



# FINANCIAL MANAGEMENT AND ACCOUNTS

The Banque de France General Council approved the financial statements for the year ended 31 December 2021 at its meeting of 14 March 2022.

The Banque de France's balance sheet grew from EUR 1,741 billion at 31 December 2020 to EUR 2,037 billion at 31 December 2021. This increase of almost EUR 300 billion, following a EUR 600 billion increase in 2020, means that the balance sheet has expanded by nearly 80% in two years. This is due to the monetary policy measures taken by the Governing Council in 2020 and prolonged in 2021: ramping up the net asset purchase programme (APP), launching the pandemic emergency purchase programme (PEPP), and continuing targeted longer-term refinancing operations (TLTRO III). Euro-denominated securities acquired under purchase programmes thus rose by EUR 207 billion and outstanding loans to credit institutions increased by EUR 85 billion. On the liabilities side, this provision of liquidity led to a sharp rise in deposits from credit institutions of EUR 171 billion, while Banque de France euro banknotes in circulation also rose by 8% (up EUR 21 billion).

Net income from activities amounted to EUR 7,055 million in 2021, up EUR 638 million year-on-year despite an increase in expenses related to bank refinancing against a backdrop of expanded TLTRO III operations, which bear interest at a lower rate than that for the deposit facility. The increase in the proportion of indexation products in inflation-indexed purchase programme securities explains this positive trend, as does the negative interest levied on credit institutions' deposits, which also grew. Operating expenses rose by EUR 154 million year-on-year to EUR 1,600 million, after the previous reporting period had benefited from a major provision reversal that had reduced expenses. Setting aside

this reversal, operating expenses were down EUR 31 million year-on-year. After operating expenses, profit before tax came in at EUR 5,456 million, up EUR 485 million compared with 2020. Against a backdrop of increased risks carried on its balance sheet and linked to the assets acquired as part of the purchase programmes, in 2021 the Banque de France continued to cover its financial risks (excluding exchange rate risk) by making allocations to the fund for general risks, which was increased by EUR 2,800 million to EUR 11.95 billion (following an allocation of EUR 1,150 million in 2020). After accounting for this allocation and corporate income tax, net profit for 2021 came to EUR 763 million, down EUR 1,427 million on 2020.

After taking account of retained earnings, the General Council decided on the following appropriation of distributable profit:

- allocation to the general reserve of EUR 38 million, i.e. 5% of net profit;
- the payment of a dividend to the state of EUR 569 million;
- allocation to the Employee Reserve Fund of EUR 152 million for pension rights acquired during 2021;
- allocation to the provision for investment of EUR 4 million.

Furthermore, in accordance with Decree 2020-1197 of 29 September 2020 on the withdrawal of capital from the Banque de France Employee Reserve Fund portfolio and given the level of coverage of pension liabilities at the end of 2021, the General Council approved the release of EUR 1,118 million from the Employee Reserve Fund (after EUR 690 million in 2020).

## The balance sheet and profit and loss account

### Balance sheet at 31 December 2021

(EUR millions)

Notes to the balance sheet		ASSETS		At 31 Dec. 2021	At 31 Dec. 2020	Notes to the balance sheet		LIABILITIES		At 31 Dec. 2021	At 31 Dec. 2020
1	A1	Gold		126,079	120,926	12	L1	Banknotes in circulation		290,198	269,552
2	A2	Foreign currency assets (excluding relations with the IMF)		57,567	51,420	4	L2	Euro-denominated liabilities to euro area credit institutions related to monetary policy operations		1,108,740	937,800
		2.1 Foreign currency assets held with non-euro area residents		47,954	46,716			2.1 Current accounts		913,558	725,715
		2.2 Foreign currency assets held with euro area residents		9,613	4,703			2.2 Other liabilities		195,182	212,085
3	A3	Relations with the IMF		42,458	17,144	13	L3	Other euro-denominated liabilities to euro area credit institutions		28,162	5,668
5	A4	Euro-denominated claims on non-euro area residents		620	853	14	L4	Euro-denominated liabilities to non-euro area residents		70,840	48,202
4	A5	Euro-denominated loans to euro area credit institutions related to monetary policy operations		480,367	395,714	2	L5	Foreign currency liabilities		2,335	1
5	A6	Other euro-denominated loans to euro area credit institutions		19,415	18,038	3	L6	Counterpart of SDRs allocated by the IMF		36,403	11,946
6	A7	Euro-denominated securities issued by euro area residents		1,007,696	812,316	15	L7	Relations within the Eurosystem		627	842
		7.1 Securities held for monetary policy purposes		976,495	769,294	16	L8	Euro-denominated liabilities to other euro area residents		200,125	178,522
		7.2 Other securities		31,201	43,023			8.1 Liabilities vis-à-vis the state and government agencies		140,852	136,139
	A8	Relations within the Eurosystem		141,650	170,251			8.2 Other liabilities		59,273	42,383
11		8.1 Participating interest in the ECB		1,777	1,652	17	L9	Items in the course of settlement		39	38
7		8.2 Claims arising on the transfer of reserve assets to the ECB		8,240	8,240	18	L10	Banking transactions		125,636	125,024
		8.3 Claims on the Eurosystem for euro banknotes in circulation		105,756	101,805	19	L11	Other items		9,021	8,929
7		8.4 Other claims on the Eurosystem		25,878	58,554	20	L12	Provisions for liabilities and charges		688	719
8	A9	Advance to the IEDOM		7,337	6,782	21	L13	Revaluation accounts		118,711	108,855
	A10	Claims on the French Treasury		0	0	22	L14	Fund for general risks and tax-regulated provisions		12,032	9,234
9	A11	Other euro and foreign currency denominated financial assets		136,698	132,256	23	L15	Revaluation reserve for state gold and foreign exchange reserves		22,537	22,182
10	A12	Other items		14,995	13,083	24	L17	Capital, reserves and retained earnings		10,007	11,058
11	A13	Fixed assets		1,982	1,977		L18	Net profit		763	2,190
		13.1 Tangible and intangible fixed assets		1,295	1,291						
		13.2 Participating interests other than the ECB		686	686						
TOTAL ASSETS				2,036,863	1,740,760	TOTAL LIABILITIES				2,036,863	1,740,760

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

## Profit and loss account for 2021

(EUR millions)

Notes to the P&L		2021	2020
1	Net income from Banque de France activities	7,055	6,417
29	1.1 Net interest income	6,728	5,986
	1.1.1 Interest and related income	11,806	6,480
	1.1.2 Interest and related expenses	-5,078	-494
30	1.2 Net income from financial transactions	89	107
	1.2.1 Net realised gains/losses and unrealised losses on foreign exchange	355	-172
	1.2.2 Net allocations to/reversals from the foreign currency revaluation reserve	-355	172
	1.2.3 Other income and expenses on financial transactions, net	89	107
	1.3 Fees and commissions	-7	6
	1.3.1 Fees and commissions income	39	45
	1.3.2 Fees and commissions expenses	-45	-39
31	1.4 Income from equity securities and participating interests	162	464
32	1.5 Net result of pooling of monetary income	-627	-824
33	1.6 Other income and expenses, net	710	677
2	Operating expenses	-1,600	-1,446
34	2.1 Staff costs and related expenses	-859	-885
	2.2 Pensions and related expenses	-36	-34
	2.3 Taxes other than income tax	-40	-46
	2.4 Provisions, depreciation and amortisation	-168	-162
	2.5 Other operating income and expenses, net	-496	-319
	Profit before tax and exceptional items (1 + 2)	5,456	4,971
22	3 Net additions to fund for general risks and tax-regulated provisions	-2,798	-1,149
4	Exceptional items	0	0
	4.1 Exceptional income	0	0
	4.2 Exceptional expenses	0	0
35	5 Corporate income tax	-1,895	-1,633
	Net profit for the year (1 + 2 + 3 + 4 + 5)	763	2,190

## Notes to the financial statements

### Accounting principles and valuation methods

#### Legal framework

The annual financial statements of the Banque de France are presented in accordance with a format decided by its General 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 Banque de France as part of the European System of Central Banks (ESCB), and its diverse range of activities. The financial statements are expressed in millions of euro.

The accounting and valuation methods applied by the Banque de France are defined in Article R. 144-6 of the French Monetary and Financial Code, which specifies the following provisions.

- For all activities carried out within the ESCB framework, the Banque de France must comply with the accounting and valuation methods laid down by the European Central Bank (ECB) in its Guideline of 3 November 2016 (ECB/2016/34), amended in 2019 (ECB/2019/34) and in 2021 (ECB/2021/51). This Guideline establishes in particular the accounting rules applicable to refinancing operations for the banking sector, securities, foreign currency transactions carried out in the course of

foreign exchange reserve management, and the issue of banknotes.

