



“Resilience and mobilisation to serve the French economy and society”

François Villeroy de Galhau
Governor of the Banque de France



THE BANQUE DE FRANCE IN 2023 ...

105 permanent sites

8,959 full-time equivalent employees

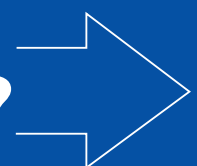


In 2023, inflation weighed heavily on the economy, households and businesses, either directly through the headwinds it created for consumption and production or indirectly through the higher interest rates that were necessary to reduce it.

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

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

WHAT ACTION DID THE BANQUE DE FRANCE TAKE?



LOWER INFLATION THANKS TO MONETARY POLICY

➔ Monetary policy and inflation rates

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

➔ Resilience of the French economy

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

➔ Successful financing of the economy

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

MEANS OF PAYMENT

➔ A changing landscape

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

RESILIENCE OF THE FRENCH FINANCIAL SYSTEM

➔ No contagion to Europe from the banking failures in the United States and Switzerland thanks to tighter regulation since 2008 and close supervision

➔ Resilience of non-financial agents despite a risky macroeconomic and financial environment

➔ Banks

Strong solvency and liquidity ratios

➔ Insurers

Solid players needing to adapt to the new interest rate environment

➔ Macroprudential measures to maintain a sustainable level of household debt

DIGITALISATION OF FINANCE

➔ Preparation for the implementation in 2024 of the European regulation governing crypto-assets (Markets in Crypto-Assets, MiCA).

➔ Publication of a report with 12 experiments demonstrating the operational feasibility and interest of a central bank digital currency (CBDC)

➔ Launch of the preparation phase for the digital euro

CLIMATE TRANSITION CHALLENGE

➔ Participation in several international fora and in the Financial Stability Board (FSB)

➔ Assessment of the compliance of less significant banks' activities with climate risk management

➔ Supervision of insurers with regard to their inclusion of environmental, social and governance (ESG) criteria

➔ Climate stress test exercise devoted exclusively to insurers

OVERSIGHT OF MARKET PRACTICES FOR CUSTOMER PROTECTION

➔ Significant inspections in 2023

Life insurance policies, disputed payment orders, management of consumer credit arrears, bank charges for small business customers

➔ Other actions

- Recommendation on product governance and prevention of conflicts of interest in insurance
- Together with the *Autorité des marchés financiers*, improving the usability of the website "Assurance Banque Épargne Info Service"
- Blacklisting of unauthorised sites or players

Inflation at end-December 2023

4.1%

2.9%

French GDP growth
+0.9%

15.9%

Solvency ratio of the six main French banking groups

250%^{a)}

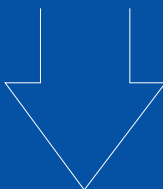
Average solvency capital requirement coverage ratio for supervised insurers

1,262

unauthorised websites or players blacklisted

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

SUPPORT FOR
BUSINESSES



325,105

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

11,192

entrepreneurs
assisted

Credit mediation

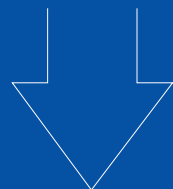
1,400

applications

6,130

jobs saved
in 714 companies

PROTECTION OF FINANCIALLY
VULNERABLE PEOPLE



121,617

applications for
debt resolution
submitted

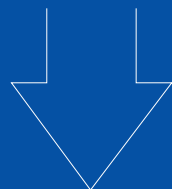
over 800,000

people eligible for special
"vulnerable customer"
solutions

over 6 million

customers eligible for
cap on
incident-related fees

EDUCFI
(FINANCIAL EDUCATION)



over 130,000

people offered training
in economic, budgetary
and financial literacy

Plus...

