133,032	95,752
Other liabilities	86,768	14,202
Deposit facilities	86,768	14,202
Fixed-term deposits	–	–
Repurchase agreements	–	–
Margin calls received	–	–
Accrued interest payable	1	1
TOTAL	219,802	109,955

¹⁴ See the ECB press releases of 4 June 2009 and 6 October 2011.

¹⁵ See the ECB press release of 10 May 2010.

¹⁶ ECB decision no. 2015/10 of 4 March 2015.

Securities held for monetary policy purposes

Asset item A11

(EUR millions)

	2015		2014		Change	
	Amortised cost	Market price	Amortised cost	Market price	Amortised cost	Market price
Securities held under the Securities Markets Programme	24,092	28,783	27,31	32,828	-3,217	-4,045
Securities held under the first Covered Bond Purchase Programme	4,007	4,359	5,805	6,327	-1,798	-1,968
Securities held under the second Covered Bond Purchase Programme	1,977	2,259	2,676	3,024	-699	-765
Securities held under the third Covered Bond Purchase Programme	26,979	27,22	5,978	6,059	21,001	21,161
Securities held under the Public Sector Purchase Programme	103,75	103,75				
Accrued interest receivable	1,85		713			
TOTAL	162,656		42,483			

to maintain and step up customer lending. This programme was completed in October 2012.

Lastly, under the Securities Markets Programme (SMP), the ECB and NCBs purchased debt instruments issued by public or private entities incorporated in the euro area with a view to correcting the severe tensions in certain euro area security market segments and to restoring the proper functioning of the monetary policy transmission mechanisms. Total securities held by Eurosystem NCBs under the SMP amounted to EUR 114.1 billion at 31 December 2015, compared with EUR 144.3 billion at the end of 2014. The Banque de France's share at the end of 2015 totalled EUR 24.1 billion, compared with EUR 27.3 billion at the end of 2014. In accordance with the decisions of the Governing Council, any risks

that may materialise as a result of holding securities under the SMP are ultimately to be shared in full by the NCBs of the Eurosystem in proportion to their ECB capital key shares. This programme was completed in 2012.

The risks generated by the CBPP 1 and CBPP 2 programmes are not shared between the Eurosystem's national central banks, since the selection criteria have not been harmonised within the Eurosystem.

In October 2014 the Governing Council decided to implement two new purchase programmes, an Asset-Backed Securities Purchase Programme (ABSPP) and a Covered Bonds Purchase Programme (CBPP 3), to improve monetary policy transmission and support the supply of credit to the euro area economy. It was decided that ABS purchases

would initially be undertaken and carried by the ECB.

In January 2015 the Governing Council decided to implement a new Public Sector Purchase Programme (PSPP) for purchases of debt instruments issued by governments, government agencies or European institutions on the secondary market; along with ABS and CBPP 3 purchases this new programme also aims to make monthly securities purchases totalling EUR 60 billion for the Eurosystem up until March 2017. Total securities held by Eurosystem NCBs under this PSPP amounted to EUR 451.8 billion at the end of 2015. The Banque de France's share totalled EUR 103.7 billion at the same date. With regard to the CBPP 3 programme, the amounts totalled EUR 131.9 billion for the Eurosystem NCBs and EUR 27 billion for the Banque de France respectively.



At 31 December 2015, the ECB had purchased simple and transparent ABS backed by underlying assets consisting of claims on the euro area non-financial private sector totalling EUR 15.3 billion.

With effect from December 2014 all fixed-income securities held for monetary policy purposes are recognised in the accounts at amortised cost (see point 2-2). These securities are tested for impairment on the basis of available information and an estimate of recoverable amounts at the balance sheet date.

Based on the final impairment tests performed for these six programmes in 2015, the Governing Council decided on 5 January 2016 that no impairment losses needed to be recognised in the accounts in respect of the portfolios held by the Eurosystem in connection with monetary policy.

A7.2, "Other securities"

Item 7.2 includes euro-denominated securities issued by residents of the euro area, other than those that are specifically earmarked against the Bank's own funds, to the Employee Reserve Fund and to customer deposits that are recorded in asset items A11 and A12 (see Notes 11

Euro-denominated securities issued by euro area residents

Asset item A7.2

(EUR millions)

	2015	2014
Securities held until maturity	75,261	73,108
Other fixed-income securities	4,257	4,24
Accrued interest receivable	1,138	1,219
TOTAL	80,656	78,557

and 28). In addition to fixed-income securities, this item also includes a fixed-income mutual fund.

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

Note 7: Claims arising on the transfer of reserve assets to the ECB

This claim held by the Banque de France results from the transfer of foreign currency reserve assets to the ECB. The claim is denominated in euro and is equivalent to the euro value of the transferred foreign currency reserves as at the date of the transfer. It bears interest at the marginal rate applied to main refinancing operations, adjusted to reflect a zero return on the gold component. It was adjusted when Lithuania joined the euro area on 1 January 2015.

Claims arising on the transfer of reserve assets to the ECB

Asset item A8.2

(EUR millions)

	2015	2014
Claims arising on the transfer of reserve assets to the ECB	8,217	8,217
Accrued interest receivable	4	12
TOTAL	8,221	8,229

Note 8: Claims arising on the Eurosystem for euro banknotes in circulation

The intra-ESCB claim arising from the allocation of euro banknotes within the Eurosystem and the liability to the ECB relating to the 8% share of euro banknotes in circulation are shown as a net amount in item A8.3, "Claims arising on the Eurosystem for euro banknotes in circulation", along with accrued interest receivable as at 31 December 2015. Interest on this net claim is shown in profit and loss item 1.1.1, "Interest and related income" (see Note 14 on banknotes in circulation).

Note 9: Other claims on the Eurosystem

This item includes any income receivable from the ECB in respect of the distribution of the balance of monetary income, provided it is positive (see Note 33 of the profit and loss account) as well as the ECB's interim distribution of profit (see Note 14 on banknotes in circulation).

Other claims on the Eurosystem

Asset item A8.4

(EUR millions)

	2015	2014
Other claims on the Eurosystem	0	139
ECB interim dividends	164	170
TOTAL	164	309

In 2015 the ECB Governing Council decided to distribute an interim dividend of EUR 812.4 million to the Eurosystem NCBs, of which EUR 163.4 million was for the Banque de France.

Note 10: Advance to the IEDOM

The circulation of banknotes in the overseas departments and the collectivities of Saint Pierre and Miquelon, Saint Barthelemy and Saint Martin is managed by the IEDOM in the name of, on behalf of and under the authority of the Banque de France.

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

Note 11: Other euro- and foreign currency-denominated financial assets

Asset item A11 notably includes securities linked to customer deposits, recorded in liability Items P4 and P10, the Bank's own funds and provisions.

Other euro- and foreign currency-denominated financial assets

Asset item A11

(EUR millions)

	2015	2014
Fixed-income securities held until maturity (a) (b)	60,22	69,65
Other fixed-income securities and variable-yield securities	11,044	9,778
Other operations	16,536	11,304
Accrued interest receivable	18	31
TOTAL	87,818	90,763

(a) In 2015, none of these securities were transferred to another portfolio and none of these securities were sold before maturity.

(b) Of which foreign currency denominated securities: EUR 49,652 million. Of which collateralised securities: EUR 59,936 million (see Note 28).

Securities portfolios

Extract from asset item A11

(EUR millions)

	2015 Fixed-income securities held until maturity	Other securi- ties	2015 Total	2014 Total
Fixed-income securities and government securities	59,975		59,975	69,352
Securities issued by public bodies	40		40	70
Other issuers	207		207	230
Accrued interest receivable	7		7	31
Net balance sheet value	60,229		60,229	69,683
Equities and other variable-yield securities				
French and foreign mutual funds		1,515	1,515	1,366
Capitalisation mutual funds		7,218	7,218	6,739
Other variable-yield securities		27	27	27
Net balance sheet value		8,76	8,76	8,132

Note 12: Other items

"Other items" reflect the revaluation impact of off-balance sheet foreign currency positions held in relation to retail banking operations (see Note 19). Their impact on the profit and loss account is cancelled out by the revaluation of foreign currency positions in the balance sheet, the overall foreign currency position from these activities being close to zero.

The portfolios of the Employee Reserve Fund (see Note 29) are classified under "Other items" in item A12.

Other items

Asset item A12

(EUR millions)

	2015	2014
Deferred income, accrued expenses, etc.	343	6,027
Accrued income	323	258
Prepaid expenses	20	28
Other items	0	5,741
Other items	4,836	4,715
TOTAL	5,179	10,742

Note 13: Fixed assets

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

As for European projects, the costs for these are capitalised in accordance



Fixed assets

Asset items A8.1 and A13

(EUR millions)

	31 Dec. 2015	Increase (a)	Decrease (a)	31 Dec. 2014
Participating interest in the ECB (gross value)	1,54		–	1,54
FX translation difference on participating interest in the ECB	5			5
Participating interest in the ECB (balance sheet value)	1,545			1,545
Participating interest excluding ECB (gross value)	538	133	–	405
Intangible fixed assets (gross value)	477	194	125	408
Amortisation and depreciation	224	46	–	178
Net value of intangible fixed assets	253	148	125	230
Tangible fixed assets (gross value)	2,3	187	173	2,286
Depreciation and provisions	1,506	85	112	1,533
Net value of intangible fixed assets	794	102	61	753
Total tangible and intangible fixed assets (net balance sheet value)	1,047	250	186	983

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

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

Participating interest in the ECB

In 2010 the ECB increased its subscribed capital by EUR 5 billion to stand at EUR 10.76 billion. The Eurosystem NCBs paid up their additional capital contribution in three equal annual instalments in 2010, 2011 and 2012 (EUR 237 million for France). Latvia's entry into the euro area on 1 January 2014 changed the allocation of the ECB's capital.