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

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

#### **General accounting principles**

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

#### **Valuation methods**

##### **Foreign currency transactions and resulting gains and losses**

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

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

Foreign currency gains and losses on gold and foreign exchange reserves  
Realised gains and losses are calculated for each currency. A weighted average price is calculated daily, firstly on inflows (spot or forward purchases on the trade date, and foreign currency denominated income, in particular daily accrued interest), and secondly on outflows (spot or forward sales on the trade date, and foreign currency denominated expenses). The realised gain or loss is calculated by applying the difference between these average prices to the lower of the day's inflows or outflows.

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

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

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

The agreement also stipulates that:

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

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

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

## Securities portfolios

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

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

Securities held for monetary policy purposes

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

Other securities

Other securities are recognised as follows.

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

For all debt securities, differences between the acquisition price and the redemption price are spread over their

remaining lives on a discounted basis. Implicit options that may be included in these securities are not valued separately.

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

Lastly, non-marketable investment fund units are recognised in the balance sheet at purchase cost. At the end of the financial period, the units are valued at the lower of their historical cost and value in use. When the latter is lower than the purchase cost, the units are written down.

Specific treatment of Banque de France Employee Reserve Fund securities  
The rules described in the note on "Other securities" (see above) apply to the securities held in the *Caisse de réserve des employés* (CRE – the Banque de France Employee Reserve Fund). However, unrealised losses recognised on debt securities that can be sold, equities and units of marketable investment funds in connection with their mark-to-market, as well as the gains and losses on disposal of these securities, are booked to the CRE's equity capital. Consequently, there is no impact on the Banque de France's profit and loss account (see Note 28).

## Financial futures

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

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

Currency option premiums are recorded on the asset side of the balance sheet if they relate to purchases and on the liabilities side if they relate to sales. In the event that the option is exercised, the premium is included in the price of the currency purchased. If the option is not exercised, at its expiry date the premium is recorded in

profit and loss item 1.2.1, "Net realised gains/losses and unrealised losses on foreign exchange". At year-end, the premium amounts booked to the profit and loss account during the year are transferred to the state gold and foreign exchange revaluation reserve (RRRODE) in the same way as realised foreign currency gains and losses (see above).

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

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

#### **Eurosystem claims and liabilities**

Eurosystem claims and liabilities arise on cross-border euro payments made within the European Union and settled in central bank money. These payments are allocated to Target2 – the Trans-European Automated Real-time Gross settlement Express Transfer system – and give rise to bilateral balances in the Target2 accounts of the ESCB central banks. All these bilateral claims and liabilities are netted out on a daily basis within the Target2 system so that each national central bank (NCB) has a single net bilateral position vis-à-vis the ECB. The Banque de France's net position in Target2 along with other euro-denominated liabilities to the Eurosystem are carried on the Banque de France's balance sheet either as a net liability to the Eurosystem in item L7 (see Note 15) if it is a creditor or as a net claim on the Eurosystem in item A8 (see Note 7) if it is a debtor.

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

The Banque de France's claim on the ECB resulting from the transfer of a part of reserve assets is recorded in item A8.2; the claim resulting from interim dividends and accrued income receivable from the ECB in respect of the allocation of the balance of monetary income (see Note 7) is recorded in item A8.4; and lastly the claim resulting from the shared responsibility for issuing euro banknotes among NCBs and the ECB is recorded in item A8.3.

#### **Tangible and intangible fixed assets**

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

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

In accordance with Article 322-1 of the *plan comptable général* (French General Chart of Accounts), the depreciation period for each asset is determined on the basis of its probable useful life. The Banque de France's property assets are therefore depreciated over 10, 20, 33 or 50 years, depending on the asset type. Computer equipment is depreciated over 2 to 10 years and other equipment is depreciated over periods ranging from 3 to 12 years. Purchased software is amortised over 3 and 6 years. Most fixed assets are depreciated using the straight-line method. In accordance with ANC Regulation 2014-03, the useful life of fixed assets is reviewed regularly and modified as required.

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

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

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

#### **Banknotes in circulation**

The ECB and the 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.<sup>1</sup> The ECB has been allocated an 8% share of euro banknotes in circulation, with the remaining 92% allocated between NCBs according to their share in the ECB's paid-up capital.

<sup>1</sup> ECB decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15) amended by ECB decision ECB/2010/29 of 13 December 2010.

The share of banknotes in circulation allocated to the Banque de France is disclosed in liability item L1, "Banknotes in circulation".

The difference between the value of banknotes in circulation allocated to each NCB in accordance with the banknote allocation key and the value of banknotes actually put into circulation by the NCB gives rise to an interest-bearing intra-Eurosystem position presented in item A8.3 if it is a debt and in item L7 if it is a credit. This position is remunerated<sup>2</sup> at the main refinancing operation rate. The corresponding interest income and expenses are included in profit and loss item 1.1, "Net interest income".

A mechanism to smooth any adjustments that may arise during the first five years following a country's entry into the euro area has been implemented. No NCB was concerned by this mechanism in 2021.<sup>3</sup>

#### **Dividend paid by the ECB**

The ECB's seigniorage income arising from its 8% share of euro banknotes in circulation, as well as the income generated on its monetary policy securities purchased under the SMP, CBPP3, ABSPP, PSPP and PEPP programmes,<sup>4</sup> are distributed in January of the following year in the form of an interim dividend unless the ECB Governing Council decides otherwise.<sup>5</sup> This income is distributed in full unless it exceeds the ECB's profit. The Governing Council may decide to transfer all or part of this income to the provision for ECB financial risks. It may also decide to deduct the total expenses paid by the ECB for the issuing and handling of euro banknotes from the total income from euro banknotes in circulation to be distributed in January.

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

#### **Fund for general risks**

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

#### **Pension scheme**

See Note 28.

#### **Changes in accounting presentation**

##### **Change in the presentation of combined repo and reverse repo transactions**

In 2021, the balance sheet presentation of combined repo and reverse repo transactions denominated in the same currency, carried out with the same counterparty, for the same amount, and with the same maturity date was clarified during work conducted within the Eurosystem. Consequently, the Banque de France adopted a gross basis presentation for these transactions as from the 2021 reporting period. Previously they had been offset. The effect on the balance sheet of this change in presentation is shown in the table below.

Note that the balance sheet total at 31 December 2020 amounted to EUR 1,740,760 million. Had this change of presentation been adopted in 2020, the adjusted balance sheet total at 31 December 2020 would have been EUR 1,756,857 million.

##### **Change in the presentation of funds of credit institutions that are not freely disposable**

Following the recast of ECB Regulation (EU) 2021/378 on the application of minimum reserve requirements (ECB/2021/1) in 2021, funds of credit institutions that are not freely disposable are excluded from the reserve holdings. Consequently, the corresponding amounts that were recorded in item L2, "Euro-denominated liabilities to euro area credit institutions related to monetary policy operations", up to and including 2020 are presented in item L3, "Other euro-denominated liabilities to euro area credit institutions", from 2021 onwards. This change in presentation has no impact on the balance sheet total (see the table below).

##### **Change in the presentation of net interest income**

In 2021, the presentation of net interest income was amended for greater clarity and understanding. Income and expenses within this item are now broken down between euro-denominated and foreign currency denominated amounts and according to the nature of the underlying transactions. This change in presentation has no impact on the amount of net interest income but it changes the breakdown between income and expenses.

- Interest calculated at a negative rate on refinancing operations is now presented in expenses. Previously it had been recorded as a deduction from income.



Table to show the effect of the change in presentation of combined repo and reverse repo transactions

(EUR millions)

	Amounts published at 31 December 2020	Adjustment following change in presentation	Adjusted figures as at 31 December 2020
<b>ASSETS</b>			
A2 Foreign currency assets (excluding relations with the IMF)	51,420	+4,598	56,018
2.1 - Foreign currency assets held with non-euro area residents	46,716	–	46,716
<i>o/w repos</i>	357	–	357
2.2 - Foreign currency assets held with euro area residents	4,703	+4,598	9,301
<i>o/w repos</i>	81	+4,598	4,679
A6 Other euro-denominated loans to euro area credit institutions	18,038	+11,499	29,537
<i>o/w repos</i>	13,165	+11,499	24,664
<b>LIABILITIES</b>			
L3 Other euro-denominated liabilities to euro area credit institutions	5,668	+11,499	17,167
<i>o/w repos</i>	5,631	+11,499	17,130
L5 Foreign currency liabilities	1	+4,598	4,599
<i>o/w repos</i>	0	+4,598	4,598

Table to show the effect of the change in presentation of funds of credit institutions that are not freely disposable

(EUR millions)

	Published in 2020	Adjustment due to reclassification	Restated amount
<b>LIABILITIES</b>			
L2 Euro-denominated liabilities to euro area credit institutions related to monetary policy operations	937,800	-8	937,792
2.1 - <i>Current accounts</i>	725,715	-8	725,707
2.2 - <i>Other liabilities</i>	212,085	0	212,085
L3 Other euro-denominated liabilities to euro area credit institutions	5,668	-8	5,660

- Remuneration of the French Treasury's current account calculated at a negative interest rate is now presented in income. Previously it had been recorded as a deduction from expenses.

