

FOURTH PROSPECTUS SUPPLEMENT DATED 29 APRIL 2020 TO THE BASE  
PROSPECTUS DATED 1 JULY 2019



**CAISSE D'AMORTISSEMENT DE LA DETTE SOCIALE**

**Établissement public national administratif** (*French national public entity*)  
(Established in Paris, France)

**EURO 65,000,000,000**  
**GLOBAL MEDIUM TERM NOTE PROGRAMME**

This fourth prospectus supplement (the "**Supplement**") which has obtained visa n°20-169 on 29 April 2020 from the *Autorité des marchés financiers* (the "**AMF**") is supplemental to and must be read in conjunction with the base prospectus dated 1 July 2019 granted visa n°19-305 on 1 July 2019 by the AMF as supplemented by the first prospectus supplement dated 16 October 2019 granted visa n°19-493, the second prospectus supplement dated 9 January 2020 granted visa n°20-005 and the third prospectus supplement dated 3 March 2020 granted visa n°20-067 (the "**Base Prospectus**"), prepared by the *Caisse d'Amortissement de la Dette Sociale* ("**CADES**" or the "**Issuer**") with respect to the Euro 65,000,000,000 Global Medium Term Note Programme (the "**Programme**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been prepared pursuant to Article 16.1 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "**Prospectus Directive**") and Article 212-25 of the AMF's General Regulation.

By virtue of this Supplement, CADES is providing the following information: (i) updates to the Summary and Issue Specific Summary of the Programme, (ii) a modification to the General Information section and (iii) the audited annual financial statements as at and for the period ended 31 December 2019.

Copies of the Base Prospectus and this Supplement will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Noteholders at the specified offices of the Fiscal Agent and will be available without charge (i) on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)) and (ii) on the website of the Issuer ([www.cades.fr](http://www.cades.fr)).

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

To the extent applicable, and provided that the conditions of Article 212-25 I of the AMF's General Regulation are fulfilled, investors who have already agreed to purchase or subscribe for Notes to be issued under the Programme before this Supplement is published, have the right, according to Article 16.2 of the Prospectus Directive and Article 212-25 II of the AMF's General Regulation, to withdraw their acceptances by no later than 4 May 2020.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements in this Supplement will prevail.

## CONTENTS

|  |    |
|--|----|
| <b>MODIFICATIONS TO THE SUMMARY OF THE PROGRAMME</b> .....         | 3  |
| <b>MODIFICATION TO THE RISK FACTORS SECTION</b> .....              | 8  |
| <b>MODIFICATION TO THE DESCRIPTION OF THE ISSUER SECTION</b> ..... | 9  |
| <b>MODIFICATION TO THE GENERAL INFORMATION SECTION</b> .....       | 10 |
| <b>ANNUAL FINANCIAL STATEMENTS</b> .....                           | 11 |
| <b>RESPONSIBILITY FOR PROSPECTUS SUPPLEMENT</b> .....              | 11 |

## MODIFICATIONS TO THE SUMMARY OF THE PROGRAMME

Element B.10 (*Qualifications in the auditor's report*) of the Summary and the Issue Specific Summary of the Programme as modified below replaces in its entirety Element B.10 (*Qualifications in the auditor's report*) at pages 4 and 147 of the Base Prospectus.

|      |  |  |
|------|--|--|
| B.10 | <b>Qualifications in the auditor's report:</b> | In the auditor's report with respect to the financial statements as of and for the year ended 31 December 2018, the auditor's report with respect to the unaudited semi-annual financial statements as of 30 June 2019 (which have been subject to a limited review) and the auditor's report with respect to the annual financial statements as of 31 December 2019, the auditors, without qualifying their opinion, drew attention to the fact that the role of CADES in connection to the revenues of the social security debt repayment contribution (CRDS), the social security contribution (CSG) and levy tax on capital income only consists in ensuring that the amounts included in the supports provided by the collectors are properly recorded. |
|------|--|--|

Element B.12 (*Selected historical key financial information*) of the Summary and the Issue Specific Summary of the Programme as modified below replaces in its entirety Element B.12 (*Selected Historical Key Financial Information*) at pages 4 and 147 of the Base Prospectus.

|      |   |  |                           |                           |                               |                               |
|------|---|--|---------------------------|---------------------------|-------------------------------|-------------------------------|
| B.12 | <b>Selected historical key financial information:</b> | <b>(in millions of euros)</b>  | <b>As at 30 June 2019</b> | <b>As at 30 June 2018</b> | <b>As at 31 December 2019</b> | <b>As at 31 December 2018</b> |
|      |   | <b>Treasury bills and other bills eligible for refinancing with central banks</b>  | -                         | -                         | -                             | -                             |
|      |   | <b>Total assets and liabilities</b>  | 8,841.37                  | 4,426.60                  | 6,071.94                      | 5,077.88                      |
|      |   | <b>Sub-total – Debts</b>   | 106,394.21                | 118,191.30                | 95,077.71                     | 110,343.49                    |
|      |   | <b>Sub-total – Reserves</b>  | (97,633.02)               | (113,877.97)              | (89,092.79)                   | (105,345.78)                  |
|      |   | <b>Net profit for the period</b>   | 7,712.76                  | 6,911.57                  | 16,252.99                     | 15,443.77                     |
|      |   | <p>There has been no material adverse change in the prospects of the Issuer, including with respect to the impact of Covid-19 on the Issuer, since 31 December 2019.</p> <p>There has been no significant change in the financial or trading position of the Issuer, including with respect to the impact of Covid-19 on the Issuer, since 31 December 2019.</p> |                           |                           |                               |                               |

Element B.13 (*Recent Events*) of the Summary and the Issue Specific Summary of the Programme as modified below replaces in its entirety Element B.13 (*Recent Events*) at pages 4 and 147 of the Base Prospectus.

|      |                       |  |
|------|-----------------------|--|
| B.13 | <b>Recent Events:</b> | <p><i>Social Security Financing Act 2020</i></p> <p>The law for the financing of the social security for 2020 (<i>loi de financement de la sécurité sociale pour 2020</i>) (loi n°2019-1446) repeals the provisions relating to the debt assumption for a maximum amount of 15 billion euros and the transfer of revenues associated with, which had been adopted in the law for the financing of the social security for 2019.</p> <p><i>COVID-19 epidemic</i></p> <p>The COVID-19 epidemic creates an uncertain situation for CADES. This event occurred after the end of the 2019 financial year, has no direct relation to any situation prevailing at the year-end and has no impact on the financial statements for the year ended 31 December 2019. However, given the pandemic's impact, this health crisis could have a negative impact, albeit moderate at this stage, on the amount of resources allocated to it in respect of 2020. Nevertheless, uncertainty persists as to how long the epidemic will last and what its impact on CADES will be; this impact will become easier to gauge as the situation evolves.</p> <p>In the medium term, the French government intends to mobilise CADES, which will reduce the short-term financing need of ACOSS, and will propose measures allowing to pursue the social debt reimbursement.</p> <p>Save as stated above, there have been no recent events which the Issuer considers materially relevant to the evaluation of its solvency.</p> |
|------|-----------------------|--|

Element D.2 (*Key risks specific to the Issuer*) of the Summary and the Issue Specific Summary as modified below replaces in its entirety Element D.2 (*Key risks specific to the Issuer*) at pages 9-10 and 152 of the Base Prospectus.

|     |  |   |
|-----|--|---|
| D.2 | <b>Key risks specific to the Issuer:</b> | <p>There are certain factors that may affect the ability of the Issuer to fulfil its obligations under the Notes.</p> <p>The following are the key risk factors relating to Issuer and its industry and include, without limitation:</p> <ul style="list-style-type: none"> <li>• Payment risks: credit risk in relation to CADES is limited, because of the fact that the French State is ultimately responsible for the solvency of CADES and because of the allocation of resources to CADES by the government;</li> <li>• The revenues of CADES from the social security taxes it receives may vary: CADES' revenue sources (the CRDS and the CSG) are mainly based on the salaries of French taxpayers (<i>masse salariale</i>). Tax receipts from the CRDS are closely correlated with France's nominal gross domestic product;</li> <li>• The Issuer faces various market risks, such as counterparty risk and interest rate risks, as well as exchange rate risks;</li> <li>• The Issuer faces risks related to its financial statements;</li> <li>• Differences in accounting methodology may be material to an understanding of the financial information contained in this Base Prospectus;</li> </ul> |
|-----|--|---|

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>The Issuer has not registered, and will not register, as an investment company under the U.S. Investment Company Act of 1940; and</li> <li>The Issuer faces risks relating to the COVID-19 epidemic, namely the Issuer believes that this health crisis could have a negative impact, albeit moderate at this stage, on the amount of resources allocated to it in respect of 2020.</li> </ul> |
|--|---|

Element B.10 (*Réserves contenues dans le rapport des commissaires aux comptes*) in the French translation of the Summary and the Issue Specific Summary as modified below replaces in its entirety Element B.10 (*Réserves contenues dans le rapport des commissaires aux comptes*) at pages 16 and 159 of the Base Prospectus.

|      |  |   |
|------|--|---|
| B.10 | <b>Réserves contenues dans le rapport des commissaires aux comptes :</b> | Dans leur rapport concernant les comptes annuels arrêtés au 31 décembre 2018, leur rapport concernant les résultats financiers semestriels non audités (ayant fait l'objet d'une revue limitée) arrêtés au 30 juin 2019 et leur rapport concernant les comptes annuels arrêtés au 31 décembre 2019, les commissaires aux comptes, sans émettre de réserves, ont attiré l'attention sur le fait que les compétences de la CADES en matière de recettes liées à la contribution pour le remboursement de la dette sociale (CRDS), la contribution sociale généralisée (CSG) et les prélèvements sociaux sur les revenus du patrimoine et des produits de placement se limitent à une vérification comptable formelle des pièces produites par les organismes recouvreurs. |
|------|--|---|

Element B.12 (*Informations financières historiques clés sélectionnées*) in the French translation of the Summary and the Issue Specific Summary as modified below replaces in its entirety Element B.12 (*Informations financières historiques clés sélectionnées*) at pages 16 and 159 of the Base Prospectus.