221,800

students obtained the
EDUCFI financial literacy
passport in 2023

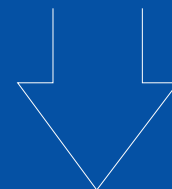
750,000

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

37,000

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

MORE ACCESSIBLE
COMMUNICATION



17

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



17 million

visits to the Bank's websites



550,000

views on social networks
for an educational video
on inflation



**Almost
20,000**

visitors to
the European
Heritage Days

over 90,000

visits to the Citéco
museum

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



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



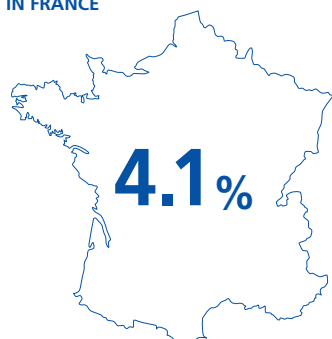
The Banque de France Bulletin
The aim of the Banque de France Bulletin is to provide information to a broad readership on the economic and financial issues monitored, addressed or studied by the central bank, and to offer educational insights so that everyone can form their own judgement

MONETARY STRATEGY 2023 IN FIGURES

HICP (HARMONISED INDEX OF CONSUMER PRICES) INFLATION

(year-on-year at end-December 2023)

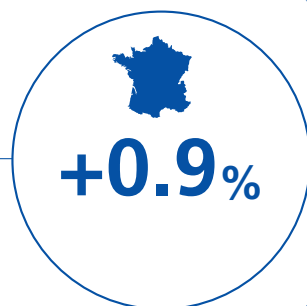
IN FRANCE



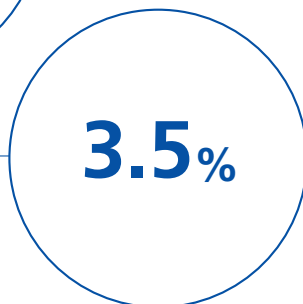
IN THE EURO AREA



GDP GROWTH



AVERAGE INTEREST RATE ON NEW
HOUSING LOANS, IN NOVEMBER



CENTRAL BANK
POLICY RATE INCREASES

OUR DETERMINATION TO BRING INFLATION DOWN IS BEARING FRUIT

Proactive monetary policy has helped bring inflation down. Six increases in key rates between January and September 2023, totalling 200 basis points, helped to reduce inflation.

In France, consumer price inflation almost halved between February (peak of 7.3%) and December 2023 (4.1%), before falling even further to 3.4% in January 2024.

Similarly, in the euro area, consumer price inflation fell by almost two-thirds between January (8.5%) and December 2023 (2.9%), and stood at 2.8% in January 2024.

In France, growth was resilient, albeit slower in 2023, at 0.9%. Household investment contracted by 5.1% in 2023 as financial conditions tightened. Higher financing costs and tighter credit standards weighed on business investment.

In France, monetary tightening has had an impact on both inflation and the expectations of economic agents. Household three-year-ahead inflation expectations stood at 2.1% (December 2023). French business leaders' three-to-five-year-ahead inflation expectations stood at 2.5% (fourth quarter of 2023).

The transmission of monetary policy tightening to the financing conditions of the economy was effective and rapid. This helped to bring business and household demand back into balance with supply, gradually slowing price growth.

Payment means are rapidly adapting to the digital age. In addition to the consolidation of activities relating to means of payment within the Directorate General Cash and Retail Payments, 2023 saw the start of construction work on the new banknote manufacturing site at Vic-le-Comte and the launch of the preparation phase for the digital euro.

FINANCIAL STABILITY 2023 IN FIGURES

ON-SITE INSPECTIONS

197

on-site inspections
of insurers and banks
(excluding Single
Supervisory Mechanism
– SSM – inspections) and
their business practices

38

inspections on behalf
of the ECB
(as part of the SSM)

SOLVENCY RATIO

Common Equity
Tier 1 capital ratio of
the six main French
banking groups

15.9%

AVERAGE SOLVENCY CAPITAL REQUIREMENT COVERAGE RATIO

for supervised insurers

250%^{a)}

SHARE OF TOTAL BALANCE SHEET ASSETS

(euro area)

FRENCH BANKS

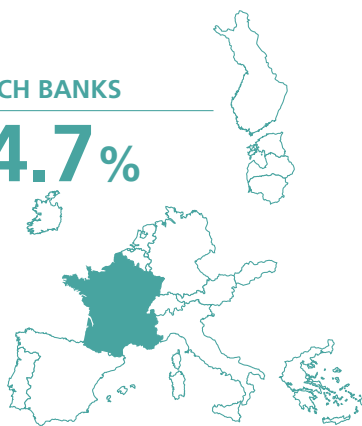
34.7%

FRENCH INSURERS

33.5%^{b)}

30.9%^{a)}

Share of French
financial assets held
by French non-bank
financial institutions.