Note that interest income and expenses for the year ended 31 December 2020 amounted to EUR 6,480 million and EUR 494 million, respectively. Had this change of presentation been adopted in 2020, the amended amounts would have been EUR 9,276 million and EUR 3,290 million, respectively. A comparison between the 2020 and 2021 reporting periods based on the updated presentation of net interest income is presented in Note 29.

### Key events in 2021

The continued implementation in 2021 of monetary policy measures taken or ramped-up in 2020 to deal with the economic impacts of the COVID-19 health crisis – particularly the introduction of an emergency asset

purchase programme and a change in the remuneration terms applied to TLTRO III operations – led to a significant 17% increase in the Banque de France's balance sheet total. However, this was less than the 52% increase recorded in 2020.

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

3 In 2020, this mechanism concerned only Lithuania, for which the adjustment came to an end on 31 December 2020.

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

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

### Post-balance sheet events

As at 14 March 2022, the date on which the General Council approved the financial statements for the year ended 31 December 2021, the impact of the conflict in Ukraine on the Banque de France's accounts compared with end-2021 was apparent in the sharp increase in unrealised gains on reserve assets (linked to the rise in the market price of gold and the appreciation of foreign currency reserves against the euro) and in a substantially smaller decrease in unrealised gains on fund units invested in equity. The Banque de France has no direct exposure to Ukrainian, Russian or Belarusian securities or counterparties.

### Balance sheet

#### Note 1: Gold

At 31 December 2021, the Banque de France held 78 million ounces (2,436 tonnes) of fine gold. The increase in the equivalent euro value of these reserves is due to the rise in the market price of gold.

#### Note 2: Foreign currency assets and liabilities

Foreign currency assets are mainly US dollar holdings. Holdings in other currencies are intended to diversify risks. A breakdown of holdings by main currencies is provided below.

Foreign exchange reserves are invested in overnight deposits, fixed-term deposits and fixed-rate and index-linked bonds. The Banque de France also lends and borrows foreign currencies through repo and reverse repo transactions recorded in asset item A2 and liability item L5. The balance sheet presentation of combined repo and reverse repo transactions was changed in 2021. The impact is described in the section on changes in accounting presentation.

### Breakdown of holdings by main currency

(%)

US dollar (USD)	73
Australian dollar (AUD)	6
Canadian dollar (CAD)	5
Net assets vis-à-vis the IMF (SDR)	10
Other	6

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

Asset item A2 and liability item L5

(EUR millions)

	2021	2020
<b>ASSETS – Foreign currency assets</b>		
Overnight deposits	513	213
Fixed-term deposits	6,774	8,539
Foreign currency liquidity provision to Eurosystem counterparties	0	0
Securities received under repurchase agreements	2,972	438
Fixed-rate or index-linked bonds	47,065	42,027
<i>o/w recognised at amortised cost</i>	32,523	25,632
<i>o/w marked to market line-by-line</i>	14,542	16,395
Accrued interest receivable	243	202
<b>TOTAL</b>	<b>57,567</b>	<b>51,420</b>
<b>LIABILITIES – Foreign currency liabilities</b>		
Securities delivered under repurchase agreements	2,334	0
Accrued interest payable	1	1
<b>TOTAL</b>	<b>2,335</b>	<b>1</b>

#### Note 3: Relations with the IMF

The increase in the reserve tranche position in 2021 is the result of the increased use of France's quota in euro (drawdowns net of repayments).

### Relations with the IMF

Asset item A3 and liability item L6

(EUR millions)

	2021	2020
<b>ASSETS</b>		
Receivables from the IMF		
Reserve tranche position	6,188	5,606
Loans as part of the NAB	276	522
SDR holdings	34,215	9,455
Loans as part of the PRGT	1,775	1,559
Accrued interest receivable	4	3
<b>TOTAL</b>	<b>42,458</b>	<b>17,144</b>
<b>LIABILITIES</b>		
Counterpart of SDRs allocated by the IMF	36,400	11,944
Accrued interest payable	3	2
<b>TOTAL</b>	<b>36,403</b>	<b>11,946</b>

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

On the asset side:

- the reserve tranche position is equal to the proportion of the IMF quota (France's share in the IMF's capital) settled in gold and foreign currencies plus or minus the net utilisation of the quota in euro. Since 2016, France's quota has been SDR 20.2 billion;

- special drawing rights (SDRs) allocated to IMF member countries in proportion to their quota, or acquired under voluntary swap agreements with IMF-designated member countries;
- loans granted to the IMF within the framework of the New Arrangements to Borrow (NAB) and the Poverty Reduction and Growth Trust (PRGT) set up under the auspices of the IMF for low income countries, or drawdowns on the quota.

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

Net repayments of loans granted under New Arrangements to Borrow (NAB) amounted to 219 million special drawing rights (SDRs). Other changes are mainly due to SDR exchange rate fluctuations.

At the end of 2021, loans to the Poverty Reduction and Growth Trust (PRGT) granted by the Banque de France amounted to SDR 1,436 million (EUR 1,775 million), up SDR 113 million year-on-year.

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

Transactions carried out by the Banque de France with credit institutions within the framework of the Eurosystem's monetary policy are recorded in asset item A5 and liability item L2.2.

On the asset side, item A5 includes loans granted to credit institutions of EUR 487 billion (excluding accrued interest receivable). The risks related to these transactions are shared within the framework of the Eurosystem on the basis of a Eurosystem key, which is calculated for each NCB as the proportion of its subscription of the ECB's capital (its capital key) compared with the total capital keys for all euro area NCBs (see Note 11). The Banque de France thus bears the risks on 20.42% of loans to credit institutions granted by the Eurosystem NCBs, which amounted to EUR 2,202 billion at 31 December 2021. As loans to credit institutions are secured by collateral, losses can occur only in the event of counterparty default when the sums from the sale of the collateral are insufficient to cover the loans granted.

Loans to credit institutions cover the following.

- Main financing operations, which are short-term open market operations conducted by the Eurosystem. They play a key role in steering interest rates, managing bank liquidity and signalling monetary policy stances. They are conducted through weekly tenders in the form of temporary sales of assets (repurchase agreements) with a one-week maturity. Since October 2008, these operations have been conducted as fixed-rate tender procedures.
- Longer-term refinancing operations (LTROs) and targeted longer-term refinancing operations (TLTROs) with maturities of up to 48 months. In 2016, the ECB Governing Council launched a new series of targeted longer-term refinancing operations (TLTRO II) that had a 48-month maturity. These matured in 2021.

In addition, in 2019 the Governing Council introduced a new series of seven quarterly operations (TLTRO III), to which it added three new operations between June and December 2021, all of which have a three-year maturity. Since September 2021, it has been possible to partially or totally repay the first seven operations on a quarterly basis at the end of the first year following their implementation. This option will be made available on the eighth to tenth tranches from June 2022. The interest rate applicable to TLTRO III operations will depend on the outstanding amount of lending granted to the real economy by the borrowing institutions and can be as low as the average interest rate on the deposit facility prevailing over the

life of the operation. Furthermore, in response to the COVID-19 crisis, in 2020 the Governing Council decided that for the periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022 – referred to as the special interest rate period and additional special interest rate period, respectively – the interest rate applicable could be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case no higher than –1%.

Therefore, the actual interest rates for these TLTRO III operations can only be known for each operation when it matures or is repaid early. A reliable estimate is not possible until that time unless interest rate information for the special interest rate period and the additional special interest rate period has been communicated to counterparties. In the meantime, it was considered prudent to calculate accrued interest on the basis of the deposit facility rate, except for during the special interest rate periods for which accrued interest is calculated at the deposit facility rate minus 50 basis points, with a ceiling of –1%. This means that the following rates were applied to calculate accrued interest on TLTRO III operations in the 2021 financial statements:

- the interest rate communicated to counterparties on 10 September 2021 for the special interest rate period ended 23 June 2021;
- the deposit facility rate minus 50 basis points with a ceiling of –1% for the additional special interest rate period from 24 June 2021 to reporting year-end, 31 December 2021.

Additionally, on 30 April 2020, in response to the COVID-19 crisis, the Governing Council decided to implement a new series of longer-term refinancing operations – pandemic emergency longer-term refinancing operations (PELTROs) – which matured in the third quarter of 2021. These operations, which were intended to provide liquidity support to the euro area financial system and to preserve the smooth functioning of money markets by providing an effective backstop, followed on from the exceptional weekly long-term refinancing operations (LTROs) that were carried out between March 2020 and June 2020. On 10 December 2020, given the persistence of the pandemic, the Governing Council decided to conduct four additional PELTROs in 2021, allocated on a quarterly basis and each with a tenor of one year. The PELTROs are conducted as fixed rate tender procedures with full allotment. The interest rate is 25 basis points below the average rate applied in the main refinancing operations over the life of the respective PELTRO.