The change to the Banque de France's share in the ECB's paid-up capital is indicated below.

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

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

Participating interest in Europafi

On 27 October 2015 the Banque de France spun off its paper business by creating a simplified joint stock company (SAS) with capital of EUR 133 million, in respect of which it made a contribution in kind

Amount of the Banque de France's share in the ECB's paid-up capital

(EUR millions)

Paid-up capital at 31/12/2010	Paid-up capital at 28/12/2011	Paid-up capital at 27/12/2012	Paid-up capital at 21/02/2014
1,056.0	1,293.3	1,530.3	1,540.0

Banque de France's share in the ECB's subscribed capital

(in %)

Until 31 Dec. 2003	From 1 May 2004 to 31 Dec. 2006	From 1 Jan. 2007 to 31 Dec. 2008	From 1 Jan. 2009	From 1 July 2013	Starting from 1 Jan. 2014
16.8337	14.8712	14.3875	14.2212	14.1342	14.1792

Information relating to subsidiaries and participating interests at 31 December 2015

Asset items A8.1 and A13.2

(EUR millions)

	Asset item	Listed	Share of capital held (%)	2015 share-holders' equity	2015 profit/loss equity	2015 book value
European Central Bank (a)	A 8.1	No	20.14	40,227	1,099	1,545
Bank for International Settlements	A 13.2	No	8.96	23,457	697	405
Europafi	A 13.2	No	100	133	na	133
La Prévoyance immobilière	A 13.2	No	98.20	na	na	ns
Banque de France Gestion	A 13.2	No	99.99	7	8	ns

ns: not significant

na: not available

(a) The interest in the capital is the Bank's share in all of the NCBs that are members of the euro area. Dividends are allocated on this basis.

amounting to EUR 41 million and made up the balance by a cash contribution of EUR 92 million called in the amount of 50%.

Note 14: Banknotes in circulation

The ECB and the 19 euro area NCBs that together make up the Eurosystem issue euro banknotes. The total value of euro banknotes in circulation in the Eurosystem is allocated on the last business day of each month in accordance with the banknote allocation key.¹⁷

The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, with the remaining 92% allocated to euro area NCBs according to their weightings in the ECB's capital key. The share of banknotes in circulation allocated to each NCB is disclosed in the liability item "Banknotes in circulation".

The difference between the value of euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes actually put into circulation gives rise to remunerated intra-Eurosystem balances (see asset item A8.3).

A mechanism aiming to even out, during the first five years, any adjustments that may arise as a result of a country entering into the euro area has been implemented. This mechanism currently concerns only Estonia, Latvia and Lithuania.¹⁸

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

The ECB Governing Council decided that the ECB's seigniorage income

arising from the 8% share of euro banknotes in circulation allocated to it,¹⁹ as well as the income generated on the securities that it holds under the securities markets programmes (SMP, CBPP 3, ABSPP and PSPP), are due to the NCBs in the same year it accrues and distributed to them at the beginning of the following year in the form of an interim dividend. This income is distributed in full unless the ECB's profit is lower. Lastly, the Governing Council may decide to transfer all or part of this income to a provision for foreign currency rate, interest rate and gold price risks.

¹⁷ ECB decision of 6 December 2001 on the issuance of euro banknotes (ECB/2001/15).

¹⁸ For a five-year period from the year of adoption of the euro, intra-Eurosystem balances resulting from euro banknote allocation are adjusted to avoid significant changes in the NCBs' profit positions compared to previous years. These adjustments are effected by taking into account the differences between, on the one hand, the average value of banknotes in circulation of each NCB during a reference period commencing 30 months before the introduction of the euro in the State concerned and, on the other hand, the value of banknotes that would have been allocated to them during that period under the ECB's banknote allocation key. These adjustment amounts are reduced each year until the first day of the sixth year following adoption of the euro, after which income on banknotes will be allocated fully between the NCBs in proportion to their paid-up share in the ECB's capital. The adjustment period for Estonia will end on 1 January 2017, for Latvia on 1 January 2019 and for Lithuania on 1 January 2020.

¹⁹ ECB decision of 17 November 2005 (ECB/2005/11) on the distribution of the income of the ECB on euro banknotes in circulation to the NCBs of participating member countries.



Euro-denominated liabilities to non-euro area residents

Liability item P4

(EUR millions)

	2015	2014
Euro-denominated liabilities to non-euro area residents	15,027	28,465
Accrued interest payable	13	7
TOTAL	15,040	28,472

Note 15: Euro-denominated liabilities to non-euro area residents

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

Note 16: Euro-denominated liabilities to the Eurosystem

Euro-denominated liabilities to the Eurosystem mostly comprise France's

Euro-denominated liabilities to the Eurosystem

Liability item P7

(EUR millions)

	2015	2014
Euro-denominated liabilities to the Eurosystem (Target2)	29,241	17,009
Accrued interest payable	3	2
Accrued expenses in respect of monetary income	71	9
TOTAL	29,315	17,02

net debt arising on cross-border transfers via Target with other NCBs in the ESCB.

Note 17: Euro-denominated liabilities to other euro area residents

Liability item P8.1 consists of:

- the Treasury's account which, since 1 December 2014, has been remunerated based on the Eonia up to EUR 500 million and above this amount at the deposit facility rate, which has been negative since 13 June 2014. Interest is credited (or debited) to the Treasury's account on the last business day of the month;
- the accounts of other government agencies.

Liability item P8.2, "Other liabilities", mainly comprises the current account with the IEDOM. The assets matching this liability are recorded mainly in asset item A9, "Advance to the IEDOM" (see Note 10).

Euro-denominated liabilities to other euro area residents

Liability item P8

(EUR millions)

	2015	2014
Liabilities vis-à-vis the State	13,873	2,442
Other liabilities	6,01	4,174
Accrued interest payable	-4	-4
TOTAL	19,878	6,612

Note 18: Items in the course of settlement

Balance sheet item P9, "Items in course of settlement", includes only items (primarily cheques) debited or credited to a customer's account, but not yet credited or debited to a credit institution's account, and vice versa.

Note 19: Banking transactions

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

Banking transactions

Liability item P10

(EUR millions)

	2015	2014
Customer deposits	7,066	13,154
Other banking transactions	88,646	88,908
Accrued interest payable	132	162
TOTAL	95,844	102,224

For the record, euro-denominated deposits made by institutional customers (other than monetary and financial institutions) and private customers are recorded in liability item P8.2.

Note 20: Other items

This item mainly includes:

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

Other items

Liability item P11
(EUR millions)

	2015	2014
Deferred income, accrued expenses, etc.	1,329	283
Accrued expenses	309	277
Other items	1,02	6
Other items	4,854	4,754
TOTAL	6,183	5,037

Note 21: Provisions for liabilities and charges

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

- provisions for restructuring, relating to the “cash activities” and “banknote manufacturing” plans, the “plan to adapt the Banque de France’s branch network”, and the “plan to discontinue retail

banking activities”, corresponding to the full coverage of pensionable service credited under early retirement schemes;

- provisions for changing the age pyramid, relating to an early retirement incentive scheme for employees reaching the end of their working life;
- provisions for retirement benefits;
- a provision covering the Bank’s commitment to fund a portion of the supplementary health insurance plan for employees and retirees;
- provisions for various social liabilities for working employees (death benefits, long-service medals, end-of-career leave, extended sick leave, pensions for industrial injuries, unemployment benefits);

- provisions to cover various social obligations granted to retired employees (death benefits, supplementary health cover, etc.) that are not funded by the pension scheme;
- other provisions for, inter alia, major repairs (such as façade repairs, renovations, etc.).

In 2015 the EUR 57 million decrease in the provision for supplementary health insurance (attributable to the renegotiation of the contract and a decline in the number of members relative to 2014) more than offset the increase in employee-related provisions, mainly driven by a decrease in the discount rate from 3.5% to 2.75%.

Revaluation assumptions based on long-term inflation were also reduced slightly (1.8% with effect from 2020).

Provisions for liabilities and charges

Liability item P12
(EUR millions)

	2015	Increase.	Decrease.	2014
Provisions for restructuring and changing the age pyramid	150	16	8	142
Provisions for retirement benefits	173	19	14	168
Provisions for the supplementary health insurance plan	238	–	57	295
Other miscellaneous provisions in relation to current employees	119	26	23	116
Other miscellaneous provisions in relation to retired employees	184	22	7	169
Provision relative to monetary policy operations	–	–	–	–
Other	33	11	15	37
TOTAL	897	94	124	927



Note 22: Revaluation accounts

Gold and foreign currency assets and liabilities are revalued at the reference prices indicated by the ECB on 31 December 2015.