| B.12 | <b>Informations financières historiques clés sélectionnées :</b>                                  | <i>(en millions d'euros)</i> | <b>Au 30 juin 2019</b> | <b>Au 30 juin 2018</b> | <b>Au 31 décembre 2019</b> | <b>Au 31 décembre 2018</b> |
|------|---|------------------------------|------------------------|------------------------|----------------------------|----------------------------|
|      | <b>Bons du Trésor et autres bons éligibles pour le refinancement auprès des banques centrales</b> |                              | -                      | -                      | -                          | -                          |
|      | <b>Total actifs et passifs</b>  |                              | 8.841,37               | 4.426,60               | 6 071,94                   | 5.077,88                   |
|      | <b>Sub-total - Dettes</b>   |                              | 106.394,21             | 118.191,30             | 95 077,71                  | 110.343,49                 |
|      | <b>Sub-total - Réserves</b>   |                              | (97.633,02)            | (113.877,97)           | (89 092,79)                | (105.345,78)               |
|      | <b>Résultat net pour la période</b>   |                              | 7.712,76               | 6.911,57               | 16 252,99                  | 15.443,77                  |

|  |  |   |
|--|--|---|
|  |  | <p>Il ne s'est produit aucune détérioration significative de nature à avoir des répercussions sur les perspectives de l'Emetteur, y compris en ce qui concerne l'impact du Covid-19 sur l'Emetteur, depuis le 31 décembre 2019.</p> <p>Aucun changement significatif de la situation financière ou commerciale de l'Emetteur, y compris en ce qui concerne l'impact du Covid-19 sur l'Emetteur, n'est survenu depuis le 31 décembre 2019.</p> |
|--|--|---|

Element B.13 (*Evénements récents*) in the French translation of the Summary and the Issue Specific Summary of the Programme as modified below replaces in its entirety Element B.13 (*Evénements récents*) at pages 16-17 and 159 of the Base Prospectus.

|      |                             |  |
|------|-----------------------------|--|
| B.13 | <b>Evénements récents :</b> | <p><i>Loi de financement de la sécurité sociale pour 2020</i></p> <p>La loi de financement de la sécurité sociale pour 2020 (loi 2019-1446) abroge les dispositions de reprise de dette dans la limite de 15 milliards d'euros et de transferts de recettes associées qui avaient été adoptées dans la loi de financement de la sécurité sociale 2019.</p> <p><i>L'épidémie de COVID-19</i></p> <p>L'épidémie de Covid-19 crée une situation incertaine pour la CADES. Cet événement postérieur à la clôture de l'exercice 2019 sans lien direct avec une situation existant à la clôture est sans conséquence sur les comptes au 31 décembre 2019. Toutefois, compte tenu des effets de la pandémie, cette crise sanitaire pourrait avoir des effets négatifs, bien que modérés à ce stade, sur le montant des ressources 2020 qui lui sont dédiées. Cependant, l'incertitude persiste quant à la durée de l'épidémie et ses impacts pour la CADES qui seront appréhendés au fur et à mesure de l'évolution de la situation.</p> <p>À moyen terme, le Gouvernement entend mobiliser la CADES, ce qui viendra réduire le besoin de financement à court terme de l'ACOSS, et proposera les mesures permettant de poursuivre le remboursement de la dette sociale.</p> <p>A l'exception de ce qui est décrit ci-dessus, l'Émetteur estime qu'aucun événement récent ayant une incidence pour l'évaluation de sa solvabilité n'est intervenu.</p> |
|------|-----------------------------|--|

Element D.2 (*Informations clefs sur les principaux risques propres à l'Émetteur ou son activité*) in the French translation of the Summary and the Issue Specific Summary as modified below replaces in its entirety Element D.2 (*Informations clefs sur les principaux risques propres à l'Émetteur ou son activité*) at pages 22-23 and 165 of the Base Prospectus.

|     |  |   |
|-----|--|---|
| D.2 | <b>Informations clefs sur les principaux risques propres à l'Émetteur ou son activité:</b> | <p>Il existe certains facteurs pouvant affecter la capacité de l'Émetteur à remplir ses obligations au titre des Titres.</p> <p>Ci-dessous figurent les principaux facteurs de risque propres à l'Émetteur et à son activité et ils comprennent, sans que cette liste soit limitative :</p> <ul style="list-style-type: none"> <li>• Risques de paiement : le risque de crédit relatif à la CADES est limité, en raison du fait que l'Etat est responsable en dernier recours de la solvabilité de la CADES et en raison de l'allocation des ressources à la CADES par le gouvernement ;</li> <li>• Les recettes tirées par la CADES des prélèvements sociaux pourraient varier : les sources des recettes de la CADES (la CRDS et la CSG) reposent principalement sur la masse salariale. Les produits de la CRDS sont étroitement corrélés au produit intérieur brut français ;</li> <li>• L'Émetteur fait face à des risques de marché divers, tels que le risque de contrepartie et les risques de taux d'intérêt, ainsi que des risques de change ;</li> <li>• L'Émetteur fait face à des risques liés à ses états financiers ;</li> </ul> |
|-----|--|---|

|  |  |   |
|--|--|---|
|  |  | <ul style="list-style-type: none"><li>• Des différences de méthodes comptables pourraient affecter de manière significative la compréhension des informations financières contenues dans le présent Prospectus de Base ;</li><li>• L'Émetteur ne s'est pas immatriculé, et ne s'immatriculera pas, en tant que société d'investissement en application de l'U.S Investment Company Act de 1940 ; et</li><li>• L'Émetteur fait face à des risques liés à l'épidémie COVID-19, en particulier l'Émetteur estime que cette crise sanitaire pourrait avoir des effets négatifs, bien que modérés à ce stade, sur le montant des ressources 2020 qui lui sont dédiées.</li></ul> |
|--|--|---|

## MODIFICATION TO THE RISK FACTORS SECTION

The risk factor set out below will be added in the section entitled "Risk factors relating to the Issuer" on page 27 of the Base Prospectus:

*"Risk relating to the COVID-19 epidemic*

The COVID-19 epidemic creates an uncertain situation for CADES, which has accordingly deployed all available resources to maintain its activities in the context of this health crisis and taken the necessary measures to protect the health of its employees and other stakeholders.

CADES has striven in particular to implement the most appropriate measures and initiatives needed to pursue its business, in accordance with government decisions. It will fully maintain and apply its internal control and IT security procedures throughout the crisis. The solutions it has introduced meet all requirements as regards procedural security and transaction reliability.

This event occurred after the end of the 2019 financial year, has no direct relation to any situation prevailing at the year-end and has no impact on the financial statements for the year ended 31 December 2019.

However, given the pandemic's impact, at the date of the Board of Directors' approval of the 2019 financial statements CADES believes that this health crisis could have a negative impact, albeit moderate at this stage, on the amount of resources allocated to it in respect of 2020. At the same time, it is not aware of any material uncertainty that could call into question its mission of amortising the social security debt transferred to it.

Nevertheless, uncertainty persists as to how long the epidemic will last and what its impact on CADES will be; this impact will become easier to gauge as the situation evolves."



## **MODIFICATION TO THE DESCRIPTION OF THE ISSUER SECTION**

The Description of the Issuer section of the Base Prospectus will be amended as follows:

The following paragraph shall be added to the sub-section entitled "Recent Developments" on page 100 of the Base Prospectus:

### **"Financing of Social Security Deficits**

The French government has started working on plans to finance social security deficits, which will be higher as a result of the Covid-19 health crisis:

Extract from the government press release dated 25 March 2020 relating to an increase in the ACOSS borrowing ceiling for 2020: *"[...] In the medium term, the Government intends to mobilize the Social Debt Amortization Fund (CADES), which will reduce the short-term funding need for ACOSS, and will propose measures to continue repaying the social debt."*

## **MODIFICATION TO THE GENERAL INFORMATION SECTION**

Paragraph 2 of the section entitled "*General Information*" on page 180 of the Base Prospectus is deemed to be replaced as follows:

"Except as disclosed in the Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2019, and no material adverse change in the prospects of the Issuer since 31 December 2019, including with respect to the impact of Covid-19 on the Issuer."

## ANNUAL FINANCIAL STATEMENTS

The following audited annual financial statements will be incorporated in the Base Prospectus immediately following page F-152. These annual financial statements have been prepared by CADES and have been audited by KPMG Audit.

### CONTENTS

|  |         |
|--|---------|
| AUDITORS' REPORT ON THE 2019 ANNUAL FINANCIAL STATEMENTS ..... | F - 153 |
| BALANCE SHEET .....  | F - 158 |
| PROFIT AND LOSS ACCOUNT .....                                  | F - 159 |
| CASH FLOW STATEMENT .....                                      | F - 160 |
| OFF-BALANCE SHEET COMMITMENTS .....                            | F - 161 |
| NOTES ON THE FINANCIAL STATEMENTS .....                        | F - 162 |
| POST BALANCE SHEET DATE EVENTS .....                           | F - 197 |

# **CADES**

## ***Statutory auditor's report on the financial statements***

For the year ended 31 December 2019

CADES

15 rue Marsollier - 75002 Paris

This report contains 44 pages

Reference : HV-202-001

---

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

---

## **CADES**

Registered office: 15 rue Marsollier - 75002 Paris

### **Statutory auditor's report on the financial statements**

For the year ended 31 December 2019

To the Conseil d'administration of CADES

#### **Opinion**

In compliance with the engagement entrusted to us by your Conseil d'administration, we have audited the accompanying financial statements of CADES for the year ended 31 December 2019. These accounts were approved by the Conseil d'administration on 1st April 2020 on the basis of information available at that date in the context of the health crisis linked to Covid-19.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles in accordance with the "Plan Comptable des Etablissements de Crédit", which applies to CADES by reason of notice no. 99-04 of the Conseil National de la Comptabilité.

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### **Basis for 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 further described in the "Statutory Auditor Responsibilities for the Audit of the Financial Statements" section of our report.

## **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

## **Emphasis of Matter**

Without qualifying our opinion, we draw your attention to the matter set out in paragraph 3 and 5 of the accounting principles and methods and in the Note 12 which specify the applicable accounting treatment of the social security debt repayment contribution (CRDS), the social security contribution (CSG), and the social levies on income from property and investments.

Regarding the collection of the CRDS contributions, note that at no time does CADES act as primary collector; all the resources to which it is entitled are remitted by third parties, first and foremost ACOSS, followed by the offices of the DGFIP (Direction Générale des Finances Publiques or Public Finances Directorate). CADES' responsibility is confined to verifying that the sums transferred agree to the accounting vouchers raised.

## **Justification of Assessments - Key Audit Matters**

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

We determined that there were not Key Audit Matters to communicate in our report.

## **Verification of the Management Report of the Conseil d'administration**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors with respect to the financial position and the financial statements.

## ***Appointment of the Statutory Auditors***

We were appointed as statutory auditors of *CADES* by the Conseil d'administration held on *7th October 2016*.