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

Asset item A5 and liability item L2

(EUR millions)

	2021	2020
<b>LOANS</b>		
Main refinancing operations	43	5
Longer-term refinancing operations	486,574	397,777
Fine-tuning operations (a)	0	0
Structural operations	0	0
Marginal lending facilities (b)	0	0
Margin calls paid	0	0
Accrued interest receivable	-6,250	-2,068
<b>TOTAL</b>	<b>480,367</b>	<b>395,714</b>
<b>LIABILITIES</b>		
Current accounts	913,589	725,787
Other liabilities	195,182	212,085
Deposit facilities	195,182	212,085
Collection of fixed-term deposits (a)	0	0
Repurchase agreements	0	0
Margin calls received	0	0
Accrued interest payable	-31	-72
<b>TOTAL</b>	<b>1,108,740</b>	<b>937,800</b>

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

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

Deposits from credit institutions related to monetary policy operations held by the Banque de France are recorded in liability item L2, and include the following.

- Credit institutions' current accounts held by the Banque de France and recorded in liability item L2.1. Current account amounts are made up of minimum reserve requirements (calculated as 1% of the reserve base<sup>6</sup> since January 2012) and sums in excess of minimum reserve requirements. From 2021 onwards, funds that are not freely available to credit institutions are recorded separately in liability item L3, "Other euro-denominated liabilities to euro area credit institutions" (see the section on changes in accounting presentation and Note 13).

- Deposit facilities (liability item L2.2), which enable Banque de France counterparties to make overnight deposits, remunerated at a rate set by the Governing Council (–0.50% since 18 September 2019).

Minimum reserve requirement holdings bear interest at the average MRO rate over the period during which the reserves are built up. Deposits in excess of minimum reserve requirements bear interest at the deposit facility rate, which is currently negative. On 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, exempting part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. For each institution, the volume of exempt reserve holdings – the exempt tier – is determined as a multiple of six times its minimum reserve requirements.<sup>7</sup> The exempt tier is remunerated at an annual rate of 0%. The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of 0% or the deposit facility rate.

**Note 5: 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, particularly securities purchased under repurchase agreements,<sup>8</sup> recorded in liability item L4 (see Note 14). These amounts, unrelated to monetary policy operations, are split between items A4 and A6 on the basis of whether the counterparty is located within or outside the euro area.

**Euro-denominated claims on non-residents and residents of the euro area**

Asset items A4 and A6

(EUR millions)

	2021	2020
Securities held to maturity	448	796
Other claims	169	41
Accrued interest receivable	4	16
<b>Total euro-denominated claims on non-euro area residents</b>	<b>620</b>	<b>853</b>
Securities received under repurchase agreements	14,210	13,165
Other including loans	5,207	4,872
Accrued interest receivable	-2	1
<b>Total other euro-denominated loans to euro area credit institutions</b>	<b>19,415</b>	<b>18,038</b>

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

**A7.1, "Securities held for monetary policy purposes"**

This item includes securities purchased by the Banque de France under the asset purchase programmes organised by the Eurosystem as from 2009 in addition to conventional monetary policy measures. These are bonds purchased within the scope of the three covered bond purchase programmes (CBPP),<sup>9</sup> the securities markets programme (SMP),<sup>10</sup> the public sector purchase programme (PSPP)<sup>11</sup> and the corporate sector purchase programme (CSPP).<sup>12</sup> Since March 2020, this item has also included securities purchased within the scope of the pandemic emergency purchase programme (PEPP).<sup>13</sup> The ECB is responsible for the asset-backed securities purchase programme (ABSPP).<sup>14</sup>

In 2021 the Eurosystem conducted net purchases under the asset purchase programme (APP) at a monthly pace of EUR 20 billion on average. In December 2021 the Governing Council decided on a monthly net purchase pace of EUR 40 billion in the second quarter and EUR 30 billion in the third quarter of 2022.<sup>15</sup> From October 2022 onwards, the Governing Council will maintain net asset purchases at a monthly pace of EUR 20 billion for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue the reinvestments for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

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

7 The multiplier may be adjusted by the Governing Council in line with changing levels of excess liquidity holdings.

8 The balance sheet presentation of combined repo and reverse repo transactions was changed in 2021. The impact is described in the section on changes in accounting presentation.

9 Covered bond purchase programme – ECB decisions No. 2009/16 of 2 July 2009, No. 2011/17 of 3 November 2011 and No. 2020/8 of 3 February 2020.

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

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

12 Corporate sector purchase programme – ECB decision No. 2016/16 of 1 June 2016.

13 Pandemic emergency purchase programme – ECB decision No. 2020/17 of 24 March 2020.

14 Asset-backed securities purchase programme – ECB decision No. 2014/45 of 19 November 2014.

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

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

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

In addition, the Eurosystem continued its net purchases of securities in 2021 as part of its pandemic emergency purchase programme (PEPP) with a total envelope of EUR 1,850 billion. Purchases have been made in a flexible manner based on assessments of financing conditions and inflation outlook. In December 2021, the Governing Council decided to discontinue net asset purchases under the PEPP at the end of March 2022. They could, however, be resumed, if necessary, to counter negative shocks related to the pandemic. It also decided to extend the reinvestment horizon for the PEPP and to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The amortised cost of securities held by the Banque de France for monetary policy purposes and their market value<sup>16</sup> (which is not recognised in the balance sheet or in the profit and loss account and is provided for information purposes only) are presented in the table below.

The breakdown of the variation in the amortised cost of monetary policy securities between 2020 and 2021 is presented in the table that follows.

These securities are tested for impairment at the Eurosystem level on the basis of available information and an estimate of recoverable amounts at the balance sheet closing date. Based on the results of the tests carried out as at 31 December 2021, no impairment loss in respect of the portfolios held by the Eurosystem for monetary policy purposes was recognised in the financial statements.

<sup>16</sup> Market values are indicative and have been calculated on the basis of market quotations.

## Securities held for monetary policy purposes

Asset item A7.1

(EUR millions)

	2021		2020		Variation	
	Amortised cost	Market price	Amortised cost	Market price	Amortised cost	Market price
Completed programmes						
SMP	1,064	1,139	6,284	6,514	-5,220	-5,375
CBPP1	0	0	0	0	0	0
CBPP2	809	814	984	1,025	-175	-211
Total completed programmes	1,873	1,953	7,268	7,539	-5,395	-5,586
Asset purchase programme (APP)						
CBPP3	63,453	64,098	57,921	60,326	5,532	3,772
PSPP – issued by French public bodies	437,218	452,601	417,349	445,577	19,869	7,024
PSPP – issued by supranational bodies	71,435	72,641	63,543	67,645	7,892	4,996
CSPP	97,144	99,033	77,956	82,242	19,188	16,791
Total APP	669,250	688,374	616,770	655,790	52,480	32,583
Pandemic emergency purchase programme (PEPP)						
PEPP-PSPP – issued by French public bodies	246,322	243,518	107,302	109,253	139,020	134,265
PEPP-PSPP – issued by supranational bodies	41,038	40,257	13,372	13,512	27,666	26,745
PEPP-CSPP	10,613	10,715	18,430	18,681	-7,816	-7,966
PEPP-CBPP	1,917	1,890	1,046	1,075	871	815
Total PEPP	299,890	296,380	140,150	142,521	159,740	153,859
Accrued interest receivable	5,482		5,105		377	
TOTAL	976,495		769,294		207,202	

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

	2020	Inflows	Outflows	Other variations (a)	2021
Completed programmes					
SMP	6,284	0	-5,112	-108	1,064
CBPP1	0	0	0	0	0
CBPP2	984	0	-180	5	809
Total completed programmes	7,268	0	-5,292	-103	1,873
Asset purchase programme (APP)					
CBPP3	57,921	10,381	-4,922	72	63,453
PSPP – issued by French public bodies	417,349	51,348	-30,055	-1,424	437,218
PSPP – issued by supranational bodies	63,543	13,841	-5,931	-18	71,435
CSPP	77,956	23,278	-3,977	-113	97,144
Total APP	616,770	98,848	-44,885	-1,483	669,250
Pandemic emergency purchase programme (PEPP)					
PEPP-PSPP – issued by French public bodies	107,302	163,379	-22,758	-1,601	246,322
PEPP-PSPP – issued by supranational bodies	13,372	28,455	-646	-143	41,038
PEPP-CSPP	18,430	6,784	-14,576	-24	10,613
PEPP-CBPP	1,046	873	0	-2	1,917
Total PEPP	140,150	199,491	-37,981	-1,770	299,890
TOTAL (excluding accrued interest)	764,188	298,339	-88,158	-3,356	971,013

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

## A7.2, "Other securities"

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

Just as for portfolios of monetary policy securities, impairment tests are also carried out on the Banque de France's other portfolios. Based on these tests, it was concluded that no impairment was needed.