The revaluation rates used at 31 December 2015 for gold and the main currencies held were the following:

- EUR 31,289.91 per kilogram of fine gold (compared with EUR 31,757.51 per kilogram at the end of 2014);
- 1 euro = 1.0887 US dollars (compared with 1.2141 at the end of 2014);
- 1 euro = 0.7857 SDRs (compared with 0.8386 at the end of 2014).

Revaluation accounts

Liability item P13

(EUR millions)

	2015	2014
Revaluation account – gold	56,859	57,998
Revaluation account – foreign exchange	9,452	5,575
Revaluation account – securities	2,127	1,761
Revaluation account financial futures		1
TOTAL	68,438	65,335

Note 23: Fund for general risks

The fund for general risks (FRG) is booked as a liability in item P14, with counterparty entries for charges to and releases from this fund recorded through item 3 of the profit and loss account.

It is intended to cover all possible risks to which the Bank is exposed through its activities, except for the exchange rate risk on gold and foreign currency reserves, which is covered by the relevant revaluation accounts and by the RRRODE (see the paragraph on valuation methods). The amount of the FRG is reviewed each year on the basis of the volume of outstanding operations at the accounts closing date and an analysis of the attendant risks, based notably on past losses or stress tests. In order to calculate corporate income tax, the allocation to the FRG is not a deductible expense; conversely, the reversal of the FRG is not subject to tax. The 2015 allocation amounted to EUR 500 million.

Note 24: Revaluation reserve of gold and foreign exchange reserves

See the notes on the RRRODE in the section describing the valuation methods.

Note 25: Capital, reserves and retained earnings of the Banque de France**Capital, reserves and retained earnings**

Liability item P17

(EUR millions)

	2015	2014
Capital	1	1
Reserves	6,850	6,371
Statutory reserves (a)	589	486
Long-term capital gains	100	100
Special pension reserve fund (see Note 30)	2,949	2,578
Other reserves (b)	3,212	3,207
Retained earnings	6	69
Total	7,857	7,440

(a) In accordance with Article R114-4 of the Monetary and Financial Code, 5% of profit for the year is earmarked for a special reserve that ceases to receive allocations when it reaches an amount equal to twice capital.

(b) Other reserves include the investment reserve and the insurance fund to cover claims against the Bank. In accordance with Article R.144-2, the Banque de France must maintain reserves to finance its investments. The Bank is also its own insurer with respect to civil liability risks, claims on property it owns and damages to this property by third parties.

Net financial assets**Note 26: Net financial assets**

The agreement on net financial assets, which was signed in 2003, renewed in 2009 and again in 2014, commits the Eurosystem NCBs to cap the amount of their “net financial assets” (all accounting items except those necessary for the conduct of monetary policy). It aims to ensure the proper transmission of decisions on monetary policy to the real economy by maintaining the minimum liquidity deficit in periods

Net financial assets

(EUR millions)

		Amount at the financial year-end		Change
		2015	2014	2015/2014
Total net financial assets (A-B)		111.8	117.5	-5.8
Asset items (A)		372.3	378.8	-6.6
A1	Gold	76.2	77.3	-1.2
A2	Foreign currency assets	51.8	39.9	11.9
A3	Relations with the IMF	17.3	17.2	0.1
A4	Euro-denominated claims on non-euro area residents	4.4	3.2	1.2
A6	Other euro-denominated loans to euro area credit institutions	30.5	44.1	-13.6
A7.1	Securities held for monetary policy purposes (partial)	1.9	0.7	1.2
A7.2	Other securities	80.7	78.6	2.1
A8.1	Participating interest in the ECB	1.5	1.5	0.0
A8.2	Claims arising on the transfer of reserve assets to the ECB	8.2	8.2	0.0
A8.4	Other claims on the Eurosystem	0.2	0.3	-0.1
A9	Advance to the IEDOM	5.0	4.7	0.3
A10	Claims on the French Treasury	0.0	0.0	0.0
A11	Other euro and foreign currency denominated financial assets	87.8	90.8	-3.0
A12	Other items	5.2	10.7	-5.5
A13	Fixed assets	1.6	1.4	0.2
Liability items (B)		260.5	261.3	-0.8
P3	Other euro-denominated liabilities to euro area credit institutions	0.0	0.0	0.0
P4	Euro-denominated liabilities to non-euro area residents	15.0	28.5	-13.5
P5	Foreign exchange liabilities	0.9	1.2	-0.3
P6	Counterpart to SDR allocations	12.9	12.1	0.8
P8	Euro-denominated liabilities to other euro area residents	19.9	6.6	13.3
P9	Items in the course of settlement	0.1	0.2	-0.1
P10	Banking transactions	95.8	102.2	-6.4
P11	Other items	6.2	5.0	1.2
P12	Provisions for liabilities and charges	0.9	0.9	0.0
P13	Revaluation accounts	68.4	65.3	3.1
P14	Fund for general risks and accelerated tax depreciation	8.1	7.6	0.5
P15	Revaluation reserve of State gold and foreign exchange reserves	22.1	22.1	0.0
P17	Capital, reserves and retained earnings	7.9	7.4	0.5
P18	Net profit	2.2	2.1	0.1

of conventional monetary policy. The liquidity requirement of banks is equivalent to their liability base, comprised of banknotes in circulation and minimum reserves recorded on the Eurosystem's liabilities side. This liquidity requirement is covered by monetary policy operations (refinancing operations and purchases of securities) and by net financial assets. Thus the definition of a cap for net financial assets makes it possible to ensure a floor for refinancing operations, all other things being equal.

The Bank's net financial assets, which are defined within the scope of the agreement adopted by the Eurosystem from 2003, amounted to EUR 111.8 billion at 31 December 2015, compared to EUR 117.6 billion at 31 December 2014. They comprise the asset and liability items set out in the table below. This table corresponds to the strict application of the Agreement on Net Financial Assets (ANFA), drawn up using the Eurosystem's common accounting classification. The latter differs marginally from the one used in the Bank's published balance sheet, which complies with the Order of 7 February 2000 on the presentation of the Banque de France's annual



accounts. It should be noted that part of item A7.1., "Securities held for monetary policy purposes", used for net financial assets, corresponds to the only receivables from securities held for monetary policy purposes (see Note 6).

Off-balance sheet

Note 27: Interest rate futures contracts

Notional amount of financial futures contracts

(EUR millions)

	2015	2014
Outright transactions on organised markets		
Interest rate contracts denominated in foreign currency		
Purchases	–	66
Sales	1,619	626
Interest rate contracts denominated in euro		
Purchases		
Sales		
Over-the-counter market operations		
Interest rate swaps denominated in foreign currency	417	540
Interest rate swaps denominated in euro	–	–

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

The Banque de France collects euro-denominated deposits from non-euro area residents, in particular foreign central banks and international bodies; these deposits are recorded

Foreign currency receivable/deliverable

(EUR millions)

	2015	2014
Euro to be received against foreign currency to be delivered		
Euro to be received	8,602	18,452
Foreign currency to be delivered	8,737	18,963
Foreign currency to be received against euro to be delivered		
Foreign currency to be received	41,548	49,315
Euro to be delivered	41,27	48,596
Foreign currency to be received against foreign currency to be delivered	52,446	49,647
Foreign currency to be delivered against foreign currency to be received	51,835	45,559

in liability item P4. The Banque de France also collects foreign currency denominated deposits, mainly from non-resident institutions; these deposits are recorded in liability item P10.

These euro-denominated or foreign currency-denominated deposits are invested either in the same currency or in a different currency (euro-denominated investments are recorded in asset items A4 or A6 depending on the area of residence of the counterparty, while foreign currency investments are recorded in item A11). Where appropriate, foreign 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 currency reserves. Consequently, they are recorded in dedicated accounts separate from those used for the management of foreign currency reserves, and are valued in accordance with the standards issued by the ANC (see heading 2/2: valuation methods for "Other foreign currency gains/losses" and Note 20).

Amounts of foreign currency receivable and deliverable in respect of transactions carried out with customers and the ECB (See Note 2) are detailed in the following table.

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

Commitments given by the Banque de France

In 2010 the Banque de France had a bilateral loan financing commitment of EUR 11.060 billion. The financing commitment was merged with that of the New Arrangements to Borrow (NAB), signed by France on 4 April 2011. Since that date all bilateral loans come under the NAB. The total amount of the credit line that the IMF can draw on initially totalled

SDR 18.7 billion. At the end of 2015 total loans granted stood at SDR 1.8 billion (SDR 2.2 billion at the end of 2014), or EUR 2.3 billion (EUR 2.5 billion at the end of 2014). The balance of this financing commitment totalled SDR 16.8 billion (EUR 21.4 billion) at 31 December 2015.

A new bilateral loan agreement between France and the IMF was signed in October 2012. Under this agreement, France undertakes to provide further financing of EUR 31.4 billion (SDR 24.7 billion at 31 December 2015). No funds have been drawn down under this new agreement.