As at 31 December 2019, KPMG SA was in the 4th year of total uninterrupted engagement.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Conseil d'administration

## **Statutory Auditor Responsibilities for the Audit of the Financial Statements**

### *Objectives and audit approach*

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the 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 his 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 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 Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

*Report to the Audit Committee*

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on the 2 avril 2020

The statutory auditors

French original signed by

Hubert de Vaumas

*Associé*



## BALANCE SHEET

| At<br>(€ millions)  | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|---|---------------------|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |                     |
| Cash in hand, balances with central banks and post office banks (Note 1)            | 3,056.63            | 2,263.29            | 3,174.15            |
| Treasury bills and other bills eligible for refinancing with central banks (Note 1) | -                   | -                   | 1,000.00            |
| Loans and advances to credit institutions (Note 1)                                  |                     |                     |                     |
| - Repayable at sight  | 0.03                | 0.21                | 0.05                |
| - Repayable at term   | -                   | -                   | -                   |
| Intangible assets (Note 2)  | -                   | -                   | -                   |
| Tangible assets (Note 2)  | -                   | -                   | 0.06                |
| Other assets (Note 3)   | 312.21              | 450.32              | 1,243.91            |
| Prepayments and accrued income (Note 4)   | 2,703.07            | 2,364.06            | 1,980.09            |
| <b>TOTAL ASSETS</b>   | <b>6,071.94</b>     | <b>5,077.88</b>     | <b>7,398.26</b>     |
| <b>LIABILITIES &amp; RESERVES</b>   |                     |                     |                     |
| Amounts owed to credit institutions (Note 5)  |                     |                     |                     |
| - Payable at sight  | -                   | -                   | -                   |
| - Payable at term   | 1,003.37            | 1,003.37            | 1,003.37            |
| Debts evidenced by securities (Note 6)  |                     |                     |                     |
| - Negotiable debt instruments   | 398.90              | 265.17              | 7,521.51            |
| - Bonds and similar instruments   | 91,646.61           | 107,694.03          | 117,155.77          |
| - Other debts evidenced by securities   | -                   | -                   | -                   |
| Other liabilities (Note 7)  | 1,214.55            | 447.61              | 220.30              |
| Accruals and deferred income (Note 8)   | 814.28              | 933.32              | 2,173.59            |
| <b>Sub-total – Liabilities</b>  | <b>95,077.71</b>    | <b>110,343.49</b>   | <b>128,074.55</b>   |
| Provisions (Note 8a)  | 87.01               | 80.17               | 113.26              |
| Property endowment  | 181.22              | 181.22              | 181.22              |
| Retained earnings   | (105,527.00)        | (120,970.77)        | (136,014.76)        |
| Profit for the period   | 16,252.99           | 15,443.77           | 15,043.99           |
| <b>Sub-total – Reserves</b>   | <b>(89,092.79)</b>  | <b>(105,345.78)</b> | <b>(120,789.54)</b> |
| <b>TOTAL LIABILITIES AND RESERVES</b>   | <b>6,071.94</b>     | <b>5,077.88</b>     | <b>7,398.26</b>     |

## PROFIT AND LOSS ACCOUNT

| Period ended (€ millions)   | 31 December 2019  | 31 December<br>2018 | 31 December<br>2017 |
|---|-------------------|---------------------|---------------------|
| <b>Interest receivable and similar income (Note 9)</b>  | <b>613.69</b>     | <b>874.54</b>       | <b>1,024.97</b>     |
| - From transactions with credit institutions  | 28.28             | 188.81              | 225.32              |
| - From bonds and other fixed income securities  | -                 | -                   | -                   |
| - Other interest receivable and similar income  | 585.41            | 685.73              | 799.65              |
| <b>Interest payable and similar charges (Note 10)</b>   | <b>(2,607.54)</b> | <b>(3,058.41)</b>   | <b>(3,154.33)</b>   |
| - On transactions with credit institutions  | (41.30)           | (44.34)             | (42.36)             |
| - On bonds and other fixed income securities  | (2,566.24)        | (3,014.07)          | (3,111.97)          |
| <b>Fees payable (Note 10)</b>   | <b>(7.97)</b>     | <b>(22.78)</b>      | <b>(30.93)</b>      |
| <b>Gains and losses on trading securities (Note 11)</b>   | -                 | -                   | -                   |
| - Net profit (loss) on foreign exchange transactions  | -                 | -                   | -                   |
| <b>Gains and losses on investment securities (Note 11a)</b>                                       | -                 | -                   | -                   |
| - Net profit (loss) on investment securities  | -                 | -                   | -                   |
| <b>Exchange rate gains and losses on management operations (Note 11b)</b>                         | -                 | -                   | -                   |
| <b>Other operating income – banking</b>   | <b>0.28</b>       | -                   | -                   |
| <b>Other operating charges – banking</b>  | <b>(0.01)</b>     | <b>(0.02)</b>       | <b>(0.02)</b>       |
| <b>NET BANKING INCOME</b>   | <b>(2,001.55)</b> | <b>(2,206.67)</b>   | <b>(2,160.30)</b>   |
| <b>General operating charges (Note 13)</b>  | <b>(3.33)</b>     | <b>(2.91)</b>       | <b>(2.78)</b>       |
| - Staff costs   | (0.98)            | (1.08)              | (1.09)              |
| - Other administrative charges  | (2.35)            | (1.83)              | (1.69)              |
| <b>Depreciation and impairment provisions on intangible and tangible assets</b>                   | -                 | <b>(0.01)</b>       | <b>(0.02)</b>       |
| <b>Other operating income</b>   | <b>18,442.96</b>  | <b>17,816.86</b>    | <b>17,380.97</b>    |
| - Income relating to CRDS and CSG (Notes 12a and 12.1a)   | 16,340.37         | 15,631.70           | 15,262.46           |
| - Income relating to social levies on income from property and investments (Note 12.2a)           | (0.80)            | (1.90)              | (3.60)              |
| - Income from the Retirement Reserve Fund (Fonds de Réserve pour les Retraites – FRR) (Note 12.3) | 2,100.00          | 2,100.00            | 2,100.00            |
| - Income from property (Note 13a)   | 0.13              | 0.14                | 0.15                |
| - Provisions reversed for receivables (Notes 12a, 12.1a and 12.2a)                                | 0.09              | 79.50               | 14.79               |
| - Other provisions reversed for receivables (Note 14a)  | 3.17              | 7.41                | 7.17                |
| <b>Other operating charges</b>  | <b>(185.10)</b>   | <b>(163.47)</b>     | <b>(173.98)</b>     |
| - Charges relating to CRDS and CSG (Notes 12a and 12.1a)  | (159.86)          | (155.10)            | (150.34)            |
| - Charges relating to social levies on income from property and investments (Note 12.2a)          | -                 | 0.01                | 0.02                |
| - Payments to the State (Note 14)   | -                 | -                   | -                   |
| - Provision for sundry liabilities (Note 14)  | (2.30)            | (1.57)              | -                   |
| - Provision for receivables (Notes 12a, 12.1a and 12.2a)  | (22.95)           | (6.79)              | (23.57)             |
| - Charges related to property (Note 13a)  | -                 | (0.02)              | (0.09)              |
| <b>Estimation changes and error adjustments</b>   | -                 | -                   | -                   |
| <b>GROSS OPERATING PROFIT</b>   | <b>16,252.98</b>  | <b>15,443.80</b>    | <b>15,043.89</b>    |
| <b>OPERATING PROFIT</b>   | <b>16,252.98</b>  | <b>15,443.80</b>    | <b>15,043.89</b>    |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>  | <b>16,252.98</b>  | <b>15,443.80</b>    | <b>15,043.89</b>    |
| - Exceptional income (Note 15)  | 0.01              | (0.03)              | 0.10                |
| <b>NET PROFIT FOR THE PERIOD</b>  | <b>16,252.99</b>  | <b>15,443.77</b>    | <b>15,043.99</b>    |

## CASH FLOW STATEMENT

| Cash flow (€ millions)  | Period ended   | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|---|----------------|---------------------|---------------------|---------------------|
| <b>Net banking income</b>   |                | <b>(2,002)</b>      | <b>(2,207)</b>      | <b>(2,160)</b>      |
| Inflation premiums  |                | 55                  | 188                 | 118                 |
| Provisions for financial instruments                                |                | -                   | -                   | -                   |
| Amortisation of premiums and<br>balancing payments                  |                | (54)                | (47)                | (51)                |
| Change in accrued interest  |                | (30)                | 4                   | (96)                |
| <b>Net cash from (used in) banking activities</b>                   | <b>(A)</b>     | <b>(2,031)</b>      | <b>(2,063)</b>      | <b>(2,189)</b>      |
| <b>Net operating income</b>   |                | <b>18,254</b>       | <b>17,650</b>       | <b>17,204</b>       |
| (Increase) decrease in accrued income from<br>CRDS and CSG          |                | 24                  | (131)               | (93)                |
| (Increase)/decrease in accruals on social levies                    |                | -                   | -                   | -                   |
| (Increase)/decrease in deferred expenses                            |                | 57                  | (49)                | (28)                |
| Unearned income   |                | -                   | -                   | -                   |
| Provisions – sundry allocations or reversals                        |                | 30                  | (33)                | 15                  |
| <b>Net cash from (used in) operating activities</b>                 | <b>(B)</b>     | <b>18,365</b>       | <b>17,437</b>       | <b>17,098</b>       |
| <b>Net cash from (used in) banking and operating<br/>activities</b> | <b>(C=A+B)</b> | <b>16,334</b>       | <b>15,374</b>       | <b>14,909</b>       |
| <b>Net cash from (used in) financing activities</b>                 | <b>(D)</b>     | <b>(15,541)</b>     | <b>(17,285)</b>     | <b>(16,371)</b>     |
| <b>Debt assumed</b>   | <b>(E)</b>     | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| <b>Net cash flow for the year</b>                                   | <b>(C+D+E)</b> | <b>793</b>          | <b>(1,911)</b>      | <b>(1,463)</b>      |

The cash flow statement takes into account the following items:

- A – net cash from (used in) banking activities

This is net banking income (debts plus income from derivatives and cash instruments) less income and expenses with no effect on the cash position (provisions, amortisation of issuance and redemption premiums, accrued interest, revaluation of index-linked bonds, etc.).

- B – net cash from (used in) operating activities

This is the operating profit or loss (mainly income from CRDS and CSG, social levies on income from property and investments and from the FRR) less income and expenses with no effect on the cash position (accrued income or deferred expenses).

- C – net cash from (used in) banking and operating activities

This consists of net cash from (used in) banking and operating activities (C = A + B).

- D – net cash from (used in) financing activities

These are the cash flows resulting from debt issuance and debt repayment during the period.

- E – social security debt assumed

Social security debt assumed represents the disbursements made during the period by CADES in respect of debt assumed from social security funding organisations.