### Euro-denominated securities issued by euro area residents

#### Asset item A7.2

(EUR millions)

	2021	2020
Securities held to maturity (a)	28,562	38,617
Other bonds	2,213	3,806
Accrued interest receivable	426	600
<b>TOTAL</b>	<b>31,201</b>	<b>43,023</b>

(a) In 2021, there were no sales of securities held to maturity.

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

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

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

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

### Claims arising on the transfer of reserve assets to the ECB

#### Asset item A8.2

(EUR millions)

	2021	2020
Claims arising on the transfer of reserve assets to the ECB	8,240	8,240
Accrued interest receivable	0	0
<b>TOTAL</b>	<b>8,240</b>	<b>8,240</b>

## A8.4, "Other claims on the Eurosystem"

This item was mainly made up of the Banque de France's net claim on the Eurosystem generated by transfers via the Target2 payment system with other NCBs in the ESCB.

Item A8.4 also includes the claim on the interim dividend paid by the ECB. Based on 2021 earnings, the ECB Governing Council decided to distribute an interim dividend of EUR 150 million to the Eurosystem NCBs. The Banque de France received EUR 30.6 million.

### Other claims on the Eurosystem

#### Asset item A8.4

(EUR millions)

	2021	2020
Claims on the Eurosystem (Target2)	25,847	58,296
ECB interim dividends	31	257
Other claims	0	0
<b>TOTAL</b>	<b>25,878</b>	<b>58,554</b>

### Note 8: Advance to the IEDOM

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

To this end, the Banque de France grants the IEDOM a non-interest-bearing advance for an amount equivalent to a percentage of France's euro banknote allocation, which, since 1 July 2007, has been calculated according to the allocation mechanism in force within the Eurosystem.

### Note 9: Other euro and foreign currency denominated financial assets

#### Other euro and foreign currency denominated financial assets

##### Asset item A11

(EUR millions)

	2021	2020
Debt securities held to maturity (a) (b)	69,681	70,120
Other securities	7,706	7,489
Other transactions	59,308	54,650
Accrued interest receivable	2	-3
<b>TOTAL</b>	<b>136,698</b>	<b>132,256</b>

(a) In 2021, none of these securities were transferred to another portfolio.

Securities worth EUR 28 million were sold to ensure compliance with limits.

(b) Collateralised securities earmarked against customer deposits: EUR 68,065 million of which EUR 57,503 million of foreign currency denominated securities.



## Securities portfolios

### Extract from asset item A11

(EUR millions)

	2021	2020
Debt securities held to maturity		
Euro-denominated securities	12,179	11,740
Foreign currency denominated securities	57,503	58,381
Accrued interest	-26	-17
Net balance sheet value	69,655	70,104
Equities and investment fund units (a) (b)		
Collective investment funds	6,497	6,661
Other variable-yield securities	649	373
Net balance sheet value	7,146	7,034

(a) The revalued securities are marked to market at 31 December.

(b) The cost price of the equities and investment fund units at the end of 2020 and 2021 was EUR 5,342 million and EUR 5,006 million, respectively.

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

### Note 10: Other items

Asset item A12, "Other items", includes all the securities portfolios held in the *Caisse de réserve des employés* (CRE – the Banque de France Employee Reserve Fund), whose investments are reported at their year-end market value. "Other adjustment accounts" at the end of 2021 reflect the impact of the revaluation of off-balance sheet foreign currency positions held in relation to transactions with customers (see Note 26). Its impact on the profit and loss account is neutralised by the revaluation of foreign currency positions in the balance sheet – the overall foreign currency position from these transactions is close to zero.

## Fixed assets

### Asset items A8.1 and A13

(EUR millions)

	At 31 Dec. 2020	Increase (a)	Decrease (a)	At 31 Dec. 2021
Participating interest in the ECB (balance sheet value)	1,652	125		1,777
Participating interests other than the ECB (gross value)	686			686
Intangible fixed assets (gross value)	835	194	107	922
Amortisation and impairment	540	78	1	617
Net value of intangible fixed assets	295	116	106	305
Tangible fixed assets (gross value)	2,548	315	341	2,522
Depreciation and provisions	1,552	91	112	1,531
Net value of tangible fixed assets	997	224	229	991
Total tangible and intangible fixed assets (net balance sheet value)	1,291	340	336	1,295

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

## Other items

### Asset item A12

(EUR millions)

	2021	2020
Miscellaneous including CRE portfolios	12,392	12,792
Accruals and deferred expenses	2,604	290
Accrued income	370	264
Prepaid expenses	26	29
Other adjustment accounts	2,208	-3
TOTAL	14,995	13,083

### Note 11: Fixed assets and participating interest in the ECB

The Banque de France has not granted any loans or advances to its subsidiaries with the exception of the IEDOM, which has received an advance of EUR 7.3 billion as part of its euro banknote circulation activity on behalf of the Banque de France in the French overseas departments and collectivities that fall within its scope of intervention (see Note 8). Furthermore, the Banque de France has not provided any securities or guarantees to these entities.

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

### Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB, the capital of the ECB is held solely by ESCB NCBS. The key for subscription of the ECB's capital is set under the conditions defined in Article 29 of the Statute of the ESCB, based on the various countries' share in the total population and gross domestic product of the European Union. These two determinants have equal weighting. The ECB adjusts this capital key every five years (the last five-yearly adjustment took place on 1 January 2019) and each time there is a change in the composition of the ESCB.

## Information relating to subsidiaries and participating interests at 31 December 2021

Asset items A8.1 and A13.2

(EUR millions)

Name	Headquarters	Asset item	Capital	Share of capital held (%)	Reserves and retained earnings before appropriation of net profit (c)	Net profit	Book value (d)	Pre-tax turnover for the period or equivalent (e)	Dividends received in 2021
European Central Bank (a)	Frankfurt, Germany	A8.1	10,825	20.42	40,545	192	1,777	1,566	336
IEDOM	Paris, France	A13.2	33.5	100.00	123	8	149	54	2
Bank for International Settlements (b)	Basel, Switzerland	A13.2	858	8.82	25,224	1,495	405	1,682	31
Europafi	Vic-le-Comte, France	A13.2	133	99.00	19	2	132	79	6
La Prévoyance immobilière	Paris, France	A13.2	<0.1	98.00	na	na	ns	na	0
Banque de France Gestion	Paris, France	A13.2	0.6	99.99	8	14	ns	29	10

ns: not significant; na: not available.

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

(b) Last financial year-end at 31 March 2021, accounts prepared in SDR, euro/SDR conversion rate as at 31 March 2021.

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

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

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

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

(%)

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

Since 31 January 2020, when the Bank of England withdrew from the ESCB, the Banque de France's share in the ECB's subscribed capital has been 16.6108%, as the Bank of England's share in the ECB's subscribed capital – unchanged at EUR 10,825 million – was reallocated among both the euro area NCBs and the non-euro area NCBs.

On the day of the Bank of England's withdrawal from the ESCB, the ECB's paid up capital also remained unchanged at EUR 7,659 million as the remaining NCBs covered the Bank of England's paid-up capital of EUR 58 million. In addition, the Governing Council decided that the euro area NCBs would be required to pay up in full their increased subscriptions to the ECB capital following the Bank of England's withdrawal, in two annual instalments in 2021 and 2022.<sup>17</sup> As a result, the Banque de France transferred EUR 124.6 million to the ECB in December 2021, increasing its share in the ECB's paid-up capital from EUR 1,548.9 million in 2020 to EUR 1,673.5 million in 2021. The second instalment will be paid-up in 2022.

Consequently, during 2021, the Banque de France's participating interest in the ECB increased by EUR 125 million to EUR 1,777 million. It includes:

- the Banque de France's share of the ECB's paid-up capital;
- the net amounts paid by the Banque de France due to the increase in its share in the ECB's equity value<sup>18</sup> resulting from all previous ECB capital key adjustments.

### Participating interest in the IEDOM

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

The IEDOM is thus notably responsible for issuing and managing the circulation of banknotes and coins, rating

companies so that private loans can be mobilised as part of Eurosystem refinancing operations, supervising payment systems and means, providing the secretariat of the household debt commissions, managing local interbank registers and providing services of general interest to public or private bodies.

### Participating interest in Europafi

In 2015, the Banque de France spun off its paper business within Europafi. At 31 December 2021, the Banque de France had a 99% holding in Europafi; the Banca d'Italia, the Oesterreichische Nationalbank, and the Banco de Portugal had stakes of 0.5%, 0.25% and 0.25%, respectively.

### Note 12: Banknotes in circulation

Euro banknotes in circulation increased by 7.7% from 2020 to 2021.

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

Liability item L3 is made up of securities purchased for monetary policy purposes delivered under repurchase agreements. The balance sheet presentation of back-to-back repo transactions was changed in 2021. The impact is described in the section on changes in accounting presentation.