In addition, the Bank grants loans under the IMF's "Poverty Reduction and Growth Facility" and the "Exogenous Shocks Facility" (PRGF-ESF). These loans form part of a commitment made by France at the annual general meeting of the IMF on 4 October 2009 to grant SDR loans for a maximum amount equivalent to USD 2 billion. When the loan is drawn down, this amount is converted into SDRs at the dollar rate for the day and the repayment schedule will also be denominated in SDRs. Drawdowns on the Banque de France were made from 2011 to 2015 for a total amount of SDR 1.2 billion.

Commitments received by the Bank

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

Note 30: Pension obligations

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

The Employee Reserve Fund (CRE)

The Banque de France has a pension fund known as the *Caisse de réserve des employés de la Banque de France* (CRE – Banque de France Employee Reserve Fund), which is designed to service the pensions of the Bank's statutory employees. The CRE does not have a legal personality distinct from that of the Bank; it constitutes, as the *Conseil d'État* set out in its

decisions of 5 November 1965 and 28 April 1975, "a means for the Bank to manage itself assets that are assigned to a special purpose and whose separate financial identity has been recognised with the sole purpose of showing the results of this management in a special account".

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

The pensions provided by the CRE to retirees are partly funded by the income on a securities portfolio, which has been set up over time and is specifically devoted to this purpose. The securities acquired by the CRE appear in balance sheet item A12, "Miscellaneous". The CRE's capital is shown in liability item P11, "Miscellaneous".

Fixed-income securities purchased by the CRE are recorded as available-for-sale and held-to-maturity securities. Differences between the acquisition and redemption price of held-to-maturity fixed-income securities are spread over the remaining life of the securities using the internal rate of return method. Unrealised losses on available-for-sale



securities are provided for on a line-by-line basis. However, realised gains and losses, unrealised losses and paid contributions recognised in the profit and loss account require a matching charge to or withdrawal from the CRE's capital.

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

Other sources of financing for pensions

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

Pension liabilities and funding

(EUR millions)

Liabilities			Funding		
	2015	2014		2015	2014
Liabilities in respect of the special retirement scheme	13,185	11,827	Funding	7,778	7,079
of which to current workforce	5,333	4,76	of which to Employee Reserve Fund	4,829	4,501
of which to retirees	7,852	7,067	of which to special reserve fund	2,949	2,578
Liabilities in respect of the additional seniority granted as part of restructuring plans	146	136	Provision	146	136
Total gross liabilities	13,331	11,963	Total funding	7,924	7,215
Net liabilities	5,407	4,748			

item P17, "Capital, reserves and retained earnings".

In addition, liabilities in respect of the additional seniority granted as part of restructuring plans (see Note 21) are provisioned in full.

The resources constituted by this reserve fund and these provisions have been invested in a securities portfolio that appears in asset item A12. This portfolio is recorded in accordance with the rules set out in the section on the valuation methods used for securities portfolios. The income from this portfolio is shown, as appropriate, in items 1.1, "Net interest income", 1.2.3, "Net of other income and expenses on financial transactions" or 1.4, "Income from equity securities and participating interests" of the profit and loss account.

Actuarial assumptions

The amount of pension liabilities has been calculated in accordance with actuarial standards (using the projected unit credit method), taking into account all current employees, retirees and their dependants. The amount of obligations vis-à-vis current employees was determined using a prospective method with assumptions concerning future career and salary developments.

The TGH-TGF 2005 statutory mortality tables applicable to life insurance contracts were used to calculate pension liabilities at 31 December 2015. These tables take into account the increase in the working lives of the employees concerned and, as in previous years, are mortality experience tables by gender.

Since the reform of the pension system with effect from 1 April 2007, pension entitlements may be accessed between 60 and 65. The increase in the number of quarters required to obtain a full pension was applied gradually at the rate of one quarter per half-year to reach 166 quarters in the second half of 2014 (compared with 150 until 2006).

With the new reform that entered into force on 1 January 2016 the retirement age is being gradually raised to 62 and the upper limit for the pension age to 67. The number of quarters required is being gradually increased to 172.

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

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

Calculations of pension liabilities and the underlying assumptions

used are validated and monitored by the Bank's actuary. The discount rate applied was reduced from 3.5% in 2014 to 2.75% in 2015. Revaluation assumptions based on long-term inflation were reduced slightly (1.8% with effect from 2020) (see Note 21).

Profit and loss account

Note 31: Net interest income

Net interest income

Profit and loss item 1.1

(EUR millions)

	2015	2014
Interest on foreign exchange assets	833	734
<i>Of which: interest on held-to-maturity securities</i>	518	457
Interest on claims on the IMF	8	34
Interest on euro-denominated claims on non-residents		
Interest on lending to credit institutions	279	103
Interest on euro-denominated securities	4,47	4,695
<i>Of which: interest on held-to-maturity securities</i>	2,566	2,655
<i>Of which: interest on securities held for monetary policy purposes</i>	1,891	2,011
Interest on claims arising on the transfer of reserve assets to the ECB	4	12
Interest on net claims on the Eurosystem (a)	0	0
Interest on the net euro banknote position	43	126
Interest on other euro and foreign currency denominated financial assets	725	703
<i>Of which: interest on available-for-sale securities</i>		
<i>Of which: interest on held-to-maturity securities</i>	25	113
<i>Of which: other interest</i>	700	590
Total interest and related income (A)	6,362	6,386
Interest on euro-denominated liabilities to monetary financial institutions in the euro area	-12	-73
<i>Of which: interest paid on minimum reserves</i>	-10	-32
Interest on euro-denominated liabilities to non-euro area residents	-360	-390
Interest on foreign exchange liabilities	-10	-7
Interest on counterpart to SDR allocations	-6	-10
Interest on net claims on the Eurosystem (1)	-31	-58
Interest paid on the Treasury account	34	16
Other interest	-49	-72
Total interest and related expenses (B)	-434	-594
Net interest income (C = A + B)	5,928	5,792

(a) Interest on the Banque de France's net position within the Target system (see Notes 9 and 16).

Note 32: Net income/loss on financial transactions

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



Net of other income and expenses on financial transactions

Extract from profit and loss item 1.2.3

(EUR millions)

	2015	2014
Net gain/loss on foreign currency denominated securities (a) (b) (c)	3	7
Net gain/loss on euro-denominated securities included in item A72 (b) (c)	49	42
Net gain/loss on available-for-sale securities included in item A11 (b)	2	32
Net foreign exchange gain/loss (excluding foreign exchange reserve management)	9	13
TOTAL	63	94

(a) Excluding the impact of foreign exchange fluctuations, shown in profit and loss item 1.2.1.

(b) These items include realised gains and losses, and unrealised losses at year-end.

(c) These items also include margin calls on interest rate futures and profits and losses on synthetic instruments.

In 2015 the net balance of realised gold and foreign exchange gains and losses (EUR 182 million) and unrealised foreign currency losses (EUR 253 million) was a loss of EUR 70 million. In accordance with the agreement of 2 February 2011 between the State and the Banque de France on the management of and accounting for State foreign currency reserves, this net balance was allocated to the RRRODE, with the matching entry taken to the profit and loss account (item 1.2.2).

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

Note 33: Income from equity securities and participating interests

For 2015 the Governing Council decided to distribute the ECB's share

Income from equity shares and participating interests

Profit and loss item 1.4

(EUR millions)

	2015	2014
ECB dividend	194	183
Dividends from other participating interests	29	24
Dividends from available-for-sale securities	13	17
Other income	0	0
TOTAL	236	224

of seigniorage income and income from SMP, CBPP 3, ABS and PSPP securities to the national central banks. The ECB made an interim profit distribution of EUR 812 million, of which EUR 163 million was to the Banque de France. In 2015 it distributed an additional dividend in respect of 2014, of which EUR 30 million was to the Banque de France.

Note 34: Net result of pooling of monetary income

This item comprises the annual net result of the pooling of monetary

income, which in 2015 corresponded to a EUR 70 million expense (compared to a EUR 9 million expense in 2014), to which was added an expense adjustment of EUR 1.1 million in respect of 2014. In 2014 exceptional net income of EUR 139 million was received, corresponding to interest income obtained from the recovery of debts and underlying collateral resulting from the collapse of Lehman Brothers, recorded in the accounts of the Central Bank of Germany.

The monetary income pooled by the Eurosystem is allocated between NCBs according to their share in the ECB's capital. The difference between the monetary income pooled by the Banque de France (EUR 1.879 billion) and that reallocated to the Bank (EUR 1.809 billion) constitutes the net result of the pooling of monetary income recorded in profit and loss item 1.5.

The monetary income of each NCB is determined by measuring the actual annual income derived from the earmarkable assets held against its liability base.

The liability base consists of the following items: banknotes in circulation; liabilities to credit institutions in connection with

euro-denominated monetary policy operations; intra-Eurosystem liabilities arising from Target transactions; and net intra-Eurosystem liabilities arising from the allocation of euro banknotes within the Eurosystem. Any interest accruing on liabilities included in the liability base is deducted from the monetary income to be pooled.