The net change in cash and cash equivalents reflects the following cash flows:

- net cash from (used in) banking and operating activities (C);
- net cash from (used in) financing activities (D); and
- social security debt assumed (E).

## OFF-BALANCE SHEET COMMITMENTS

| At<br>(€ millions) (notes 16-18)   | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|--|---------------------|---------------------|---------------------|
| <b>COMMITMENTS GIVEN (note 18)</b>   |                     |                     |                     |
| <b>Financing commitments</b>   |                     |                     |                     |
| - Payments to various social security bodies (Article 4.IV of Order No. 96-50 of 24 January 1996)                          | -                   | -                   | -                   |
| - Assumption of debt provided for by the 2019 Social Security Finance Act  | -                   | 15,000.00           | -                   |
| - Financing commitments given: acquired under repurchase agreements, currency purchases, treasury bills                    | -                   | -                   | -                   |
| <b>COMMITMENTS RECEIVED (note 18)</b>  |                     |                     |                     |
| <b>Financing commitments</b>   |                     |                     |                     |
| - From credit institutions: credit lines   | 1,200.00            | 700.00              | 700.00              |
| - From credit institutions: credit lines in treasury bills   | -                   | -                   | -                   |
| - Financing commitments received: borrowings   | -                   | -                   | -                   |
| - Financing commitments received: commercial paper and lent under repurchase agreements                                    | -                   | -                   | -                   |
| - Financing commitments received: payments from the Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> ) | 10,500.00           | 12,600.00           | 14,700.00           |

**NOTES TO THE FINANCIAL STATEMENTS**  
**HIGHLIGHTS OF THE YEAR ENDED 31 DECEMBER 2019**

Social security debts assumed

No assumption of social security debt was carried out in 2019.

The 2020 Social Security Finance Act No. 2019-1446 of 24 December 2019 cancelled the assumption of ACOSS' residual cumulative debt of €15 billion as well as the increase in the CSG allocated to CADES by the 2019 Social Security Finance Act.

Financing transactions

➤ **Issues (excluding commercial paper)**

CADES borrowed €3 billion under the French programme in EUR.

➤ **Redemptions (excluding commercial paper)**

CADES reimbursed €19.06 billion at maturity:

- 14 issues made under the French programme (12 in EUR, one in GBP and one in USD) for an amount of €13.28 billion;
- two issues made under the UK programme in USD for an amount of €5.78 billion.

Credit lines

Commitments received as at 31 December 2019 comprise:

- five activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €1.2 billion and cancellable by the counterparties at 15 to 30 days' notice.

Bank accounts

- **Effective** 1 April 2019, the transaction account that CADES holds with Banque de France was merged with the State's regulated client account to pool CADES' cash with that of the State over the course of the year.
- CADES closed three foreign currency accounts (DKK, TRY and ZAR) in the first half of 2019. It now has 14 foreign currency accounts.

## ACCOUNTING POLICIES AND METHODS

### Basis of valuation and presentation

The accounting policies adopted by CADES meet two requirements.

Given that the activity of CADES is essentially financial, the financial statements are prepared in accordance with accounting regulations applicable to credit institutions and financial institutions as well as with generally accepted accounting principles in France. In particular, CADES has applied the accrual concept and the prudence concept.

The presentation of the financial statements complies with Regulation No. 2014-07 of 26 November 2014 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables – ANC*) relating to the financial statements of banking sector companies. In its opinion CNC 99-04, the French National Accounting Board decided that CADES could present certain transactions in a manner specific to it. Accordingly, in its profit and loss account, CADES records operating income and expenses, which are mainly composed of the revenue drawn from the CRDS and CSG and from property transactions, and payments to the State and social security funding organisations.

These accounts are then aggregated to comply with the chart of accounts applicable to administrative public undertakings in accordance with the requirements of Instruction M9-1, replaced by the public agencies' common nomenclature on 1 January 2016, before being submitted to the Government Audit Office.

### Specific characteristics of CADES

CADES has been tasked with paying down the debt transferred to it. The profit or loss therefore measures its capacity to reduce its own debt, and corresponds to the resources allocated to it less the financial costs relating to its debt with third parties.

The profit and loss account should be interpreted in light of the specific mission entrusted to CADES, the sole purpose of which is to extinguish a debt over its scheduled term.

### Debts assumed from social security funding organisations

The payments CADES makes in respect of debts assumed from social security funding organisations in accordance with the social security deficit funding acts are recognised against the profit and loss account brought forward.

When CADES' payments to the social security bodies as determined on the basis of the provisional deficits are greater than the deficits subsequently established, an adjustment may be made in CADES' favour. These adjustments are recognised against the profit and loss account brought forward at the time of the payment.

Debts assumed in accordance with legal stipulations but for which payments have not yet been made to the organisations are recorded as off-balance sheet commitments.

### CADES' resources

#### Contribution to the repayment of the social security debt

- Revenue explicitly allocated to CADES

The social security debt repayment contribution (CRDS) defined by Order No. 96-50 of 24 January 1996 was explicitly created to provide resources to CADES. Article 6 of said Order states that “the proceeds of the contributions created in respect of Chapter 2 of said Order on repayment of the social security debt shall be allocated to Caisse d'Amortissement de la Dette Sociale”.

- A broad-based tax

The tax is levied on multiple sources of income. One can distinguish between:

- On the one hand, employment income and unemployment and similar benefits: salaried income, redundancy payments and retirement indemnities (under certain conditions), retirement and disability pensions, health and maternity benefits, housing benefits, family allowances and child-minding benefits, etc., and
- On the other hand, income from property, from investments, from the sale of precious metals, gems, objets d'art, collectors' items and antiques, and from gaming.

Contributions assessed on the sales of precious metals and gems are collected by the State's financial agencies (DGFIP and DGDDI) before being paid over to CADES.

Contributions assessed on employment income, unemployment and similar benefits as well as income from property, investments and gaming are paid over daily by ACOSS to CADES as and when they are collected by the central agency.

- Collection costs borne by CADES

Article 8 of the Order of 24 January 1996 stipulates that CADES shall bear assessment and collection costs. These costs consist of a flat amount defined jointly by the Minister of the Economy and Finance and the Minister of Social Security.

Collection agencies deduct a 0.5% withholding from the contribution paid over to CADES.

CRDS contributions levied on income from property entered in the tax assessment register mainly by the offices of the DGFIP (*Direction Générale des Finances Publiques* or Directorate General of Public Finances) are paid over to CADES on the basis of register entries and not the amounts actually collected. In return, a 4.1% withholding is applied to the sums paid over to CADES to cover assessment and collection costs (0.5%) and the cost of tax reductions and bad debts (3.6%), as provided for by Article 1641 of France's General Tax Code (*Code Général des Impôts*).

Amounts collected by CADES in respect of the CRDS are reported under "Other operating income" in the profit and loss account. Assessment and collection costs are recorded under "Other operating charges".

- Accrual basis accounting

CADES applies the accruals principle in accordance with accounting standards applicable to credit institutions and Articles L.114-5 and D.114-4-4 of the Social Security Code establishing the principle whereby social security agencies shall maintain accounting records on a receivable-payable basis.

Accordingly, CRDS contributions paid to collecting agencies are included in the accounts for the period regardless of the date on which these amounts were actually collected. So as to be able to recognise this income and deferred income at the balance sheet date, CADES accrues this *income* on the basis of a notification provided by the collecting agencies indicating amounts assessed for the period not collected at the balance sheet date and CRDS contributions not yet collected by ACOSS. Provisions against outstanding CRDS contributions are notified to CADES by ACOSS. These provisions are calculated on a statistical basis applying an annual rate determined by reference to an ageing analysis of the receivables. They are deducted from gross amounts receivable as reported in the balance sheet.

Regarding the collection of the CRDS contributions, note that at no time does CADES act as primary collector; all the resources to which it is entitled are remitted by third parties, first and foremost ACOSS, followed by the offices of the DGFIP.

CADES' responsibility is confined to verifying that the sums transferred agree to the accounting vouchers raised. The primary collecting agencies are responsible for transferring the funds, for verifying the tax base, for adjusting tax bases when applicable and for recovering past dues, in return for which these agencies receive a remuneration equivalent to 0.5% of the sums collected.

Accordingly, CADES' responsibility at revenue level is limited to substantive verifications of the accounting vouchers produced by the collecting agencies.

### **Supplementary social security contribution**

The 2009 Social Security Funding Act No. 2008-1330 extended the mission of CADES by entrusting to it an additional €27 billion of debt in respect of the health insurance deficit (€14.1 billion), old age pension deficit (€8.8 billion) and senior citizens' solidarity fund (€4 billion).

In accordance with the Organic Law of 2 August 2005, the French Parliament voted an increase in resources so as not to extend the life of CADES. These new resources correspond to a portion of the supplementary social security contribution (*Contribution Sociale Généralisée – CSG*). Since 2009, this has been paid to CADES at the rate of 0.2%. From 2011 it was increased to 0.48% and then from 1 January 2016 to 0.60% for CSG on all taxable employment income, unemployment and similar benefits, and income from property and investments; while CSG on profits from gaming was increased from 1 January 2016 to 0.30%.

This is a broad-based tax levied on employment income, unemployment and similar benefits as well as income from property, investments and gaming.

The difference in tax base between the CRDS and CSG mainly concerns revenue from the sale of precious metals and gems, from gaming and from family benefits.

The payment circuits and methods of accounting for the CSG are the same as for the CRDS.

#### **- Social levies on income from property and investments**

Act No. 2010-1594 of 20 December 2010 allocated to CADES, starting in 2011, a 1.3% share of the social levies on the income from property and investments referred to in Articles 245-14 and 245-15 of the Social Security Code. The rate for these levies is set at 5.4% as from 1 January 2012.

With effect from 1 January 2016, the payment of 1.3% of social levies on income from property and investments was replaced by an increase of 0.12% in the portion of the CSG paid to CADES.

#### **- Resources from the Retirement Reserve Fund**

Under the 2011 Social Security Funding Act (*Loi de Financement de la Sécurité Sociale – LFSS*) No. 2010-1594 of 20 December 2010, the Retirement Reserve Fund (*Fonds de Réserve pour les Retraites – FRR*) is required to pay CADES a total of €29.4 billion in yearly instalments of €2.1 billion no later than 31 October each year, with effect from 1 January 2011 until 2024. The two institutions concerned have an agreement setting out the timing and terms and conditions governing these payments.

The annual income of €2.1 billion to be paid by the FRR as from 2011 is recognised under income for the period.

FRR's commitment to pay amounts for subsequent years is recognised in off-balance sheet items under "Other commitments received – Retirement Reserve Fund".