At year-end 2021, this item also includes funds that are not freely available to credit institutions and that had been recorded in liability item L2 in 2020 (see the section on changes in accounting presentation).

### Other euro-denominated liabilities to euro area credit institutions

#### Liability item L3

(EUR millions)

	2021	2020
Euro-denominated liabilities to euro area residents	28,162	5,668
Accrued interest payable	0	0
<b>TOTAL</b>	<b>28,162</b>	<b>5,668</b>

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

This item comprises euro credit balances and fixed-term deposits (excluding Target2) with non-euro area central banks, commercial banks and non-financial customers in non-Eurosystem member countries. In most cases the assets matching these liabilities are included in asset items A4 or A6 (see Note 5) or in asset item A11 (see Note 9), depending on whether they are invested in the same currency or are covered by cross-currency swaps (see Note 26).

### Euro-denominated liabilities to non-euro area residents

#### Liability item L4

(EUR millions)

	2021	2020
Euro-denominated liabilities to non-euro area residents	70,840	48,202
Accrued interest payable	0	0
<b>TOTAL</b>	<b>70,840</b>	<b>48,202</b>

### Note 15: Euro-denominated liabilities to the Eurosystem

In 2021, euro-denominated liabilities to the Eurosystem corresponded to accrued liabilities of EUR 627 million in respect of the pooling of monetary income.

### Euro-denominated liabilities to the Eurosystem

#### Liability item L7

(EUR millions)

	2021	2020
Euro-denominated liabilities to the Eurosystem (Target2)	0	0
Accrued expenses in respect of the pooling of monetary income	627	842
Accrued interest payable	0	0
<b>TOTAL</b>	<b>627</b>	<b>842</b>

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

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

- The Treasury's account, which, up to a capped amount<sup>19</sup> earns interest at the Eonia rate. Above this amount, it earns interest 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, as well as deposits from certain international bodies.

<sup>17</sup> This results in an increase in the ECB's paid-up capital from EUR 7,659 million in 2020 to EUR 8,270 million in 2021 and EUR 8,880 million in 2022. In particular, ECB Decision (EU) 2020/138 of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing Decision (EU) 2019/44 (ECB/2020/4), ECB Decision (EU) 2020/136 of 22 January 2020 on the paying-up of the European Central Bank's capital by the non-euro area national central banks and repealing Decision (EU) 2019/48 (ECB/2020/2) and ECB Decision (EU) 2020/139 of 22 January 2020

laying down the terms and conditions for transfers of the European Central Bank's capital shares between the national central banks and for the adjustment of the paid-up capital and repealing Decision (EU) 2019/45 (ECB/2020/5).

<sup>18</sup> The ECB's equity value includes all reserves, revaluation accounts and provisions equivalent to reserves less losses relating to prior years. In the event of a capital key adjustment arising during a reporting period, the capital also includes the net profit (or loss) at that date.

<sup>19</sup> The cap applied for the entire 2021 financial year was EUR 784 million.

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

### Euro-denominated liabilities to other euro area residents

#### Liability item L8

(EUR millions)

	2021	2020
L8.1 Liabilities vis-à-vis the state and government agencies	140,852	136,139
L8.2 Other liabilities	59,271	42,383
Accrued interest payable	1	0
<b>TOTAL</b>	<b>200,125</b>	<b>178,522</b>

#### Note 17: Items in the course of settlement

Balance sheet item P9, "Items in course of settlement", includes 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 18: Banking transactions

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

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

### Banking transactions

#### Liability item L10

(EUR millions)

	2021	2020
Customer deposits	833	902
Other banking transactions o/w fixed-term deposits	124,638	124,023
Accrued interest payable	165	99
<b>TOTAL</b>	<b>125,636</b>	<b>125,024</b>

#### Note 19: Other items

This item mainly includes:

- the capital of the Banque de France Employee Reserve Fund (see Note 28);
- miscellaneous creditors and, where applicable, the impact of off-balance sheet foreign exchange positions in relation to transactions with customers.

#### Other items

#### Liability item L11

(EUR millions)

	2021	2020
CRE capital	8,240	7,255
Accrued expenses	303	274
Other adjustment accounts	5	0
Miscellaneous	473	1,400
<b>TOTAL</b>	<b>9,021</b>	<b>8,929</b>

#### Note 20: Provisions for liabilities and charges

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

- provisions for restructuring allocated as part of the Banque de France's modernisation programmes and plans to adapt its activities, corresponding to the full coverage of additional seniority granted under early retirement schemes;
- provisions for changing the age pyramid, relating to an early retirement incentive scheme for employees reaching the end of their working life;
- provisions for retirement benefits;
- a provision covering the Banque de France's commitment to fund part of retirees' supplementary health insurance contributions;
- provisions for various social liabilities for working employees (death benefits, long-service medals, end-of-career leave, extended sick leave and pensions for industrial injuries);
- provisions to cover various social obligations granted to retired employees (death benefits, etc.);
- other provisions, particularly for major repairs (such as façade repairs, renovations, etc.).

## Provisions for liabilities and charges

### Liability item L12

(EUR millions)

	2020	Increase	Decrease	2021
Provisions for restructuring and changing the age pyramid	134	2	6	130
Provisions for retirement benefits	137	1	11	128
Provisions for supplementary health insurance	168	19	28	159
Other miscellaneous provisions – current employees	93	20	20	93
Other miscellaneous provisions – retirees	161	3	5	159
Provision related to monetary policy operations	0	0	0	0
Other	25	16	21	20
<b>TOTAL</b>	<b>719</b>	<b>61</b>	<b>91</b>	<b>688</b>

For discounted social security provisions, the parameters used (unchanged from 2020) are as follows: a discount rate of 2.25% and pension and salary revaluation assumptions based on a long-term inflation of 1.75%.

#### Note 21: Revaluation accounts

Gold and foreign currency assets and liabilities were revalued at the reference prices indicated by the ECB on 31 December 2021.

The revaluation rates used at 31 December 2021 for gold and the main currency holdings were:

- EUR 51,746 per kilogram of fine gold (compared with EUR 49,637 per kilogram at end-2020);
- EUR 1 = USD 1.1326 (compared with USD 1.2271 at end-2020);
- EUR 1 = SDR 0.8091 (compared with SDR 0.8485 at end-2020);
- EUR 1 = AUD 1.5615 (compared with AUD 1.5896 at end-2020);
- EUR 1 = CAD 1.4393 (compared with CAD 1.5633 at end-2020).

#### Revaluation accounts

### Liability item L13

(EUR millions)

	2021	2020
Revaluation accounts – gold	106,688	101,549
Revaluation accounts – foreign currency	6,835	2,919
Revaluation accounts – securities and financial futures	5,188	4,386
<b>TOTAL</b>	<b>118,711</b>	<b>108,855</b>

The increase in the balance of item L13 is mainly the result of a significant rise in the price of gold and the value of the US dollar against the euro, and unrealised gains on variable-yield securities.

#### Note 22: Fund for general risks

An allocation of EUR 2,800 million was made to the fund for general risks in respect of 2021 based on an analysis of the potential risks associated with exposures at the balance sheet closing date.

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

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

#### Note 24: Capital, reserves and retained earnings

### Capital, reserves and retained earnings

#### Liability item L17

(EUR millions)

	2021	2020
Capital	1,000	1,000
Reserves	9,007	10,058
Statutory reserve (a)	1,576	1,467
Long-term capital gains	100	100
Special pension reserve fund (see Note 28)	4,074	5,237
Other reserves (b)	3,257	3,253
Retained earnings	0	0
<b>TOTAL</b>	<b>10,007</b>	<b>11,058</b>

(a) In accordance with Article R. 144-4 of the French Monetary and Financial Code, 5% of the net profit for the year is allocated to a special reserve that ceases to be funded when it reaches an amount equal to double the Banque de France's capital.

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

## Off-balance sheet

### Note 25: Interest rate financial futures and securities commitments

#### Notional amount of financial futures

(EUR millions)

	2021	2020
<b>Outright transactions on organised markets</b>		
Foreign currency denominated interest rate contracts		
Purchases	0	114
Sales	0	62
Euro-denominated interest rate contracts		
Purchases	43	97
Sales	232	382
<b>Over-the-counter market operations</b>		
Foreign currency denominated interest rate swaps		
	163	158
Euro-denominated interest rate swaps		
	0	0

At the end of 2021, the Banque de France had also committed EUR 107 million to subscriptions for investment fund units in connection with the investment of its equity and Employee Reserve Fund resources.

#### Note 26: Forward foreign currency transactions

As part of its forward foreign currency transactions with customers, the Banque de France collects euro-denominated deposits from non-euro area residents, in particular foreign central banks and international bodies, which are recorded in liability item L4. The Banque de France also collects foreign currency denominated deposits, mainly from non-resident institutions, which are recorded in liability item L10.