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

b) Provisional: final data
available mid-March 2024.

A RESILIENT AND ADAPTING FRENCH FINANCIAL SYSTEM

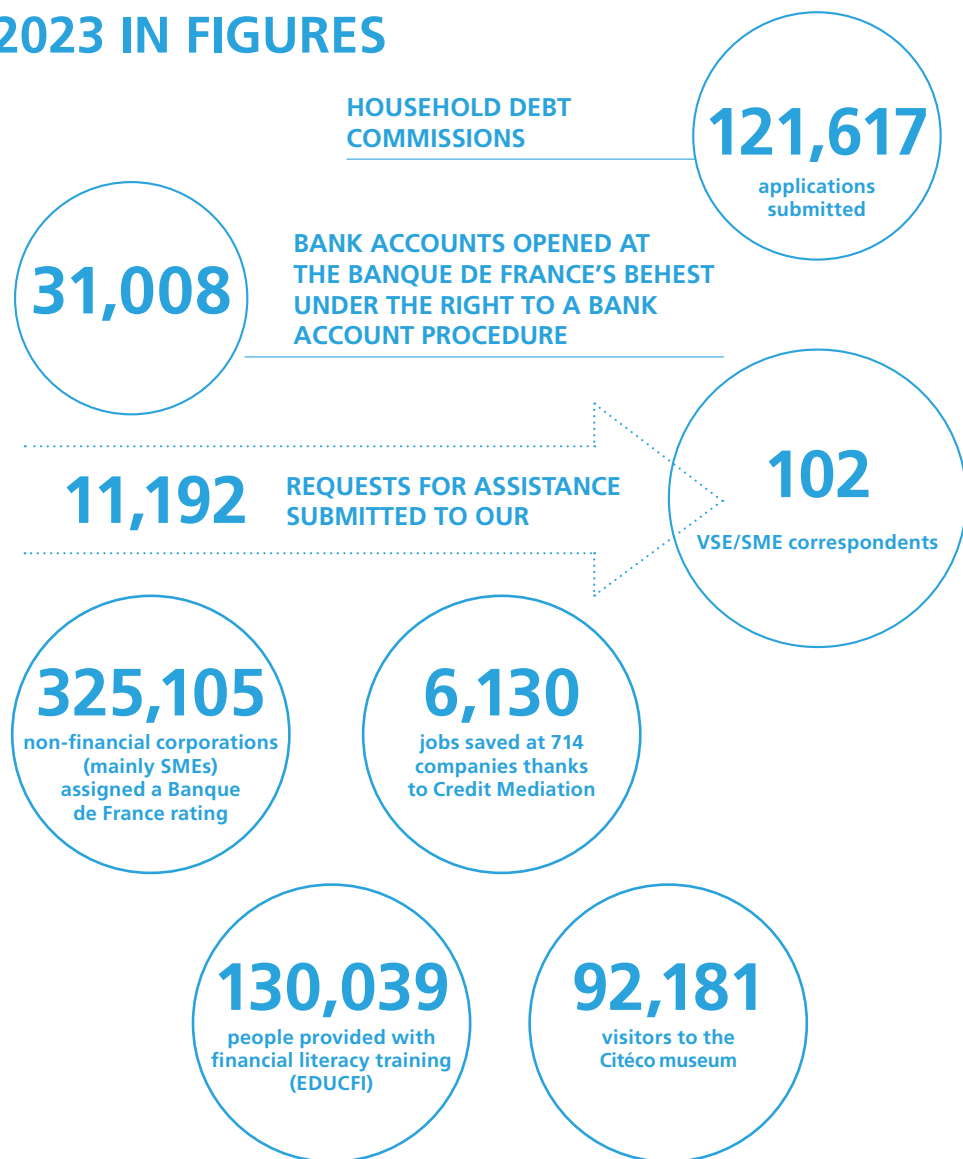
Thanks to enhanced regulation since 2008 and stringent supervision (Single Supervisory Mechanism – SSM – and national supervisory authorities), the euro area's banking and financial sector proved resilient in 2023. Nevertheless, there are lessons to be learned from bank failures in the United States and Switzerland.