#### **Private rental property**

CADES has sold all the property transferred to it on 1 January 2000 in application of Article 9 of Order No. 96-50 of 24 January 1996 and recorded under "Property endowment" as a component of reserves.

Acting on behalf of CADES, CNAV managed the residual rights and obligations related to this property until the expiration of the agreement between the two parties on 31 December 2006.

Signed in December 1999, this agreement empowered CNAV to do all that was necessary in connection with the administration of the properties.

Since 1 January 2007, CADES manages disputes and claims internally.

CADES' Accounting Officer records expenses and revenue on the basis of the supporting documents submitted by the Authorising Officer.

At 30 June 2019, CADES had settled all disputes and claims.

#### **Transactions denominated in foreign currencies**

Foreign currency transactions are recorded on a multi-currency basis and are measured in accordance with the following principles:

Foreign currency transactions involving balance sheet and off-balance sheet items are measured in euro at the rate of exchange ruling on the balance sheet date.

The rates used at 31 December 2019, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

|      |         |      |         |      |         |
|------|---------|------|---------|------|---------|
| USD: | 1.1234  | SEK: | 10.4468 | GBP: | 0.85080 |
| AUD: | 1.5995  | NOK: | 9.8638  | MXN: | 21.2202 |
| CHF: | 1.0854  | NZD: | 1.6653  | HKD: | 8.7473  |
| CAD: | 1.4598  | TRY: | 6.6843  | JPY: | 121.94  |
| ZAR: | 15.7773 | SGD: | 1.5111  | CNY: | 7.8205  |

Foreign currency income and charges are translated into euro at the exchange rate ruling on the date when they were recognised in the profit and loss account.



Realised and unrealised foreign exchange gains and losses are recognised in the profit and loss account as operating income from banking transactions or operating charges on banking transactions.

### **Repurchase agreements with securities delivered**

Only securities issued or guaranteed by the State may be used as security by CADES in repurchase agreements entered into to invest its cash balances.

Securities received under these agreements are reported under loans and advances to credit institutions.

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

Fixed assets are accounted for under the historical cost convention. Tangible fixed assets are depreciated and intangible fixed assets amortised over their estimated useful life.

Tangible fixed assets consist mainly of office equipment and computer hardware. Intangible fixed assets consist of software.

### **Bonds**

Bonds issued by CADES are reported as a liability in the balance sheet at their nominal value (if redeemed at par) plus accrued interest. Foreign currency bonds are translated into euro at the exchange rate prevailing on the balance sheet date.

Bonds indexed to inflation (French consumer price index excluding tobacco for all households in Metropolitan France) are measured by reference to a predefined inflation benchmark on the balance sheet date, resulting in the recognition of a redemption premium that is reported as a liability.

Inflation benchmarks:

|                          |           |
|--------------------------|-----------|
| CPI at 31 December 2019: | 103.99161 |
| Cadesi 2019 index:       | 1.19130   |
| Cadesi 2021 index:       | 1.08509   |
| Cadesi 2024 index:       | 1.06405   |

When bonds are issued at a premium, this premium is accounted for as deferred charges and is therefore reported under prepayments and accrued income in the balance sheet. These charges are recognised to the profit and loss account over the life of the bonds under banking operating charges.

When bonds are issued at a discount, this discount is accounted for as deferred income. This income is recognised to the profit and loss account over the life of the bonds under banking operating income.

All costs relating to bond issues are charged to the profit and loss account on the date of issue and reported under “fees paid”.

### **Interest rate and currency swaps**

Commitments in respect of transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, are reported as off-balance sheet commitments at the contract’s nominal value. Accounting principles applied differ according to the nature of these instruments and management intention at inception.

Transactions consist mainly of interest rate swaps and currency swaps entered into for hedging purposes. Interest rate swaps are entered into in compliance with the risk management policy defined by the Board of Directors. Currency swaps are entered into only for the purpose of hedging CADES’ foreign exchange exposures.

Income and charges arising on forward financial instruments entered into for the purpose of hedging or managing the global interest rate exposure are recognised to profit or loss *pro rata temporis*.

Gains and losses on hedging designed to reduce the risk resulting from a particular asset or liability are taken to profit or loss and included under interest receivable and similar income or interest payable and similar charges to match income or charges recognised in respect of the hedged item.

As regards balancing cash payments arising from swaps entered into to hedge a debt instrument on inception, the portion covering issuance costs in respect of the underlying instrument is taken to profit and loss when the cash payment is recognised. This accounting method fairly reflects the asset value of issues transformed by entering into swaps involving cash payments and results in the amount equivalent to the issuance costs being recognised to profit and loss *pro rata temporis*.

## **Provisions**

No general provisions for liabilities and charges are recognised by CADES. When appropriate, provisions in respect of identified risks are set aside in accordance with applicable accounting principles.

## **Taxation**

CADES is not assessed to business taxes (corporation tax, value added tax and local business tax) or to apprenticeship tax. The only tax it pays is the payroll tax.

Note that profits on the sale of property transferred by the social security agencies did not give rise to the payment of corporation tax.

## **Counterparty risk**

CADES may be exposed to counterparty risk on two types of transactions: investment transactions and forward market transactions.

For both types of transactions and with all of its counterparties, CADES has signed AFB or FBF forward market agreements providing for daily or weekly margin calls depending on the counterparty and the agreement in place.

### **1. Investment transactions**

CADES may invest its cash balances in securities issued or guaranteed by the State either under repurchase agreements with delivered securities or through outright securities purchases.

In the case of repurchase agreements with delivered securities, in exchange for the loan extended to the counterparty, CADES receives full ownership of a government security (OAT or BTF) or government-guaranteed security over the term of the repurchase agreement. Most repurchase agreements are negotiated with French Treasury bond dealers (*Spécialiste en Valeurs du Trésor – SVT*) or with counterparties with a minimum double-A long-term rating.

Daily margin calls enable CADES to significantly reduce its counterparty risk on these repurchase agreements.

### **2. Forward market transactions**

To manage its interest rate risk and eliminate currency and/or structural risk, CADES enters into transactions in the forward markets involving instruments such as interest rate swaps, currency swaps and asset swaps.

CADES uses daily or weekly margin calls to minimise the residual risk on these instruments in the event of counterparty default.

## **Transactions involving investment securities**

The portfolio of investment securities, which consists of fixed income government securities, is reported in the balance sheet under treasury bills and other bills eligible for refinancing with central banks.

Securities are reported in the balance sheet at their acquisition cost. Interest income is reported under interest receivable and similar income from bonds and other fixed income securities.

Unrealised losses give rise to a provision for impairment determined by reference to the most recent quoted price. These provisions are determined individually.

Provisions for impairment set aside and reversed and gains and losses on the sale of investment securities are reported in the profit and loss account under gains and losses on investment securities.

## **New IBOR reform**

A fundamental reform of the “IBOR” interest rate benchmark indices is underway in the markets. There is some uncertainty as to the timetabling and the transition methods that will be used to replace the existing IBOR benchmark rates with alternative rates.

The IBOR rates continue to be used as benchmark rates for the financial markets and to value financial instruments that mature after these rates' expected expiry dates.

In CADES' view, the current structure of the market justifies the continued use of hedge accounting at 31 December 2019.

CADES has undertaken an analysis to take into account the potential repercussions of these index changes.

## NOTES

### BALANCE SHEET

At 31 December 2019, the balance sheet showed total assets of €6.07 billion for total debt of €95.077 billion, resulting in negative reserves of €89.092 billion.

#### ASSETS

##### Note 1: Treasury and interbank transactions

| At<br>(€ millions)  | 31 December 2019 | 31 December<br>2018 | 31 December<br>2017 |
|---|------------------|---------------------|---------------------|
| <b>CENTRAL BANKS</b>  | <b>3,056.63</b>  | <b>2,263.29</b>     | <b>3,174.15</b>     |
| Central banks   | 3,056.63         | 2,263.29            | 3,174.15            |
| <b>TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR-<br/>REFINANCING WITH CENTRAL BANKS</b>        |                  | -                   | <b>1,000.00</b>     |
| Government securities with a maturity of less than 3 months                                   | -                | -                   | 1,000.00            |
| Accrued interest  | -                | -                   | -                   |
| <b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>  | <b>0.03</b>      | <b>0.21</b>         | <b>0.05</b>         |
| <b>Repayable at sight</b>   | <b>0.03</b>      | <b>0.21</b>         | <b>0.05</b>         |
| Debit balances on ordinary accounts   | 0.03             | 0.21                | 0.05                |
| Securities received under open repurchase agreements  | -                | -                   | -                   |
| Accrued interest  | -                | -                   | -                   |
| <b>Repayable at term</b>  | -                | -                   | -                   |
| Securities received under term repurchase agreements with<br>a maturity of less than 3 months | -                | -                   | -                   |
| Of which: Treasury bills  | -                | -                   | -                   |
| Bonds   | -                | -                   | -                   |
| Own securities  | -                | -                   | -                   |
| Accrued interest  | -                | -                   | -                   |
| <b>Total</b>  | <b>3,056.66</b>  | <b>2,263.50</b>     | <b>4,174.20</b>     |

NB. On 31 December 2019, the balance on CADES' transaction account with Banque de France was transferred to the euro-denominated deposit account to exclude it from the sweeping of the State's dedicated account with the Banque de France. The "central banks" line item shows the cash balance at 31 December 2019.

##### Note 2: Intangible and tangible fixed assets

| (€ millions)                 | Gross value<br>at 1<br>January<br>2019 | Acquisitions | Disposals | Gross value<br>at 31<br>December<br>2019 | Amortisation<br>and<br>depreciation | Net book<br>value at 31<br>December<br>2019 | Net book<br>value at 31<br>December<br>2018 | Net book<br>value at 31<br>December<br>2017 |
|------------------------------|--|--------------|-----------|--|-------------------------------------|---|---|---|
| <b>Intangible<br/>assets</b> | <b>0.12</b>                            | -            | -         | -  | <b>0.12</b>                         | -   | -   | -   |
| Software                     | 0.12                                   | -            | -         | 0.12                                     | 0.12                                | -   | -   | -   |
| Other                        | -                                      | -            | -         | -  | -                                   | -   | -   | -   |
| <b>Tangible assets</b>       | <b>0.02</b>                            | -            | -         | <b>0.02</b>                              | <b>0.02</b>                         | -   | -   | <b>0.06</b>                                 |
| Sundry<br>equipment          | 0.02                                   | -            | -         | 0.02                                     | 0.02                                | -   | -   | 0.06  |
| <b>Total</b>                 | <b>0.14</b>                            | -            | -         | <b>0.14</b>                              | <b>0.14</b>                         | -   | -   | <b>0.06</b>                                 |

Intangible and tangible assets reflect the value of the software and equipment acquired by CADES, net of related amortisation and depreciation.