These euro or foreign currency denominated deposits are invested either in the same currency or in a different currency (euro-denominated investments are recorded in asset items A4 or A6 depending on the counterparty's area of residence, while foreign currency investments are recorded in item A11). When appropriate, foreign currency risk is neutralised by cross-currency swaps of the same amount and maturity as the deposits. These foreign currency deposits and investments, and the related spot and forward foreign currency transactions, form part of an activity that is separate and independent from the management of foreign exchange reserves. Consequently, they are recorded in dedicated accounts separate from those used for the management of foreign exchange reserves, and are valued in accordance with the standards

issued by the ANC (see the valuation methods section above, "Foreign currency gains and losses other than on gold and foreign exchange reserves").

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

#### Foreign currency receivables and deliverables on transactions with customers

(EUR millions)

	2021	2020
Euro to be received against foreign currency to be delivered		
Euro receivable	19,303	20,663
Foreign currency deliverable	19,477	20,242
Foreign currency to be received against euro to be delivered		
Foreign currency receivable	24,623	30,585
Euro deliverable	24,094	31,182
Foreign currency to be received against foreign currency to be delivered		
	113,157	108,632
Foreign currency to be delivered against foreign currency to be received		
	110,855	109,118

The amounts of foreign currency receivables and deliverables resulting from foreign exchange reserve management operations each amounted to EUR 3.5 billion.

#### Note 27: Off-balance sheet commitments given or received in respect of operations with the IMF

##### Commitments given by the Banque de France

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

The credit line granted to the IMF within the framework of the New Arrangements to Borrow (NAB) was increased on 1 January 2021 from SDR 9.5 billion to SDR 18.9 billion,<sup>20</sup> SDR 0.2 billion of which was drawn down at 31 December 2021. Additional drawdowns of SDR 18.7 billion can still be made.

A bilateral loan agreement between France and the IMF was signed in October 2012 and has since been renewed. Under this agreement, France undertakes to provide further financing of EUR 13.5 billion.<sup>21</sup> This credit line has not been used.

In addition, the Banque de France grants loans to the Poverty Reduction and Growth Trust (PRGT) under the IMF's "Poverty Reduction and Growth Facility" and "Exogenous Shocks Facility" (PRGF-ESF). The first loan agreement for

SDR 1.3 billion came to an end on 31 December 2018. In February 2018 and then in July 2020, two new loan agreements were put in place for a total of SDR 4 billion. At the end of December 2021, the additional drawdowns that could be made amounted to SDR 3 billion.

### Commitments received by the Banque de France

In the 2009, 2018 and 2020 supplementary budget acts, the state extended its guarantee to the loans granted by the Banque de France to the PRGT.

#### Note 28: Pension liabilities

Banque de France employees benefit from a pension scheme, governed by Decree 2007-262 of 27 February 2007, which entered into force on 1 April 2007, and was subsequently amended by Decrees 2008-1514, 2012-701, 2012-847 and 2014-1702 to align it with that of the civil service.

### The Employee Reserve Fund

The Banque de France pension fund, known as the *Caisse de réserve des employés de la Banque de France* (CRE – the Banque de France Employee Reserve Fund), is designed to service the pensions of its statutory employees. The CRE does not have a legal personality distinct from that of the Banque de France. It constitutes, as the French Council of State set out in its decisions of 5 November 1965 and 28 April 1975, “a means for the Banque de France to manage itself assets that are assigned to a special purpose and whose separate financial identity has been recognised with the sole purpose of showing the results of this management in a special account”.

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

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

CRE capital is shown in liability item L11, “Other items”. Realised gains and losses, unrealised losses and employee contributions paid that are recognised in the profit and loss account require a matching allocation to or reversal from CRE capital. On the liabilities side, item L13 also includes revaluation differences for CRE securities that have been revalued. The special pension reserve fund (see below) is shown under item L17, “Capital, reserves and retained earnings”.

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

### Various sources of pension financing

Pensions paid to retired employees are funded as follows:

- by interest income and dividends from the CRE’s securities portfolio;
- by a deduction from the special pension reserve fund established in 2007 by the Banque de France’s General Council to ensure the progressive financing of the unfunded portion of pension liabilities;<sup>22</sup>
- by the use of CRE capital;
- by a balancing subsidy paid by the Banque de France.

Articles 3 and 4 of General Council Order No. A-2017-10 of 20 December 2017 on the CRE’s financial management provide that use of the special pension reserve fund and CRE capital to finance the pensions to be paid during a year shall be decided by the General Council when voting on the Banque de France budget. In addition, pursuant to Article 4 of the appendix to Decree No. 2007-262 of 27 February 2007, CRE capital may be drawn on to service pensions only if the pension liabilities are fully covered and only if the special pension reserve fund has previously been cleared.

As pension commitments have been fully covered by CRE securities portfolios since the end of 2019, the statutory pensions paid in 2020 and 2021 were funded by income from the securities portfolios as well as by a deduction from the special pension reserve fund; the other benefits paid by the CRE,<sup>23</sup> meanwhile, are covered by a subsidy paid by the Banque de France. The deduction from the special pension reserve fund for 2021 amounted to EUR 473 million.

<sup>20</sup> IMF Decision No. 16645.

<sup>21</sup> As part of the renewal for 2021-23, the amount was revised down from EUR 31.4 billion to EUR 13.5 billion on 1 January 2021.

<sup>22</sup> In accordance with Article R. 144-4, paragraph 3, of the French Monetary and Financial Code.

<sup>23</sup> In particular additional seniority, travel allowances and death benefits.

## Pension liabilities and funding

(EUR millions)

	Liabilities			Funding	
	2021	2020		2021	2020
Pension liabilities	14,139	14,229	Funding	12,329	12,502
			<i>o/w to Employee Reserve Fund</i>	8,255	7,265
			<i>o/w to special pension reserve fund</i>	4,074	5,237
<i>o/w to current employees</i>	4,356	4,569			
<i>o/w to retirees</i>	9,783	9,660			
Liabilities in respect of the additional seniority granted as part of restructuring plans	130	134	Provision	130	134
			Revaluation accounts	2,927	2,417
<b>Total gross liabilities</b>	<b>14,269</b>	<b>14,363</b>	<b>Total funding</b>	<b>15,387</b>	<b>15,053</b>
<b>Net liabilities</b>			<b>Net funding</b>	<b>1,118</b>	<b>690</b>

Furthermore, in 2021 the General Council decided to repay the amount of CRE assets that exceeded total pension liabilities at the end of 2020 (EUR 690 million) to the state in the form of a partial distribution from the special pension reserve fund.

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

### Actuarial assumptions

Total pension liabilities have been calculated in accordance with actuarial standards (using the projected unit credit method), taking into account all current employees, retirees and their dependants. Liabilities to current employees were determined using a prospective method with assumptions concerning future career and salary developments.

The TGH-TGF 2005 statutory mortality tables applicable to life insurance contracts were used to calculate pension liabilities at 31 December 2021.

Calculations of pension liabilities and the underlying assumptions used are validated and monitored by the Banque de France's actuaries. A discount rate of 2.25% was applied in 2021, as in 2020. Pension and salary revaluation assumptions based on long-term inflation will stand at 1.75% with effect from 2024 (see Note 20).

### Profit and loss account

#### Note 29: Net interest income

Net interest income for 2021 amounted to EUR 6.7 billion, up year-on-year from EUR 6.0 billion.

Although expenses represented by the negative interest paid by the Banque de France in respect of bank refinancing operations rose sharply compared to 2020 due to growth in outstanding TLTRO III amounts, net interest income rose by EUR 742 million. This is almost entirely due to the increase in income from inflation-indexed securities held for monetary policy purposes. Income from negative interest on the deposits of financial institutions (sums in excess of minimum reserve requirements and in deposit facilities) also increased to a lesser extent.

Income from foreign currency and euro reserve assets declined compared with 2020.

The presentation of net interest income was changed in 2021. The impact is described in the section on changes in accounting presentation.