The French financial sector has adapted. The six main French banking groups continued to report high solvency and liquidity ratios. Insurers have maintained a healthy balance sheet structure, but have had to adapt to the new environment of rising interest rates. Financial market vulnerability remained high. Despite a risky macroeconomic and financial environment, non-financial agents have shown resilience (household debt declined, corporate credit risk under control). Macroprudential measures have helped to maintain a sustainable level of debt among economic agents.

In 2023, the Banque de France and the *Autorité de contrôle prudentiel et de résolution* (ACPR – Prudential Supervision and Resolution Authority) assisted banks and insurers in their digital transition. To this end, they prepared for the implementation in 2024 of the European regulation governing crypto-assets, published a report on the operational feasibility and practical benefits of a central bank digital currency (CBDC) for financial institutions, and launched the preparatory phase for the digital euro. **The Banque de France and the ACPR also assisted these players in their climate transition.** In particular, they assessed the compliance of the activities of banks considered less significant in terms of climate risk management, monitored insurers' reports on how they take environmental, social and governance (ESG) criteria into account, and launched a new climate stress test exclusively for insurers.

The ACPR ensures compliance with good business practices and the protection of customers of financial institutions. Together with the *Autorité des marchés financiers* (AMF – Financial Markets Authority), the ACPR improved the usability of the website of the "Assurance Banque Épargne Info Service" (ABEIS) and blacklisted 1,262 unauthorised websites or players in 2023.

SERVICES TO THE ECONOMY AND SOCIETY 2023 IN FIGURES



THE BANQUE DE FRANCE: SERVING BUSINESSES AND INDIVIDUALS

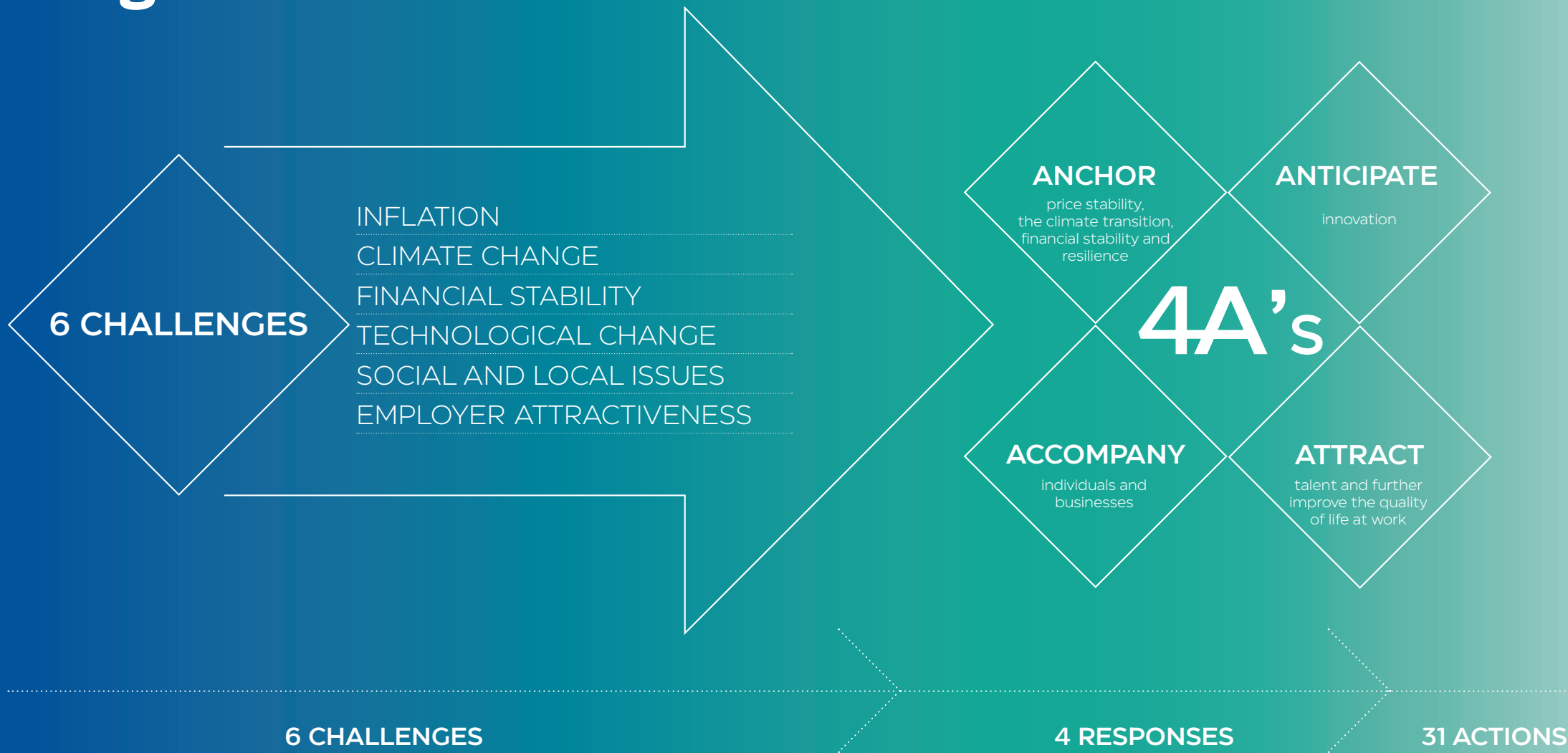
The Banque de France is expanding its services to businesses using a participative approach with a panel of managers, which will result in the creation of a “personal management space” in the first half of 2024. In addition, a climate indicator to support companies in managing climate risk will be deployed in 2024 for businesses in sectors facing major transition challenges (electricity, transport, etc.). In 2023, 11,192 project leaders and company managers were assisted by the Bank’s 102 department-based VSE-SME correspondents, and over 1,400 start-ups were assisted in their efforts to obtain financing. In 2023, requests for credit mediation returned to a level comparable to that prior to the health crisis.