Earmarkable assets consist of the following items: euro-denominated lending to euro area credit institutions in the framework of monetary policy operations; securities held for monetary policy purposes, claims arising on the transfer of reserve assets to the ECB; the net intra-Eurosystem claim arising from Target transactions; the net intra-Eurosystem claim arising from the allocation of euro banknotes within the Eurosystem; and a limited amount of gold in proportion to each NCB's interest in the ECB's capital under the capital key.²⁰ Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the contribution of this difference to the monetary income is offset by applying the marginal rate of main refinancing operations to the value of the difference.

²⁰ Gold is deemed not to generate any income.

Note 35: Net other income and expenses

This net result includes income and expenses generated by service activities carried out on behalf of third parties. These activities mainly relate to public service activities entrusted to the Banque de France by law or by agreements signed with the State. To a certain extent they also concern activities carried out to support the economy, for which the cost is re-invoiced.

This income includes the contribution for the cost of supervision by the ACPR. The ACPR, which was established by Order 2010-76 of 21/01/2010 merging the licensing and supervisory authorities of the banking and insurance sectors, is a financially autonomous, independent administrative authority without legal personality. It is chaired by the Governor of the Banque de France

Net of other income and expenses

Profit and loss item 1.6

(EUR millions)

	2015	2014
Remuneration for services rendered to the State	273	290
Payments for ACPR's supervisory expenses	188	184
Other income (a)	296	305
Total other income (A)	757	779
Total other expenses (B)	-33	-24
Net of other income and expenses (C = A + B)	724	755

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

and its budget is a sub-budget of the Banque de France. The expenses and income of the ACPR are recognised in the accounts 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 the supervision of the ACPR. In 2015, levies for supervisory expenses generated EUR 188 million (EUR 184 million in 2014), recorded in profit and loss account item 1.6, "Net of other income and expenses".

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

Note 36: Personnel and related expenses

Personnel and related expenses

Profit and loss item 2.1

(EUR millions)

	2015	2014
Salaries and wages	-658	-661
Taxes on salaries and wages	-111	-111
Social security contributions	-194	-194
Profit-sharing and incentive plans	-34	-39
Total personnel expenses	-997	-1,006

Profit and loss item 2.2

(EUR millions)

Pensions and related expenses	-461	-455
Total pension expenses	-461	-455



Note 37: Corporate income tax

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

The 2011 Supplementary Budget Act provided for an exceptional contribution to corporate income

tax amounting to 5% of statutory corporate income tax in 2011 and 10.7% in 2013. The Supplementary Budget Act for 2012 introduced a 3% tax on amounts distributed on or after 1 August 2012.

Note 38: Exceptional expense

This year the Banque de France undertook an exceptionally high patronage commitment, contributing to the funding for the Louvre Museum to purchase a painting that has acquired the status of a work of art of major importance, comparable to that

of a national treasure. In accordance with current tax legislation the Bank received a tax credit equalling 90% of the sum paid.

Other information**Remuneration of management bodies**

(EUR millions)

	2015	2014
Total remuneration paid to management bodies	3.1	3.1

The members of the General Council and the Executive Committee constitute the Bank's management bodies. Remuneration comprises gross remuneration plus payment in kind, where relevant. The Staff Representative and the Censor are not remunerated for positions they hold in the General Council.

Auditors' report on the annual accounts of the Banque de France

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Auditors' report on the annual accounts of the Banque de France

For the year ended 31 December 2015

In accordance with the assignment entrusted to us by the Banque de France's General Council, we hereby report to you for the year ended 31 December 2015, on:

- our audit of the accompanying annual accounts of the Banque de France;
- the basis for our assessments;
- the specific procedures required by Article R144-8 of the Monetary and Financial Code.

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

Opinion on the annual accounts

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

In our opinion, the annual accounts give a true and fair view of the results of operations for the year ending 31 December 2015 and of the Banque de France's financial position, assets and liabilities at that date, in accordance with the accounting rules and principles set out in Article R144-6 of the Monetary and Financial Code.

.../...



Without prejudice to our opinion, we should draw your attention to the following points:

- The introduction to the Notes to the annual accounts describes the accounting principles and valuation methods applicable to the Bank, some of which are specific to the European System of Central Banks.
- The General Council has determined the level of detail of the financial information published in accordance with its right provided for in Article R144-6 of the Monetary and Financial Code.

Basis for our assessments

As required by Article L823-9 of the French Commercial Code relating to the basis for our assessments, we draw your attention to the following:

- The section on valuation methods and Note 6 to the annual accounts describe the methods used to value the securities held by the Banque de France and in particular the impairment methods applicable to held-to-maturity securities. We reviewed the processes put in place by management in order to assess the risks of non-recovery of securities carried at amortised cost and also reviewed the assumptions used and the documentation held in relation to these estimates.
- Note 30 to the annual accounts sets out the method for assessing pension obligations and other related liabilities. These obligations were assessed by actuaries. Our work consisted in examining the data used, and evaluating the assumptions applied.

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

Specific procedures and disclosures

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

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

Paris La Défense and Neuilly-sur-Seine, 14 March 2016

The Auditors

KPMG S.A.
Pascal Brouard
Partner

Deloitte & associés
Pascal Colin
Partner

Combined accounts

The combined balance sheet and profit and loss account

Combined balance sheet at 31 December 2015

(EUR millions)

Notes to the balance sheet	ASSETS	2015	2014
A1	Gold	76,211	77,343
A2	Foreign exchange assets (excl. relations with the IMF)	51,75	39,859
2.1	Foreign exchange assets held with non-euro area residents	32,799	23,751
2.2	Foreign exchange assets held with euro area residents	18,951	16,108
A3	Relations with the IMF	17,292	17,198
3.1	Financing provided to the IMF	3,782	4,777
3.2	Acquisitions of Special Drawing Rights	13,511	12,421
A4	Euro-denominated claims on non-euro area residents	4,736	3,226
A5	Euro-denominated loans to euro area credit institutions in the framework of monetary policy operations	89,303	76,054
A6	Other euro-denominated loans to euro area credit institutions	30,539	44,144
A7	Euro-denominated securities issued by euro area residents	243,312	121,039
7.1	Securities held for monetary policy purposes	162,655	42,472
7.2	Other securities	80,656	78,567
A8	Relations within the Eurosystem	97,951	91,282
8.1	Participating interest in the ECB	1,545	1,545
8.2	Claims arising on the transfer of reserve assets to the ECB	8,221	8,229
8.3	Claims arising on the Eurosystem for euro banknotes in circulation	88,022	81,199
8.4	Other claims on the Eurosystem	164	309
2	A9 Claims on the French Treasury in respect of coins	0	0
A10	Other euro and foreign currency denominated financial assets	87,822	90,767
1	A11 Other items	8,402	13,836
A12	Fixed assets	1,529	1,43
12.1	Tangible and intangible fixed assets	1,121	1,023
12.2	Participating interests (other than interest in the ECB)	408	407
	TOTAL ASSETS	708,488	576,178

Notes to the balance sheet	LIABILITIES	2015	2014
P1	Banknotes in circulation	200,781	189,498
P2	Euro-denominated liabilities to euro area credit institutions within the framework of monetary policy operations	219,802	109,955
2.1	Current accounts	133,034	95,753
2.2	Other liabilities	86,768	14,202
P3	Other euro-denominated liabilities to euro area credit institutions	10	15
P4	Euro-denominated liabilities to non-euro area residents	15,039	28,472
P5	Foreign exchange liabilities	933	1,17
P6	Counterpart to SDR allocations	12,9	12,085
P7	Relations within the Eurosystem	29,315	17,02
P8	Euro-denominated liabilities to other euro area residents	16,948	4,015
8.1	Treasury's account	13,869	2,484
8.2	Other liabilities	3,079	1,531
P9	Items in the course of settlement	100	194
P10	Banking transactions	95,844	102,224
P11	Other items	6,149	5,049
P12	Provisions for liabilities and charges	922	949
P13	Revaluation accounts	68,438	65,335
P14	Fund for general risks	8	7,5
P15	Revaluation reserve of State gold reserves	22,06	22,13
P16	Revaluation reserve of State foreign exchange reserves		
1	P17 Capital, reserves and retained earnings	8,911	8,279
17.1	IEDOM capital grant, reserves and retained earnings	149	147
17.2	Capital, reserves and retained earnings of the Banque de France	8,762	8,132
P18	Net profit	2,334	2,288
	TOTAL LIABILITIES	708,488	576,178

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



2015 Combined profit and loss account

(EUR millions)

Notes to the balance sheet		2015	2014
1	Net income from activities of the Banque de France	6,955	7,069
	1.1 Net interest income	5,978	5,838
	1.1.1 Interest and related income	6,410	6,427
2	1.1.2 Interest and related expenses	-433	-1,052
	1.2 Net income/loss on financial transactions	63	94
	1.2.1 Net realised gains/losses and unrealised losses on foreign exchange	-70	229
	1.2.2 Net charges to/releases from the revaluation reserve of State foreign exchange reserves	70	-229
	1.2.3 Net other income and expenses on financial transactions	63	94
	1.3 Commission	18	18
	1.3.1 Commission (income)	43	40
	1.3.2 Commission (expense)	-25	-22
2	1.4 Income from equity securities and participating interests	229	218
	1.5 Net result of pooling of monetary income	-71	129
	1.6 Net other income and expenses	740	772
2	Operating expenses	-2,231	-2,256
	2.1 Personnel and related expenses	-1,015	-1,023
	2.2 Pensions and related expenses	-462	-457
	2.3 Taxes other than income tax	-47	-40
	2.4 Provisions, depreciation and amortisation	-133	-119
	Other operating expenses	-575	-618
	Profit before tax and exceptional items (1 + 2)	4,724	4,813
3	Net additions to the fund for general risks	-500	-590
4	Exceptional items	-80	-
	4.1 Exceptional income	-	-
	4.2 Exceptional expenses	-	-
1	5 Corporate income tax	-1,81	-1,934
	Profit for the year (1 + 2 + 3 + 4 + 5)	2,334	2,288

Notes to the combined annual accounts

Scope of consolidation

Consolidation of the subsidiaries and the Bank's participating interests
At 31 December 2015 the Banque de France held participating interests in five undertakings (see Note 13

to the balance sheet of the Banque de France). The Banque de France holds an interest of over 20% in four of these undertakings.