**Net interest income**

## Profit and loss item 1.1

(EUR millions)

	2021	2020
Interest on foreign currency assets	1,485	2,113
<i>Interest on reserve assets (excluding the IMF)</i>	963	1,037
<i>Interest on financing provided to the IMF</i>	14	32
<i>Other interest</i>	508	1,045
Interest on euro-denominated assets	10,321	7,163
<i>Monetary policy securities</i>	4,093	2,494
<i>Interest levied on financial institutions' accounts</i>	4,164	2,470
<i>Securities earmarked against reserves</i>	898	1,215
<i>Interest levied on the Treasury's account</i>	536	520
<i>Interest on claims arising on the transfer of reserve assets to the ECB</i>	0	0
<i>Interest on claims on the ECB with regard to banknotes</i>	0	0
<i>Other interest</i>	630	464
<b>Total interest and related income (A)</b>	<b>11,806</b>	<b>9,276</b>
Interest on foreign currency liabilities	-102	-170
<i>Interest on foreign currency reserve liabilities</i>	0	-24
<i>Interest on SDR allocations</i>	-11	-25
<i>Other interest</i>	-91	-121
Interest on euro-denominated liabilities	-4,976	-3,120
<i>Interest on bank refinancing operations</i>	-4,585	-2,276
<i>Interest on financial institutions' accounts</i>	0	0
<i>Interest on Target2 positions</i>	0	0
<i>Other interest</i>	-391	-844
<b>Total interest and related expenses (B)</b>	<b>-5,078</b>	<b>-3,290</b>
<b>Net interest income (A + B)</b>	<b>6,728</b>	<b>5,986</b>

**Note 30: Net income from financial transactions**

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

In 2021, net realised gold and foreign currency gains and losses represented a gain of EUR 355 million. In accordance with the agreement of 20 December 2010 between the state and the Banque de France on the management of and accounting for state foreign exchange reserves, this net balance was allocated to the RRRODE, with the corresponding entry taken to the profit and loss account (item 1.2.2).

**Other income and expenses on financial transactions, net**

## Profit and loss item 1.2.3

(EUR millions)

	2021	2020
Net gain/loss on foreign currency denominated securities (a) (b) (c)	14	94
Net gain/loss on euro-denominated securities recorded in items A7.1 and A7.2 (b) (c) (d)	26	2
Net gain/loss on available-for-sale securities recorded in item A11 (b)	38	0
Net foreign currency gains and losses (excluding foreign exchange reserve management)	12	11
<b>TOTAL</b>	<b>89</b>	<b>107</b>

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

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

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

(d) In 2021, this item includes profits of EUR 15 million from the early redemption of securities initiated by the issuer at a price above nominal value. In 2020, this type of transaction generated income of EUR 7 million, which was recorded in net interest income.

**Note 31: Income from equity securities and participating interests**

For 2021, the Governing Council decided to distribute the ECB's share of seigniorage income and income from its SMP, CBPP3, ABS, PSPP and PEPP securities holdings to the NCBs. As a result, after allocations to its provision for financial risks, the ECB paid an interim dividend of EUR 150 million, of which the Banque de France received EUR 31 million.

**Income from equity securities and participating interests**

## Profit and loss item 1.4

(EUR millions)

	2021	2020
ECB dividend (final for the previous financial year and interim dividend for the current financial year)	109	448
Dividends from other participating interests	49	13
Dividends from available-for-sale securities	3	3
Other income	0	0
<b>TOTAL</b>	<b>162</b>	<b>464</b>

**Note 32: Net result of pooling of monetary income**

This item contains the net result of pooling of monetary income, recorded in profit and loss item 1.5. For 2021, it amounted to an expense of EUR 658 million. This item also contains prior-year adjustments that mainly relate to revisions made by other Eurosystem central banks to their 2020 financial statements. These revisions are notably linked to the availability of the rates applicable to TLTRO III transactions for the special interest rate period from 24 June 2020 to 23 June 2021 (see Note 4).

## Net result of pooling of monetary income

Profit and loss item 1.5

(EUR millions)

	2021	2020
Monetary income pooled by the Banque de France	-897	-1,713
Monetary income allocated to the Banque de France	239	883
Net result of pooling of monetary income in 2021	-658	-830
Other expenses and income arising from the pooling of monetary income	31	-12
Sub-total	-627	-842
Net provisions/reversals related to monetary policy operations	-	18
TOTAL	-627	-824

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

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

The liability base includes banknotes in circulation, euro-denominated liabilities to euro area credit institutions related to monetary policy operations, intra-Eurosystem liabilities resulting from Target2 transactions, net intra-Eurosystem liabilities on euro banknotes in circulation within the Eurosystem, and, when applicable and by default, the euro-denominated deposits of Eurosystem banking counterparties. Any interest accruing on liabilities included in the liability base is deducted from pooled monetary income.

Earmarkable assets include euro-denominated lending to euro area credit institutions related to monetary policy operations, securities held for monetary policy purposes, claims arising on the transfer of reserve assets to the ECB (excluding the gold component), net intra-Eurosystem claims resulting from Target2 transactions, net intra-Eurosystem claims arising on the distribution of euro banknotes within the Eurosystem, claims on the central banks that are not members of the Eurosystem relating to euro liquidity provision, accrued interest on securities held for monetary policy purposes whose risks and income are pooled and which have been written down, and a limited amount of gold in proportion to each NCB's subscription of the ECB's capital (capital key). Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the amount of monetary income is determined by multiplying the difference by the marginal rate applied to main refinancing operations.

## Note 33: Other income and expenses, net

This balance includes income and expenses generated by service activities carried out on behalf of third parties. These activities mainly relate to public service activities entrusted to the Banque de France by law or by agreements signed with the state and, to a lesser extent, activities carried out in support of the economy, for which the cost is re-invoiced.

Income includes levies for supervisory expenses by the *Autorité de contrôle prudentiel et de résolution* (ACPR – the French Prudential Supervisory and Resolution Authority), which was established by Order 2010-76 of 21 January 2010 merging the licensing and supervisory authorities of the banking and insurance sectors. The ACPR is a financially autonomous, independent administrative authority without legal personality, chaired by the Governor of the Banque de France and as such its budget is a sub-budget of the Banque de France. The expenses and income of the ACPR are recognised in the financial statements of the Banque de France. Expenses are booked as operating expenses according to their nature, and income consists of levies raised from the organisations under ACPR supervision. In 2021, levies for supervisory expenses generated income of EUR 205 million.

## Other income and expenses, net

Profit and loss item 1.6

(EUR millions)

	2021	2020
Remuneration for services provided to the state	222	230
Payments for ACPR supervisory expenses	205	205
Miscellaneous income (a)	368	288
Total other income (A)	795	723
Total other expenses (B)	-84	-46
Other income and expenses, net (C = A + B)	710	677

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

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

## Note 34: Staff costs and related expenses

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

The Governor's total gross remuneration for 2021 was stable compared with 2020 at EUR 287,944. The First and Second Deputy Governors received EUR 233,043 and EUR 233,141, respectively. No employee accommodation

## Staff costs and related expenses

### Profit and loss item 2.1

(EUR millions)

	2021	2020
Salaries and wages	567	583
Taxes on salaries and wages	92	100
Social security contributions	164	167
Profit-sharing and incentive plans	36	36
<b>Total staff costs and related expenses</b>	<b>859</b>	<b>885</b>

### Profit and loss item 2.2

(EUR millions)

	2021	2020
Pensions and related expenses	36	34
<b>Total pensions and related expenses</b>	<b>36</b>	<b>34</b>

## Remuneration of management bodies

(EUR millions)

	2021	2020
Total remuneration paid to management bodies (a)	3.2	3.1

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

is made available to them but they each receive a gross housing allowance of EUR 5,879 per month, which is subject to tax. These provisions are governed by Article R. 142-19 of the French Monetary and Financial Code.

Neither the Governor nor the Deputy Governors receive additional variable remuneration or the special purchasing power bonus. The only increases in remuneration that they have received since 2016 were those imposed generally on 1 July 2016 (0.6%) and 1 February 2017 (0.6%).

### **Note 35: Corporate income tax**

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

## Corporate income tax

### Profit and loss item 5

(EUR millions)

	2021	2020
Income tax expense	1,895	1,633
<i>On profit before exceptional items</i>	<i>1,895</i>	<i>1,633</i>

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## STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2021

### Opinion

In compliance with the engagement entrusted to us by your General Council, we have audited the accompanying annual financial statements of the Banque de France for the year ended 31 December 2021.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Banque de France as at 31 December 2021 and of the results of its operations for the year then ended in accordance with the accounting rules and principles set out in Article R. 144-6 of the French Monetary and Financial Code (*Code monétaire et financier*).

### Basis of our opinion

#### Audit framework

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

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

#### Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2021 to the date of our report.

### Emphasis of matter

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

- The introduction to the Notes to the annual financial statements describes the accounting principles and valuation methods applicable to the Banque de France, some of which are specific to the European System of Central Banks;
- The General Council has determined the level of detail of the published financial information in accordance with its right provided for in Article R. 144-6 of the French Monetary and Financial Code.

.../...

## Justification of assessments

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organisation of companies and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

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

### Valuation of securities at amortised cost

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

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

### Assessment of social obligations

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

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

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

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

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

The annual financial statements were approved by the General Council.

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

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

.../...

As specified in Article L. 823-10-1 of the *Code de commerce* (French Commercial Code), our statutory audit does not include assurance on the viability of the entity or the quality of management of the entity's affairs.

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

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

Paris La Défense, 14 March 2022

The Statutory Auditors

**KPMG S.A.**  
Marie-Christine Jolys  
Partner

**Mazars**  
Franck Boyer  
Partner