The Banque de France continued its work to promote financial inclusion through four complementary channels (face-to-face, internet, mail, one-stop helpline 3414). In 2023, 31,008 bank accounts were opened at the Banque de France’s behest under the right to a bank account procedure, and the number of applications to the household debt commissions increased by 7.5% (121,617 compared with 113,081 in 2022).

As the steering body for France’s national financial literacy strategy (EDUCFI), the Bank provided training on financial, economic and budgetary issues to more than 130,000 people. In 2023, 221,800 students obtained the EDUCFI passport. Thanks to the extension of this passport to all year 9 classes, 750,000 students will obtain one each year. The Bank also ran budget workshops with its partners for 37,000 young people on the National Universal Service scheme. Lastly, it conducted three studies to assess the financial literacy of French people. The “ABC de l’économie”, “Mes questions d’argent” and “Mes questions d’entrepreneur” websites have been enhanced with podcasts, free educational content on social networks and digital games. There were over 92,000 visitors to Citéco.

The Banque de France provides financial services on behalf of the state, managing the French Treasury’s accounts and related payments. Since 2021, it has been responsible for issuing short-term securities on behalf of the European Commission, to finance the European recovery plan NextGenerationEU.

Building 2024 Together



ANCHOR

price stability,
the climate transition,
financial stability
and resilience

ANTICIPATE

innovation

ACCOMPANY

individuals and
businesses

ATTRACT

talent and further
improve the quality
of life at work

INFLATION CHALLENGES

- 1a. Bring inflation down towards 2% by end-2024/end-2025
- 1b. *"La Banque de France à votre écoute"* ("The Banque de France Listens"), a Q&A session on monetary policy for all audiences
- 2. Improve the way we measure and take account of households' and firms' inflation expectations

CLIMATE CHALLENGES

- 3. Adapt monetary policy operations to climate risks
- 11. Ensure the financial sector takes better account of climate-related risk, notably via the NGFS

- 12. Assess how to incorporate climate risk into our rating process and provide businesses with an indicator
- 22. Actively commit to a target of carbon neutrality
- 23. Aim for sobriety in all our digital uses

FINANCIAL STABILITY AND RESILIENCE CHALLENGES

- 10. Improve the assessment and prevention of risks to the financial system
- 19. Reinforce and renew our operational resilience