The interests held in Banque de France Gestion and La Prévoyance immobilière are excluded from the scope of consolidation as they are not material.

With regard to Europafi, which was established on 27 October 2015 and is a wholly-owned subsidiary of the Banque de France, its full consolidation relates to the first two months of its activity.

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

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

In compliance with Order 2000-347 of 19 April 2000, amending Order 59-74 of 7 January 1959 reforming issuance arrangements in the overseas departments of Guadeloupe, French Guiana, Martinique, Mayotte and Reunion, the French overseas departments note-issuing bank (IEDOM) came under the control of the Banque de France as from 1 July 2000. The Banque de France does not, however, hold an equity interest in the IEDOM.

The IEDOM is a national, financially autonomous, public institution with legal personality. It receives a capital grant from the State.

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

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

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

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

The IEDOM's catchment area is the five overseas departments and the collectivities of Saint Pierre and Miquelon, Saint Barthelemy, and Saint Martin.

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

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

mediation for businesses; managing information on businesses; producing information for the banking community.

Accounting principles and valuation methods used in the combined accounts

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

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

Note 1: Deferred taxes

A net deferred tax asset of EUR 899 million is included in item A11, "Miscellaneous", in the combined balance sheet. It arises solely on temporary timing differences between the recognition of expenses and income for accounting purposes and their recognition for tax purposes. This asset is made up of the items shown in the table below.



Deferred tax assets and liabilities

(EUR millions)

	Deferred tax assets	Deferred tax liabilities
Income temporarily exempted from taxation		4
Tax on unrealised gains and losses on mutual funds	608	
Other deferred tax relating to securities	0	
Provisions not deductible for tax purposes	326	
Other recurring timing differences	7	
Charges deducted for tax purposes but not yet recognised in the accounts		37
TOTAL	941	41

The matching entry for this deferred tax asset is split between:

- the tax expense for the year, which in 2015 is EUR 88 million lower than in the individual annual accounts;

- item P17, "Capital, reserves and retained earnings", which includes a balance of EUR 811 million representing the net deferred tax asset at the start of the financial year.

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

**Note 2: Elimination
of inter-institutional transactions**

Elimination of inter-institutional transactions relates to:

- the advance to the IEDOM (asset item A9 in the individual balance sheet of the Banque de France);

- the IEDOM's current account with the Banque de France (included in liability item P8.2 in the individual balance sheet);
- interest paid on the IEDOM current account (included in item 1.1.2, "Interest and related expenses", in the individual profit and loss account);
- the dividend paid by the IEDOM (included in item 1.4, "Income from equity securities and participating interests", in the individual profit and loss account) and the related ongoing management expenses and income.

Auditors' report on the combined annual accounts

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Auditors' report on the combined annual accounts

For the year ended 31 December 2015

In accordance with the assignment entrusted to us by the Banque de France's General Council, we hereby report to you for the year ended 31 December 2015, on:

- our audit of the accompanying combined annual accounts of the Banque de France and the *Institut d'émission des départements d'outre-mer* – IEDOM (French overseas departments note-issuing bank), prepared in accordance with Order No. 2000-347 of 19 April 2000, as well as of the company Europafi;
- the basis for our assessments.

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

Opinion on the combined accounts

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

In our opinion, the combined annual accounts of the Banque de France give, in accordance with the accounting rules and principles set out in Article R144-6 of the Monetary and Financial Code, a true and fair view of the results of operations for the year ending 31 December 2015, and of the financial position and assets and liabilities of the Banque de France, IEDOM and Europafi at that date.

.../...



Without prejudice to this opinion, we should draw your attention to the following points:

- For the accounting principles and valuation methods, the Notes to the combined annual accounts refer to the Notes to the annual accounts. The introduction to the Notes to the annual accounts describes the accounting principles and valuation methods applicable to the Banque de France, some of which are specific to the European System of Central Banks.
- As explained in the Notes to the annual accounts, the General Council of the Banque de France has determined the level of detail of the financial information published, in accordance with its right under Article R144-6 of the Monetary and Financial Code.

Basis for our assessments

As required by Article L823-9 of the French Commercial Code relating to the basis for our assessments, we draw your attention to the following:

- The section on valuation methods and Note 6 to the annual accounts describes the methods used to value the securities held by the Banque de France and in particular the impairment methods applicable to held-to-maturity securities. We reviewed the processes put in place by management in order to assess the risks of non-recovery of securities carried at amortised cost and also reviewed the assumptions used and documentation held in relation to these estimates.
- Note 30 to the annual accounts sets out the method for assessing pension obligations and other related liabilities. These obligations were assessed by actuaries. Our work consisted in examining the data used and evaluating the assumptions applied.
- As indicated in Note 1 of the Notes to the combined accounts, the Banque de France recognised deferred tax assets. We reviewed the main estimates and assumptions leading to the recognition of these deferred taxes.

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

Paris La Défense and Neuilly-sur-Seine, 14 March 2016

The Auditors

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Appendices

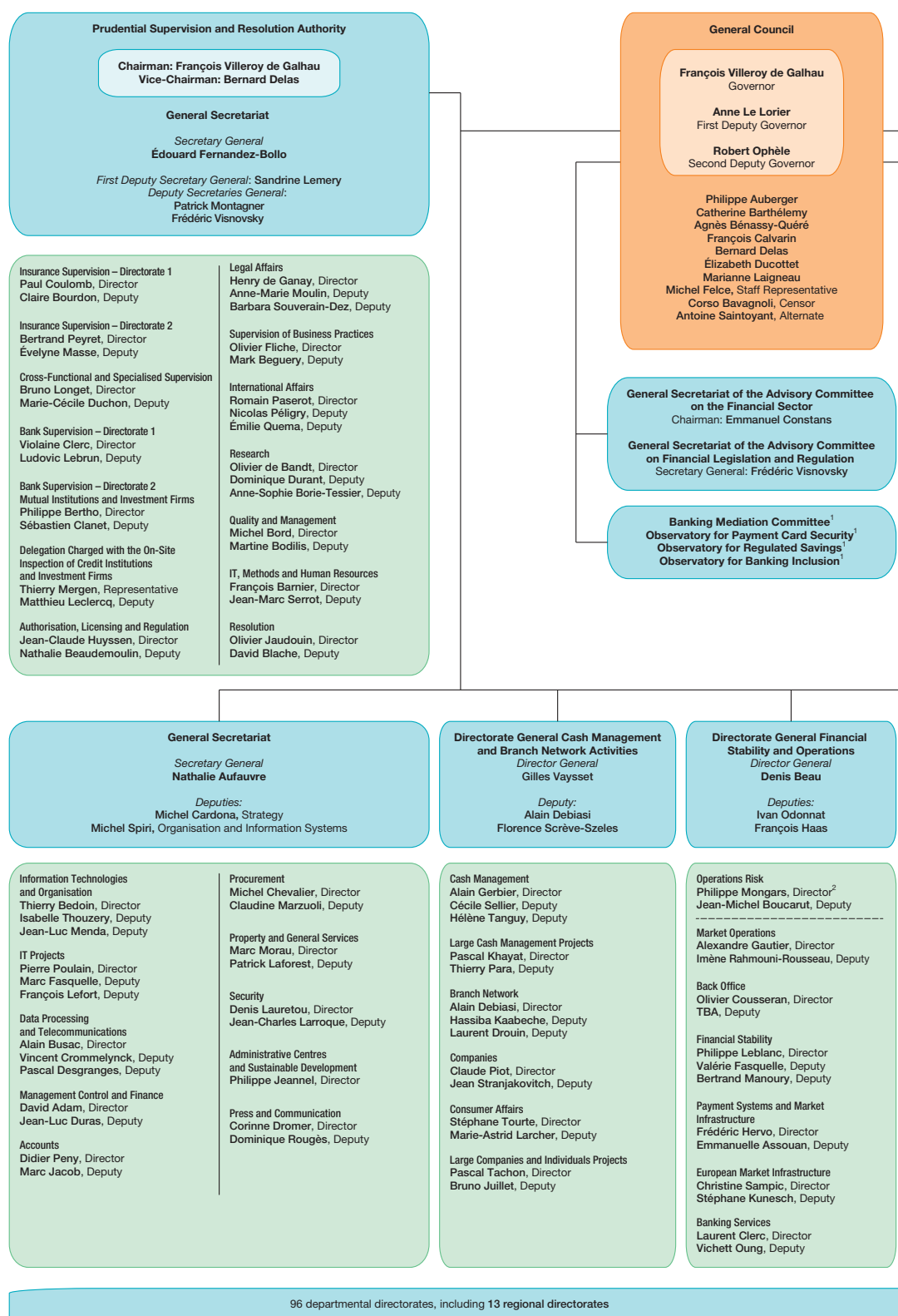
Organisation of the Banque de France at 1 March 2016