**Note 3: Other assets**

| <b>At<br/>(€ millions)</b>   | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>SUNDRY DEBTORS</b>  | <b>312.21</b>               | <b>450.32</b>               | <b>1,243.91</b>             |
| Deposits paid by way of initial margins                                  | 205.56                      | 210.98                      | 1,072.07                    |
| - Deposits   | 205.09                      | 210.87                      | 1,072.04                    |
| - Accrued interest   | 0.47                        | 0.10                        | 0.03                        |
| Outstanding CRDS and CSG contributions and social levies to be collected | 106.65                      | 217.34                      | 171.84                      |
| - Gross amounts receivable   | 550.85                      | 646.38                      | 646.30                      |
| - Provisions   | (444.20)                    | (429.04)                    | (474.46)                    |
| Other debtors in respect of financial transactions                       | -                           | -                           | -                           |
| Other debtors in respect of operating charges                            | -                           | -                           | -                           |
| Other sundry debtors – CNAV  | -                           | 22.00                       | -                           |
| - Gross amounts receivable   | -                           | 22.13                       | 0.26                        |
| - Provisions   | -                           | (0.13)                      | (0.26)                      |
| <b>Total</b>   | <b>312.21</b>               | <b>450.32</b>               | <b>1,243.91</b>             |

Other assets comprise:

- deposits paid by way of initial margins for €205.56 million; and
- outstanding CRDS and CSG contributions and social levies to be collected by ACOSS amounting to

€106.65 million. Provisions totalling €444.20 million have been deducted from the gross amounts receivable of €550.85 million.

Movements in provisions against outstanding CRDS and CSG contributions and social levies to be collected and in respect of sundry debtors are detailed in the table below:

| <b>At<br/>(€ millions)</b>  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>PROVISIONS BROUGHT FORWARD</b>                                   | <b>429.17</b>               | <b>474.72</b>               | <b>488.11</b>               |
| Impact of accounting method changes                                 | -                           | -                           | -                           |
| Provisions set aside – property                                     | -                           | -                           | -                           |
| Provisions set aside – CRDS and CSG contributions and social levies | 15.25                       | 3.18                        | 1.55                        |
| Provisions reversed – property                                      | (0.13)                      | (0.13)                      | (0.15)                      |
| Provisions reversed – CRDS and CSG contributions and social levies  | (0.09)                      | (48.60)                     | (14.79)                     |
| <b>PROVISIONS CARRIED FORWARD</b>                                   | <b>444.20</b>               | <b>429.17</b>               | <b>474.72</b>               |

**Note 4: Prepayments and accrued income**

| <b>At<br/>(€ millions)</b>  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>ACCRUED INCOME</b>   | <b>1,712.61</b>             | <b>1,770.49</b>             | <b>1,694.48</b>             |
| On forward interest rate instruments  | 8.07                        | 8.91                        | 8.22                        |
| On forward currency instruments   | 156.94                      | 89.86                       | 246.02                      |
| On CRDS and CSG revenues  | 1,547.60                    | 1,571.46                    | 1,440.24                    |
| On revenue from social levies on income from property and investments             | -                           | -                           | -                           |
| On property sales   | -                           | -                           | -                           |
| Other accrued income  | -                           | 0.26                        | -                           |
| <b>CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b> | <b>76.74</b>                | <b>8.72</b>                 | <b>14.54</b>                |
| <b>DEFERRED CHARGES</b>   | <b>87.13</b>                | <b>133.49</b>               | <b>180.79</b>               |
| Issuance premiums on bonds and EMTN   | 87.13                       | 133.49                      | 180.79                      |
| Other deferred charges  | -                           | -                           | -                           |
| <b>PREPAYMENTS</b>  | <b>0.15</b>                 | <b>0.02</b>                 | <b>19.23</b>                |
| Prepaid administrative expenses   | 0.02                        | 0.02                        | 0.02                        |
| Prepaid interest on negotiable debt instruments                                   | 0.13                        | -                           | 19.21                       |
| Prepaid interest on bonds   | -                           | -                           | -                           |
| Other prepayments   | -                           | -                           | -                           |
| <b>OTHER</b>  | <b>896.44</b>               | <b>451.34</b>               | <b>71.05</b>                |
| Currency adjustment accounts  | 896.44                      | 451.33                      | 70.95                       |
| Property rental adjustment account  | -                           | -                           | -                           |
| Sundry  | -                           | 0.01                        | 0.10                        |
| <b>Total</b>  | <b>2,703.07</b>             | <b>2,364.06</b>             | <b>1,980.09</b>             |

Prepayments and accrued income consist of transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected. They include:

- accrued income relating to CRDS and CSG for €1,547.60 million, interest rate financial instruments for €8.07 million and foreign currency financial instruments for €156.94 million;
- issuance premiums on bonds and EMTN amounting to €87.13 million to be recognised in profit and loss over time;
- prepayments amounting to €0.15 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments;
- foreign currency adjustment accounts amounting to €896.44 million, being technical accounts used to recognise to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

## LIABILITIES AND RESERVES

In respect of liabilities, a distinction is made between CADES' reserves and its other liabilities.

Reserves, which consist of the profit and loss account brought forward (€-105,527 million), the profit or loss for the year (€16,252.99 million) and the property endowment (€181.22 million), came to €-89,092.79 million.

The profit and loss account brought forward broke down as follows:

| REFERENCE TEXT  | DEBT TRANSFERRED TO CADES (€ millions) |
|---|--|
| Order No. 96-50 of 24 January 1996  | (20,885.52)                            |
| Act No. 97-1164 of 19 December 1997   | (13,263.06)                            |
| Act No. 2004-810 of 13 August 2004  | (47,310.00)                            |
| Act No. 2008-1330 of 17 December 2008   | (27,000.00)                            |
| Act No. 2010-1594 of 20 December 2010   | (65,300.00)                            |
| Act No. 2011-1906 of 21 December 2011   | (2,466.64)                             |
| Decree No. 2012-329 of 7 March 2012   | (6,648.05)                             |
| Decree No. 2013-482 of 7 June 2013  | (7,718.57)                             |
| Decree No. 2014-97 of 3 February 2014   | (10,000.00)                            |
| Decree No. 2015-170 of 13 February 2015   | (10,000.00)                            |
| Decree No. 2016-170 of 13 February 2016   | (23,609.05)                            |
| Payment from ACOSS by way of an adjustment of the deficits from 1999 to 2006                                  | 64.72                                  |
| Accumulated profits generated by CADES between 1996 and 2017 and impact of previous accounting method changes | 128,609.17                             |
| <b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD</b>  | <b>(105,527.00)</b>                    |

Liabilities, which amounted to €95,077.71 million at 31 December 2019, consist mainly of debts to credit institutions amounting to €1,003.37 million, debts evidenced by securities totalling €92,045.51 million, initial margins received and others totalling €1,214.55 million and accruals and deferred income totalling €814.28 million.

### Note 5: Treasury and interbank transactions

| At   | 31 December 2019 |                                |                               |               | 31 December 2019 | 31 December 2018 | 31 December 2017 |
|--|------------------|--------------------------------|-------------------------------|---------------|------------------|------------------|------------------|
| (€ millions)                                 | Up to 3 months   | Over 3 months and up to 1 year | Over 1 year and up to 5 years | Over 5 years  | Total            | Total            | Total            |
| <b>AMOUNTS OWED TO CENTRAL BANKS</b>         |                  |                                |                               |               |                  |                  |                  |
| <b>Amounts owed to credit institutions</b>   | <b>4.14</b>      | <b>1.23</b>                    | <b>151.00</b>                 | <b>847.00</b> | <b>1,003.37</b>  | <b>1,003.37</b>  | <b>1,003.37</b>  |
| <b>At sight</b>                              | -                | -                              | -                             | -             | -                | -                | -                |
| Credit balances on ordinary accounts         | -                | -                              | -                             | -             | -                | -                | -                |
| <b>At term</b>                               | <b>4.14</b>      | <b>1.23</b>                    | <b>151.00</b>                 | <b>847.00</b> | <b>1,003.37</b>  | <b>1,003.37</b>  | <b>1,003.37</b>  |
| Securities given under-repurchase agreements | -                | -                              | -                             | -             | -                | -                | -                |
| Accounts and deposits                        | -                | -                              | 151.00                        | 847.00        | 998.00           | 998.00           | 998.00           |
| Of which: Euro                               | -                | -                              | 151.00                        | 847.00        | 998.00           | 998.00           | 998.00           |
| Other currencies                             | -                | -                              | -                             | -             | -                | -                | -                |
| Accrued interest                             | 4.14             | 1.23                           | -                             | -             | 5.37             | 5.37             | 5.37             |
| <b>Total</b>                                 | <b>4.14</b>      | <b>1.23</b>                    | <b>151.00</b>                 | <b>847.00</b> | <b>1,003.37</b>  | <b>1,003.37</b>  | <b>1,003.37</b>  |

**Note 6: Debts evidenced by securities**

| At<br>(€ millions)  | 31 December<br>2019 |                                      |                                  |                 | 31 December<br>2018 | 31 December<br>2017 |                   |
|---|---------------------|--------------------------------------|----------------------------------|-----------------|---------------------|---------------------|-------------------|
|   | Up to 3<br>months   | Over 3<br>months and<br>up to 1 year | Over 1 year and<br>up to 5 years | Over 5<br>years | Total               | Total               |                   |
| <b>NEGOTIABLE DEBT<br/>INSTRUMENTS</b>                                    | <b>134.80</b>       | <b>0.10</b>                          | -                                | <b>264.00</b>   | <b>398.90</b>       | <b>265.17</b>       | <b>7,521.51</b>   |
| Treasury bills<br>denominated in<br>euro                                  | -                   | -                                    | -                                | -               | -                   | -                   | -                 |
| Treasury bills<br>denominated in<br>other currencies                      | -                   | -                                    | -                                | -               | -                   | -                   | -                 |
| BMTN denominated in<br>euro   | -                   | -                                    | -                                | 264.00          | 264.00              | 264.00              | 264.00            |
| Commercial paper<br>denominated in euro                                   | -                   | -                                    | -                                | -               | -                   | -                   | 50.00             |
| Commercial paper<br>denominated in other<br>currencies                    | 133.73              | -                                    | -                                | -               | 133.73              | -                   | 7,205.87          |
| Other negotiable debt<br>instruments denominated<br>in foreign currencies | -                   | -                                    | -                                | -               | -                   | -                   | -                 |
| Accrued interest  | 1.07                | 0.10                                 | -                                | -               | 1.17                | 1.17                | 1.64              |
| <b>BONDS</b>  | <b>2,696.54</b>     | <b>18,533.73</b>                     | <b>62,193.27</b>                 | <b>8,223.07</b> | <b>91,646.61</b>    | <b>107,694.03</b>   | <b>117,155.77</b> |
| Bonds and EMTN<br>denominated in euro                                     | -                   | 13,950.00                            | 50,809.43                        | 7,256.50        | 72,015.93           | 82,032.75           | 84,695.09         |
| Bonds and EMTN<br>denominated in other<br>currencies                      | 2,002.85            | 4,450.77                             | 11,383.84                        | 966.57          | 18,804.03           | 24,707.79           | 31,446.46         |
| Accrued interest  | 693.69              | 132.96                               | -                                | -               | 826.65              | 953.49              | 1,014.22          |
| <b>Total</b>  | <b>2,831.34</b>     | <b>18,533.83</b>                     | <b>62,193.27</b>                 | <b>8,487.07</b> | <b>92,045.51</b>    | <b>107,959.20</b>   | <b>124,677.28</b> |

A euro issue for €200 million with a €100 million tap maturing on 20 December 2025 is subject to early redemption at the counterparty's option from 2021.