TECHNOLOGICAL CHALLENGES

- 4-5. Innovate in everyday payments (including with a digital euro)
- 6. Prepare our market infrastructures for decentralised and tokenised finance
- 7. Modernise the printing works to increase our competitiveness
- 8. Develop new paper markets (EUROPAFI)
- 9. Implement our SUPTECH strategy for enhanced supervision

- 17. Identify the key themes for tomorrow's Eurosystem and multilateral agendas
- 24. Capture more innovations with the business lines and their ecosystems, and accelerate their implementation
- 25. Improve the governance and exploitation of our data, starting in five target areas (companies, financial stability, supervision, statistics and climate)

SOCIAL AND LOCAL CHALLENGES

- 13. Roll out, via our branch network, a complete financial inclusion offering
- 14. Innovate and improve our guidance for entrepreneurs in the face of the crises
- 15. Enable all staff to learn more about our missions and spread that knowledge outside the Bank
- 16. Support the strategy of the IEDOM and IEOM for the development of the overseas economies

EMPLOYER ATTRACTIVENESS CHALLENGES

- 18. Define an HR policy to increase our influence at the European and international levels
- 20. Completely modernise the branch network premises and working environment by the end of the decade
- 21. Simplify workstations and adapt them to new modes of working, including teleworking
- 26. Support our managers: more sharing of "managerial attitudes", more help in facing day-to-day challenges, more autonomy

- 27. Ensure assistant roles are more valued: renewed recruitment methods, lifelong skills and career development
- 28. Provide better financial recognition for staff contributions, including for experts
- 29. Introduce an income protection scheme for all staff
- 30. Simplify our processes and our culture
- 31. Strengthen our teamwork in a hybrid environment

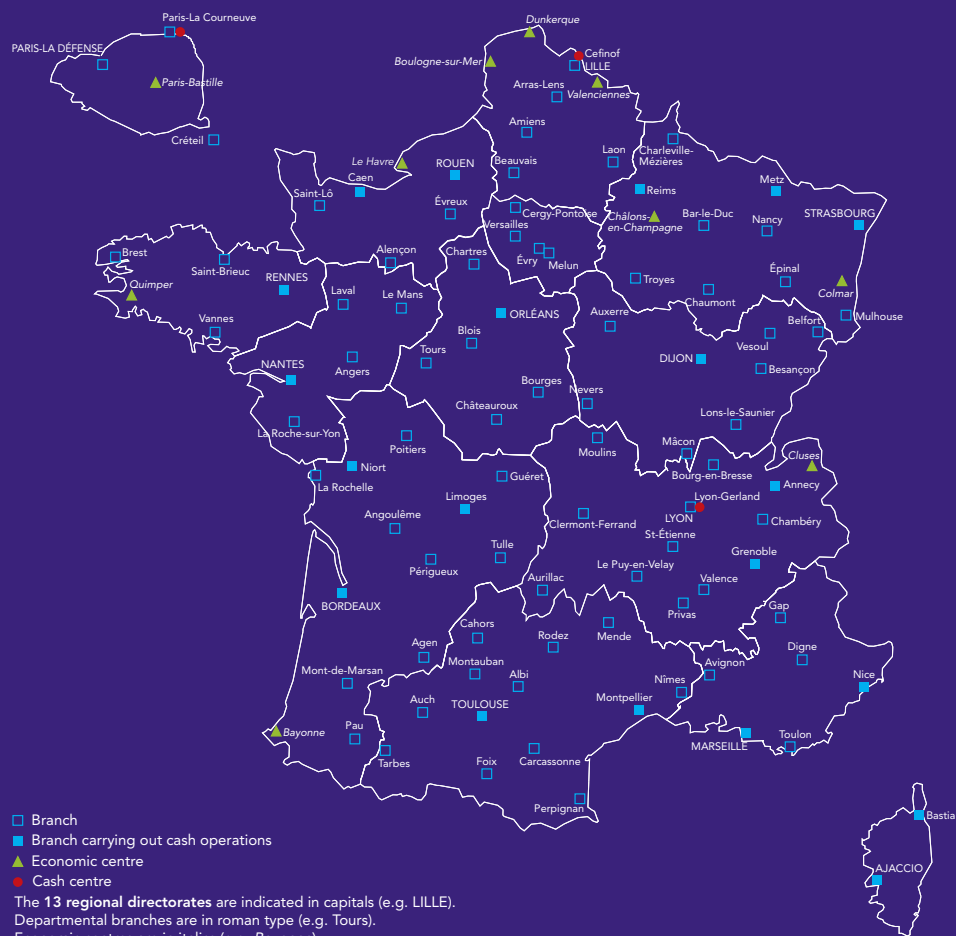
SOCIAL...