The recycling of euro banknotes and coins by private operators in 2015

Summary of the Household Debt Commissions' activity reports for the year

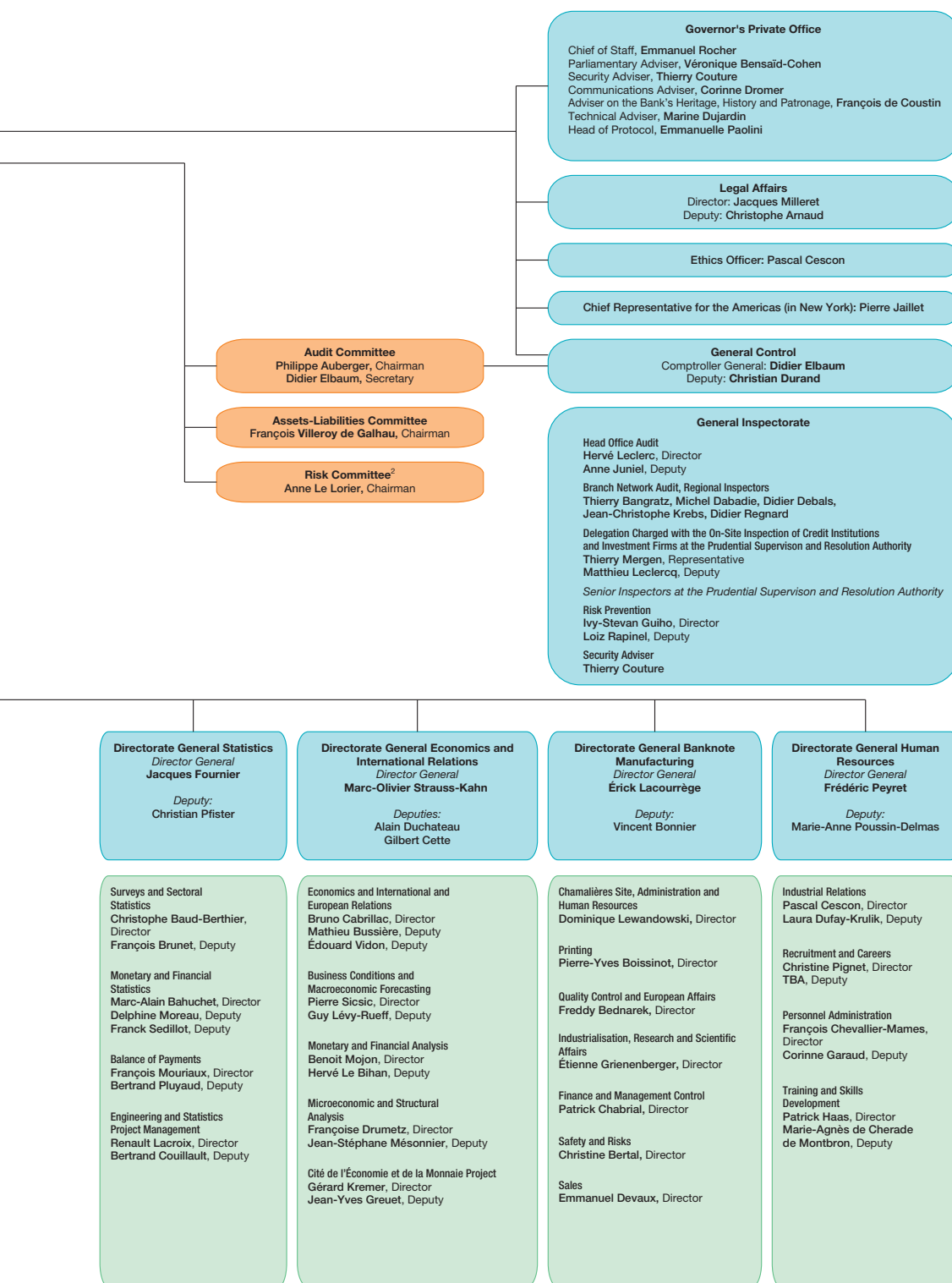
Appendix 1

Organisation of the Banque de France at 1 March 2016



¹ The Governor chairs the Banking Mediation Committee, the Observatory for Payment Card Security, the Observatory for Regulated Savings and the Observatory for Banking Inclusion.

² The Director of Operations Risk reports to both the Chairman of the Risk Committee and the Director General Financial Stability and Operations.



21 economic centres, 6 household debt centres and 3 cash management centres

Appendix 2

The recycling of euro banknotes and coins by private operators in 2015

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

As at the end of 2015, 78 credit institutions had signed agreements with the Banque de France authorising them to distribute recycled banknotes to the public via ATMs; 158 operators had signed processing agreements setting out the conditions for sorting banknotes for authenticity and quality; and 34 operators had been authorised to process coins.

In 2015, recycling by bank branches continued to rise, with nearly 6,400 branches carrying out these activities by the end of the year, up 25% versus 2014. As at the end of 2015,

half of the equipment used was made up of self-service, automated sorting machines, confirming the preference among industry professionals for equipment that can be used directly by the public.

Additional recycling by cash-in-transit companies continued to grow, with the number of bank branches supplied in this way increasing by 20%.

Banque de France inspections of operators processing banknotes that have not come from a central bank and recirculating them via ATMs

Throughout the year, the Banque de France carried out 314 on-site inspections of ATMs¹ and workshops processing banknotes for the replenishment of ATMs. Ten sanctions

Agreements signed with private operators

Type of agreement	Type of operator	Number of new agreements signed in 2015	Total number signed at 31 December 2015
Coins			
	Professional operators	0	15
	Non-professional operators	0	19
Banknotes			
Distribution agreements	Credit institutions	8	78
Processing agreements	Credit institutions	5	55
	Cash-in-transit companies	0	9
	Retailers providing recycling services	9	95

NB: Report prepared pursuant to Article R123-3 of the French Monetary and Financial Code.

¹ Or similar: retailers or casinos that recycle on behalf of credit institutions.

were issued giving rise to one formal notice, eight suspensions and one licence revocation.

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

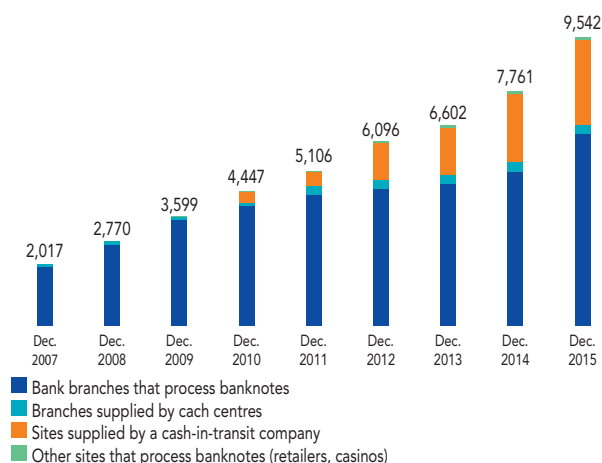
Banque de France inspections of coin processing

Throughout the year, the Banque de France performed 49 on-site inspections of coin-processing sites.

Implementation of banknote recycling and coin processing in the overseas departments

The Banque de France has made the French overseas note-issuing bank (IEDOM) responsible for signing agreements with credit institutions headquartered in the overseas

Number of bank branches or similar with ATMs supplied with recycled banknotes



departments and collectivities and controlling their implementation. As at the end of 2015, ten processing agreements and ten agreements authorising the delivery of recycled notes via ATMs had been signed. The IEDOM inspected six of the 59 corresponding sites. There were also nine agreements in place for the automatic processing of coins at ten production sites, five of which were inspected.

Banknote authentication training for bank employees

In compliance with Article R122-6 of the Monetary and Financial Code, the Banque de France continued to support banks in training their employees in the manual distribution of banknotes. As such, in 2015 the Banque de France provided banknote authentication training for 2,334 credit institution employees.

² Guadeloupe, French Guiana, Martinique, Reunion and Mayotte) and collectivities (Saint Barthelemy, Saint Pierre and Miquelon, Saint Martin).

Appendix 3

Summary of the Household Debt Commissions' activity reports

for the year 2015

In accordance with the provisions of Article L331-12 of the French Consumer Code, each Household Debt Commission draws up an annual activity report on the number of cases processed, the measures taken, the type of debt involved and the difficulties encountered. These reports are communicated to the Banque de France, which publishes a summary thereof in its annual report.