**Debts evidenced by securities are analysed below:**

Debts evidenced by securities totalled €92,045.51 million and comprise negotiable debt securities totalling €398.90 million and bonds and similar instruments totalling €91,646.61 million.

Bonds and similar instruments are issued under a borrowing programme approved by the Minister of the Economy on 15 December 2017, and may be stand-alone or part of the following programmes:

- a French issuance programme for which the maximum amount of outstandings is €130 billion;
  - a UK issuance programme for which the maximum amount of outstandings is €65 billion;
  - a New York commercial paper issuance programme for which the maximum amount of outstandings is €60 billion;
  - a French medium-term note (NEU MTN) issuance programme for which the maximum amount of outstandings is €10 billion;
  - a French short-term note (NEU CP) issuance programme for which the maximum amount of outstandings is €20 billion;
  - an Australian issuance programme for which the maximum amount of outstandings is AUD 6 billion.
- All in all, at 31 December 2019 debts evidenced by securities maturing within one year totalled €21,365.17 million and by those maturing in more than five years €8,487.07 million, compared with €20,269.33 million and €23,765.16 million, respectively, at 31 December 2018. Debt due to mature at between one and five years fell from €63,924.71 million at 31 December 2018 to €62,193.27 million at 31 December 2019.



The table below details borrowings (in millions) by programme.

| Programme   | Issue date | Maturity date | Nominal value (issue currency) | Currency        | Nominal interest rate  | ISIN             |
|-------------|------------|---------------|--------------------------------|-----------------|--|------------------|
| Stand-alone | 27/05/2005 | 25/10/2020    | 4,000                          | EUR             | 3.75%  | FR0010198036     |
|             | 28/11/2011 | 25/04/2022    | 151                            | EUR             | 4.00%  | -                |
|             | 29/07/2011 | 19/12/2025    | 615                            | EUR             | 3.914%   | -                |
|             | 25/11/2011 | 19/12/2025    | 232                            | EUR             | 4.50%  | -                |
| NEU MTN     | 02/05/2012 | 02/05/2025    | 50                             | EUR             | 3.1975%  | FR0120634516     |
|             | 10/05/2012 | 19/12/2025    | 214                            | EUR             | Max. (Min. [7%; EURCMS10yr. +0.45%]; 0%)   | FR0120634581 (1) |
| UK          | 13/01/2017 | 13/01/2020    | 2,250                          | USD             | 1.875%   | XS1548793402     |
|             | 17/04/2013 | 17/04/2020    | 1,000                          | USD             | 2.00%  | US12802DAG16     |
|             | 28/07/2015 | 28/07/2020    | 3,000                          | USD             | 1.875%   | XS1266786810     |
|             | 29/01/2018 | 29/01/2021    | 2,000                          | USD             | 2.375%   | XS1760094034     |
|             | 22/03/2016 | 22/03/2021    | 3,250                          | USD             | 2.000%   | XS1383509160     |
|             | 12/02/2015 | 12/02/2022    | 3,500                          | USD             | 1.875%   | XSI 188127788    |
|             | 20/03/2014 | 20/03/2024    | 3,000                          | USD             | 3.375%   | XS1046806821     |
| FR          | 10/06/2009 | 25/04/2020    | 4,250                          | EUR             | 4.250%   | FR0010767566     |
|             | 02/07/2010 | 02/07/2020    | 200                            | EUR             | 3-month EURIBOR + 0.23%  | FR0010917534     |
|             | 25/10/2004 | 25/07/2020    | 1,000                          | EUR             | Max.[0;((1+TEC100-1%)^0.25)-1]   | FR0010120436 (1) |
|             | 03/02/2016 | 25/11/2020    | 4,500                          | EUR             | 0.050%   | FR0013109006     |
|             | 26/10/2010 | 26/10/2020    | 1,000                          | USD             | 3.00%  | FR0010956565     |
|             | 21/04/2009 | 21/04/2021    | 200                            | CHF             | 3.00%  | CH0100525382     |
|             | 29/06/2010 | 25/04/2021    | 5,750                          | EUR             | 3.375%   | FR0010915660     |
|             | 10/02/2011 | 25/07/2021    | 3,255                          | EUR             | CADESI 1.50%   | FR0011003672     |
|             | 25/07/2006 | 25/10/2021    | 6,280                          | EUR             | 4.375%   | FR0010347989     |
|             | 20/06/2012 | 20/06/2022    | 50                             | EUR             | Max. (Min. [7%; EURCMS10yr. +0.26%]; 0%)   | FR0011270644 (1) |
|             | 26/09/2012 | 25/10/2022    | 4,950                          | EUR             | 2.50%  | FR0011333186     |
|             | 01/02/2017 | 25/11/2022    | 4,000                          | EUR             | 0.125%   | FR0013235165     |
|             | 22/03/2013 | 22/03/2023    | 420                            | AUD             | 5.335%   | FR0011449776     |
|             | 19/04/2011 | 19/04/2023    | 200                            | CHF             | 2.375%   | CH0127860192     |
|             | 18/04/2011 | 25/04/2023    | 5,424                          | EUR             | 4.125%   | FR0011037001     |
|             | 23/01/2015 | 25/05/2023    | 4,350                          | EUR             | 0.500%   | FR0012467991     |
|             | 18/09/2013 | 18/09/2023    | 2,000                          | NOK             | 4.080%   | FR0011565449     |
|             | 20/06/2018 | 25/10/2023    | 3,750                          | EUR             | 0.125%   | FR0013344181     |
|             | 29/11/2013 | 29/11/2023    | 50                             | EUR             | if EURCMS10yr. =< 2.3625%, rate= EURCMS10yr.+1% with 2% floor; if EURCMS10yr.> 2.3625%, rate=5.725%-CMS10yr.with 1.25% floor | FR0011627827 (1) |
|             | 18/12/2013 | 18/12/2023    | 50                             | EUR             | Min. (Max. [2%; EURCMS10yr. +1%]; Max [0.5%; 5.812%-EURCMS10yr.])  | FR0011649169 (1) |
|             | 19/06/2013 | 25/01/2024    | 3,250                          | EUR             | 2.375%   | FR0011521319     |
|             | 14/02/2014 | 14/02/2024    | 145                            | AUD             | 5%   | FR0011737709     |
|             | 27/02/2012 | 27/02/2024    | 153                            | EUR             | Max. (Min. [7%; EURCMS10yr. +0.30%]; 0%)   | FR0011202514 (1) |
|             | 02/07/2012 | 02/07/2024    | 60                             | EUR             | Max. (Min. [7%; EURCMS10yr. +0.36%]; 0%)   | FR0011277383 (1) |
|             | 09/02/2012 | 25/07/2024    | 3,250                          | EUR             | CADESI 1.50%   | FR0011198787     |
|             | 16/09/2014 | 25/11/2024    | 5,500                          | EUR             | 1.375%   | FR0012159812     |
|             | 21/09/2016 | 21/12/2024    | 160                            | EUR             | 0.120%   | FR0013201928     |
| 18/02/2015  | 18/02/2025 | 100           | EUR                            | 3-month EURIBOR | FR0012538114   |                  |

|            |            |       |     |        |                  |
|------------|------------|-------|-----|--------|------------------|
| 19/12/2014 | 19/06/2025 | 125   | AUD | 3.750% | FR0012398998     |
| 27/06/2012 | 27/06/2025 | 194   | EUR | 3.202% | FR0011276427     |
| 18/08/2011 | 18/08/2025 | 812.5 | EUR | 3.625% | FR0011092261     |
| 15/11/2011 | 15/11/2025 | 800   | NOK | 4.70%  | FR0011142215     |
| 01/12/2011 | 01/12/2025 | 800   | NOK | 5.12%  | FR0011153097     |
| 09/03/2011 | 09/12/2025 | 150   | CHF | 2.50%  | CH0124739902     |
| 15/03/2012 | 15/12/2025 | 1,000 | NOK | 4.95%  | FR0011213958     |
| 01/02/2012 | 15/12/2025 | 5,850 | EUR | 4.00%  | FR0011192392     |
| 14/02/2013 | 15/12/2025 | 1,000 | NOK | 4.25%  | FR0011421759     |
| 12/07/2011 | 19/12/2025 | 800   | NOK | 4.80%  | FR0011074178     |
| 27/06/2012 | 19/12/2025 | 2,000 | NOK | 4.84%  | FR0011276732     |
| 01/04/2011 | 20/12/2025 | 300   | EUR | 3.80%  | FR0011027929 (2) |
| 21/06/2012 | 21/12/2025 | 1,000 | NOK | 4.52%  | FR0011271527     |
|            |            |       |     |        |                  |

1) *These transactions were converted by micro-hedge swaps into variable- or fixed-rate borrowings.*

2) *Investors can redeem this this bond from 2021.*

**Note 6a: Analysis of transactions in euro and foreign currencies before and after hedging**

This note analyses the effect of hedging transactions on the initial debt and breaks down interest rates before and after hedging. It provides both accounting and financial information related to the value and hedging of instruments at maturity.