... AND ENVIRONMENTAL RESPONSIBILITY

FIELD OF ACTION	OBJECTIVES	INDICATORS MONITORED	LEVEL ACHIEVED IN 2023 ^{a)}
 <p>PRESERVING THE ENVIRONMENT</p>	<p>Pilot and implement a carbon neutral strategy</p> <p>Engage the directorates and staff in reducing our carbon footprint</p> <p>Use our resources sustainably and help to preserve biodiversity</p>	<p>No. 1 Reduce our greenhouse gas (GHG)^{b)} emissions by at least 15% by 2024 (compared with 2019)</p> <p>No. 2 Provide all staff with a personal digital profile, and enrich and increase its use</p>	<p>No. 1 Reduction in 2022 (compared with 2019): 23.6%^{c)}</p> <p>No. 2 14,340 digital profile users (employees and external service providers) 3 new features: level of use, equipment used with its carbon footprint and tips for reducing use, summary (key figures, educational materials)</p>
 <p>HR INCLUSION AND COLLABORATIVE INITIATIVES</p>	<p>Promote diversity in our hiring and guarantee equal treatment for all</p> <p>Guarantee career-long employability for staff</p> <p>Co-construct a working environment that fosters wellbeing and initiative-taking</p>	<p>No. 3 Percentage of women in managerial positions: 35% by the end of 2024</p> <p>No. 4 Proportion of staff with disabilities ≥6%</p>	<p>No. 3 Percentage of women in managerial positions: 37.3% at the end of 2023, exceeding the target set for the end of 2024 in the amendment to the company agreement</p> <p>No. 4 Proportion of staff with disabilities in 2023: 6.7%</p>
 <p>CORPORATE SPONSORSHIP</p>	<p>Preserve and promote our cultural heritage</p> <p>Commit to greater economic and social inclusion</p> <p>Promote the ecological transition</p>	<p>No. 5 Annual rate of staff participation in charitable initiatives^{d)} >15%, with an increase of 15% between 2020 and 2024</p> <p>No. 6 At least 350 corporate sponsorship initiatives supported over the period 2021-24</p>	<p>No. 5 Rate of participation in 2023: 15.9% In 2022: 29.7% (15% excluding support for the people of Ukraine) In 2021: 16.9%</p> <p>No. 6 2021-23: 341 initiatives In 2023: 138 initiatives In 2022: 110 initiatives</p>
 <p>BUILDING A SUSTAINABLE ECONOMY THROUGH OUR INVESTMENTS AND PROCUREMENT</p>	<p>Incorporate extra-financial criteria into our project engagement and follow-up</p> <p>Continue and disseminate our responsible procurement strategy</p> <p>Strengthen our responsible investment approach</p>	<p>No. 7 Alignment of portfolios (equity component of the own funds and pension liabilities portfolios)^{e)} with a trajectory of 1.5°C by the end of 2025</p>	<p>No. 7 Alignment of the entire equity component of the own funds portfolio and the European equity component of the pension liabilities portfolio with a trajectory of 1.5°C by the end of 2023</p>

a) Provisional figures for 2023, partly estimated.
b) Within the GHGEA reporting scope (greenhouse gas emissions assessment; see infographic below: *Banque de France low-carbon trajectory for 2024*).
c) Figures as at end-2022.
d) This rate reflects the number of employees involved in a charitable initiative supported by the business as a proportion of total staff.
e) The Banque de France's responsible investment strategy focuses on the portfolios for which it has full and complete responsibility. It is pursuing the objectives set out in the Paris Agreement.

THE BANQUE DE FRANCE NETWORK AND CASH CENTRES AS AT 1 JANUARY 2024



banque-france.fr



BANQUE DE FRANCE
EUROSYSTEMÈME



1324145 bdr/ Dicom. Studio Creation - 06/2024