Key data on the commissions' activity

(in number of applications)

	2015	2014
Applications filed	217,302	230,935
<i>o/w refiles (as a %)</i>	44.40	42.12
Admissible applications	197,823	205,787
Non-admissible applications (A)	15,802	16,222
Directed towards debt restructuring programme	125,259	135,914
Directed towards a Personal Recovery Procedure	75,466	73,183
Recommended for Personal Recovery Procedure without judicial liquidation (B)	72,984	71,164
Agreement by debtor to Personal Recovery Procedure with judicial liquidation (C)	1,629	1,458
Agreed debt repayment plans (D)	26,994	39,266
Measures imposed or recommended by the commissions (E)	97,878	94,379
<i>Of which measured imposed or recommended for immediate application</i>	68,25	51,789
Cases closed (F)	19,99	22,314
Other outcomes (including cases found non-admissible by a court) (G)	1,982	1,735
Cases handled (A+B+C+D+E+F+G)	237,259	246,538

The commissions reported a drop in the number of applications filed in 2015

Although the number of applications recorded at the end of the year was down, it was still considerable. There were 217,302 cases filed with commissions in 2015, a reduction of 5.9% on the previous year.

The French Banking Law had a major impact on how cases are handled, resulting in more permanent and definitive financial solutions

The legislative and regulatory measures included in the Banking Law¹ enabled all Household Debt Commissions to speed up the case-handling process, thereby

meeting the government's target of increasing the protection of over-indebted persons and finding definitive financial solutions tailored to individual needs. As such, the Banking Law had a huge effect in 2015, with 237,259 cases definitively resolved.

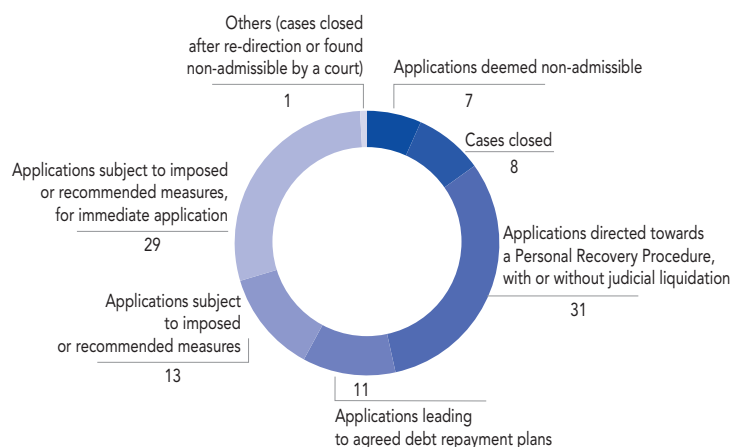
¹ Law No 2013-672 of 26 July 2013 on the Separation and Regulation of Banking Activities.

After debt write-off recommendations (31% of the cases effectively resolved), as at the end of 2015, immediate measures imposed or recommended – as introduced by the Banking Law – represented the largest share of debt restructuring measures (29% of the cases effectively resolved), thereby underlining the commissions' determination to make it easier for households to get permanently out of debt.

The simplification of the handling process under the new law also leaves the Household Debt Commissions and secretariats better-placed to prepare for the next legislative milestone, scheduled for 1 July 2016,² which will reduce the maximum legal duration of over-indebtedness measures from eight to seven years – although this new ceiling could be removed for over-indebted people who own their main residence. The new measure will help to resolve some of the difficulties currently encountered by the commissions and mentioned in their activity reports, by enabling the duration

Breakdown of commissions' decisions in 2015

(as a % of total applications processed)



of the full debt repayment measure to be extended, thereby avoiding the sale of the main residence in some cases.

Although the Banking Law has removed the main problems linked to the handling of over-indebtedness cases, the commissions' reports highlighted the need for closer cooperation between participants in the procedure as well as greater coordination of actions, in order to better respond to the difficulties faced by debtors.

From identifying over-indebtedness to implementing measures to resolve it

Preventing over-indebtedness through better detection of financial difficulty

The Household Debt Commissions' activity reports stressed that certain situations require tailored social and budgetary support well in advance of a case

² Law No 2014-344 of 17 March 2014 on consumer spending.

being filed in order to prevent over-indebtedness. This detection recommended by the commissions requires the implementation of tailored support measures and the use of recognised structures to provide those experiencing financial difficulties with advice and personal budgeting assistance. These recommendations echo the findings of the study on the causes of over-indebtedness published in 2015 by the Banque de France, which highlighted a combination of factors that can weaken a person's financial situation, and put forward ways for preventing over-indebtedness, including improved personal budgeting and financial education. With this in mind, in 2015 the Banque de France played an active role in discussions initiated by the government regarding the creation of a network of "Budget Advice Centres", aimed at improving the management of household budgets and preventing over-indebtedness.³

The necessary reinforcement of measures to support over-indebted persons

The reports showed that the success of the commissions depends on the reinforcement of measures to support over-indebted persons when the case is filed (i.e. helping them to put the case together) and then when the measures are implemented, particularly in the first few months. This personalised social and budgetary monitoring is necessary in order to make the measures more viable and prevent any unnecessary case resubmissions.

In line with this, the activity reports stressed the need to develop training programmes for social workers and relevant organisations. As a result, in 2015, the initiatives taken by the Banque de France and the Household Debt Commissions resulted in more than 700 training and information sessions being held for over 11,000 people (community centres, district social services, benefits offices, housing solidarity funds, etc.).

It should also be noted that, during the final quarter of 2015, these initiatives were backed up with the introduction of new legislation for facilitating access to banking and financial services. The measures are designed to better identify financially vulnerable customers and offer them targeted banking products. They also aim to provide ongoing guidance and solutions to stop individuals' financial situation from deteriorating.

These efforts to identify and support people experiencing financial difficulties are testament to the determination of the government, the Banque de France and the Household Debt Commissions to improve coordination between existing support services and thereby promote social inclusion and fight poverty (e.g. through the partnerships with community and social/medical centres).

³ The "Budget Advice Centres" are part of the government's national drive to combat poverty, which was launched in 2013.

Closer cooperation with other parties involved in the procedure

In 2015, we also engaged in constructive cooperation with a view to responding more effectively to situations of financial vulnerability.

Striving to further reduce evictions of tenants and offer them better protection

The Household Debt Commissions worked on a major joint project with the CCAPEXs (Eviction Prevention Coordination Commissions) to prevent or suspend the eviction of over-indebted families and coordinate their actions through regular information sharing.

Although legislative changes⁴ have made it easier for commissions to work together, some reports highlighted the difficulties encountered by certain indebted tenants following a Personal Recovery Procedure and the write-off of unpaid rent. Such people may be evicted once the PRP has been announced and then find it hard

to secure a new rental agreement. As a result, the Household Debt Commissions stressed the need for even closer coordination to better identify those in difficulty and help resolve their situation.

Constructive cooperation with magistrates to facilitate the alignment of practices

Many reports stated that judges' assessments of over-indebtedness should not prevent magistrates, secretariats and commissions from cooperating constructively in order to align their approach and provide over-indebted families with tailored financial solutions. Indeed, magistrates, commissions and secretariats are all working towards the same goal when it comes to meeting the expectations of over-indebted people: to process cases efficiently in order to come up with a solution for definitively resolving the over-indebtedness situation.

However, there are still some differences in how texts are interpreted. Certain over-indebted people, because of their employment status (sole traders in particular), fall under the collective procedures

governed by the French Commercial Code and, as such, may not benefit from an over-indebtedness procedure even though they are personally in debt. On the other hand, the commercial court may refuse to initiate collective proceedings for these individuals because they do not have professional debts. The same situation can also apply to individuals who have stopped working but have social security debts (RSI – the social security scheme for self-employed workers); the latter are considered professional debts under the over-indebtedness procedure and personal debts by the commercial court for the purposes of collective proceedings. Proposals have been made for a change in the law to ensure greater consistency between the two systems.

Lastly, some commissions again flagged up differences in the way that they and the courts define the “irretrievable nature” of an over-indebted person’s financial situation. Most often, this appears to relate to certain courts refusing any possibility of personal bankruptcy proceedings for debtors under a certain age, if it is a first submission, or if there is an amount that can be recovered.

⁴ Law 2014-366 of 24 March 2014 on housing access and urban renovation.

The need to increase dialogue with creditors to improve how cases are handled

The difficulties mentioned in the previous year's commission reports featured once again. Specifically, the commissions highlighted the problems encountered when processing receivables that have been sold to third parties during the procedure. This practice is becoming increasingly common and, although it is often ignored by debtors and commissions alike, it makes it harder to handle cases and may cause measures to fail.

Striving for more efficient case handling and practices

A considerable number of reports mentioned that amicable resolutions are still too few and far between, which means that procedures drag on and too many cases require imposed and recommended measures. The lack of amicable resolutions is due either to certain creditors failing to respond (telecoms companies, insurers, etc.) or to ineffective negotiations.

Some commissions also pointed out that handling recorded delivery letters creates mailing problems and requires considerable logistical work on the part of the secretariats.

The reports contained improvement and streamlining suggestions to respond to these issues. In particular, they suggested:

- setting a 30-day deadline for creditors to respond to the proposed debt resolution plan; beyond this deadline, the plan could be deemed to have been accepted;
- limiting the use of recorded delivery letters by increasing the digitisation of communication (by streams or portals) or simplifying the current procedure.

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