| (in millions of euros)                   | Initial debt                       |               | Hedging transactions               |                 | Final debt         |               |
|--|------------------------------------|---------------|------------------------------------|-----------------|--------------------|---------------|
|  | Foreign currencies                 | Euros         | Foreign currencies                 | Euros           | Foreign currencies | Euros         |
| <b>EURO-DENOMINATED DEBT</b>             |                                    | 73,278        |                                    | 18,384          |                    | 91,662        |
| <b>FOREIGN CURRENCY-DENOMINATED DEBT</b> | Value in euros at 31 December 2019 |               | Value in euros at 31 December 2019 |                 |                    |               |
| CHF                                      | 550                                | 507           | (550)                              | (507)           | -                  | -             |
| GBP                                      | -                                  | -             | -                                  | -               | -                  | -             |
| JPY                                      | -                                  | -             | -                                  | -               | -                  | -             |
| USD                                      | 19,080                             | 16,984        | (19,080)                           | (16,984)        | -                  | -             |
| HKD                                      | -                                  | -             | -                                  | -               | -                  | -             |
| SEK                                      | -                                  | -             | -                                  | -               | -                  | -             |
| AUD                                      | 790                                | 494           | (790)                              | (494)           | -                  | -             |
| NOK                                      | 9,400                              | 953           | (9,400)                            | (953)           | -                  | -             |
| NZD                                      | -                                  | -             | -                                  | -               | -                  | -             |
| CNY                                      | -                                  | -             | -                                  | -               | -                  | -             |
| CAD                                      | -                                  | -             | -                                  | -               | -                  | -             |
| MXN                                      | -                                  | -             | -                                  | -               | -                  | -             |
| <b>Sub-total foreign currencies</b>      |                                    | <b>18,938</b> |                                    | <b>(18,938)</b> |                    | -             |
| <b>TOTAL</b>                             |                                    | <b>92,216</b> |                                    | <b>(554)</b>    |                    | <b>91,662</b> |

The table above provides a breakdown of the initial nominal debt by issuance currency. Since all transactions in foreign currencies have been hedged, the debt of CADES is synthetically entirely in euro. Hedging transactions have enabled CADES to eliminate the impact of exchange rate fluctuations on its debt.

The table below shows the breakdown of CADES' debt by interest rate type. Hedging impacts the initial breakdown, such that in the final analysis, 84%(1) of the debt bears fixed rates, 8% floating rates and 8% rates indexed to inflation.

**Breakdown of debt in euro and foreign currencies before and after hedging**

| (€ millions)                | Initial debt       |                  |                  |              | Hedging transactions |                  |                    | Final debt       |                  |              |
|-----------------------------|--------------------|------------------|------------------|--------------|----------------------|------------------|--------------------|------------------|------------------|--------------|
|                             | Foreign currencies | Euros            | Total            | %            | Foreign currencies   | Euros            | Foreign currencies | Euros            | Total            | %            |
| <b>FIXED RATES</b>          |                    |                  |                  |              |                      |                  |                    |                  |                  |              |
| Negotiable debt instruments | -                  | -                | -                | -            | -                    | -                | -                  | -                | -                | -            |
| Bonds, EMTN and BMTN        | 18,804.03          | 63,683.50        | 82,487.53        |              | (18,804.03)          | 12,371.36        | -                  | 76,054.86        | 76,054.86        |              |
| Private placements          | -                  | 998.00           | 998.00           |              | -                    | -                | -                  | 998.00           | 998.00           |              |
| Macro hedging swaps         | -                  | -                | -                |              | -                    | -                | -                  | -                | -                |              |
| <b>Total fixed rates</b>    | <b>18,804.03</b>   | <b>64,681.50</b> | <b>83,485.53</b> | <b>90.53</b> | <b>(18,804.03)</b>   | <b>12,371.36</b> | <b>-</b>           | <b>77,052.86</b> | <b>77,052.86</b> | <b>84.06</b> |
| <b>FLOATING RATES</b>       |                    |                  |                  |              |                      |                  |                    |                  |                  |              |
| Negotiable debt instruments | 133.73             | -                | 133.73           |              | (133.73)             | 132.88           | -                  | 132.88           | 132.88           |              |
| Bonds, EMTN and BMTN        | -                  | 1,564.00         | 1,564.00         |              | -                    | 5,879.94         | -                  | 7,443.94         | 7,443.94         |              |
| Private placements          | -                  | -                | -                |              | -                    | -                | -                  | -                | -                |              |
| Macro hedging-swaps         | -                  | -                | -                |              | -                    | -                | -                  | -                | -                |              |
| <b>Total floating rates</b> | <b>133.73</b>      | <b>1,564.00</b>  | <b>1,697.73</b>  | <b>1.84</b>  | <b>(133.73)</b>      | <b>6,012.82</b>  | <b>-</b>           | <b>7,576.82</b>  | <b>7,576.82</b>  | <b>8.27</b>  |
| <b>INDEXED RATES</b>        |                    |                  |                  |              |                      |                  |                    |                  |                  |              |
| Bonds                       | -                  | 7,032.43         | 7,032.43         |              | -                    | -                | -                  | 7,032.43         | 7,032.43         |              |
| Macro hedging-swaps         | -                  | -                | -                |              | -                    | -                | -                  | -                | -                |              |
| <b>Total indexed rates</b>  | <b>-</b>           | <b>7,032.43</b>  | <b>7,032.43</b>  | <b>7.63</b>  | <b>-</b>             | <b>-</b>         | <b>-</b>           | <b>7,032.43</b>  | <b>7,032.43</b>  | <b>7.67</b>  |

|              |                  |                  |                 |               |                    |                |          |                  |                  |               |
|--------------|------------------|------------------|-----------------|---------------|--------------------|----------------|----------|------------------|------------------|---------------|
| <b>TOTAL</b> | <b>18,937.76</b> | <b>73,277.93</b> | <b>92,214.7</b> | <b>100.00</b> | <b>(18,937.76)</b> | <b>-553.58</b> | <b>-</b> | <b>91,662.11</b> | <b>91,662.11</b> | <b>100.00</b> |
|              |                  |                  |                 | <b>0</b>      |                    |                |          |                  |                  |               |

**Note 7: Other liabilities**

| <b>At<br/>(€ millions)</b>                                  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS</b>          | <b>1,095.32</b>             | <b>268.34</b>               | <b>58.81</b>                |
| - Deposits  | 1,095.24                    | 268.30                      | 58.54                       |
| - Accrued interest  | 0.08                        | 0.04                        | 0.27                        |
| <b>OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS</b> | -                           | -                           | -                           |
| <b>OTHER CREDITORS IN RESPECT OF OPERATING CHARGES</b>      | <b>119.23</b>               | <b>179.27</b>               | <b>161.49</b>               |
| Payments to the State                                       | -                           | -                           | -                           |
| Tax   | -                           | -                           | -                           |
| Social security   | -                           | -                           | -                           |
| Trade creditors   | -                           | -                           | 0.04                        |
| Sundry creditors – ACOSS                                    | 119.23                      | 179.27                      | 161.45                      |
| Other sundry creditors                                      | -                           | -                           | -                           |
| <b>Total</b>  | <b>1,214.55</b>             | <b>447.61</b>               | <b>220.30</b>               |

Other liabilities correspond mainly to:

- Deposits received by way of initial margins in respect of contracts on forward markets and repurchase agreements put in place to hedge counterparty risk, amounting to €1,095.32 million at 31 December 2019; and
- The credit balance with ACOSS amounting to €119.23 million, consisting of taxpayer credit notes received from ACOSS.

**Note 8: Accruals and deferred income**

| <b>At<br/>(€ millions)</b>  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>ACCRUALS</b>   | <b>49.19</b>                | <b>47.77</b>                | <b>21.10</b>                |
| Accruals on forward interest rate instruments   | 35.05                       | 32.43                       | 6.58                        |
| Accruals on forward currency instruments  | 4.45                        | 4.82                        | 4.80                        |
| Fees payable in respect of market transactions  | -                           | -                           | -                           |
| Accruals in respect of operating charges  | 1.22                        | 0.89                        | 0.40                        |
| Accruals in respect of CRDS and CSG collection costs                                      | 8.40                        | 8.51                        | 7.64                        |
| Accruals in respect of revenue from social levies on income from property and investments | -                           | -                           | -                           |
| Other accruals  | 0.06                        | 1.12                        | 1.68                        |
| <b>CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>           | <b>10.70</b>                | <b>20.25</b>                | <b>28.97</b>                |
| <b>UNEARNED INCOME</b>  | <b>331.40</b>               | <b>398.93</b>               | <b>494.56</b>               |
| Issuance premiums on bonds  | 331.40                      | 398.93                      | 494.53                      |
| On government securities  | -                           | -                           | -                           |
| On foreign currency transactions  | -                           | -                           | 0.03                        |
| Other unearned income   | -                           | -                           | -                           |
| <b>OTHER</b>  | <b>422.99</b>               | <b>466.37</b>               | <b>1,628.96</b>             |
| Currency adjustment accounts  | 343.87                      | 455.76                      | 1,605.23                    |
| Sundry  | 79.12                       | 10.60                       | 23.73                       |
| <b>TOTAL</b>  | <b>814.28</b>               | <b>933.32</b>               | <b>2,173.59</b>             |

Accruals and deferred income consist of transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected.

They include notably:

- Accruals in respect of interest rate swaps for €35.05 million, forward currency transactions for €4.45 million, and CRDS and CSG for €8.40 million;
- Balancing cash payments on currency swaps amounting to €10.70 million that are to be spread;
- Unearned income, corresponding to premiums on bond issues (€331.40 million);
- Currency adjustment accounts amounting to €343.87 million, being technical accounts used to recognise to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

## **Note 8a: Provision accounts**

Provisions for liabilities and charges include provisions for:

- redundancy indemnities;
- remuneration of days saved by CADES employees;
- the consequences of the European Court of Justice's Judgment of 26 February 2015 concerning the reimbursement by CADES of CRDS, CSG and social levy overpayments (see Note 14);
- provisions for liabilities and charges in respect of CSG and CRDS.

| <b>At<br/>(€ millions)</b>           | <b>31 December<br/>2018</b> | <b>Set aside</b> | <b>Reversed</b> | <b>31 December<br/>2019</b> |
|--------------------------------------|-----------------------------|------------------|-----------------|-----------------------------|
| <b>Provisions</b>                    | <b>80.17</b>                | <b>10.02</b>     | <b>3.18</b>     | <b>87.01</b>                |
| Provision for redundancy indemnities | 0.29                        | -                | -               | 0.29                        |
| Provision for time savings account   | 0.04                        | 0.01             | -               | 0.05                        |
| Provision for remuneration           | 0.02                        | 0.01             | -               | 0.03                        |
| Provision for liabilities            | -                           | -                | -               | -                           |
| Ruyter judgment                      | 8.01                        | 2.30             | 2.92            | 7.39                        |
| CSG and CRDS provisions              | 71.81                       | 7.70             | 0.26            | 79.25                       |
| <b>Total</b>                         | <b>80.17</b>                | <b>10.02</b>     | <b>3.18</b>     | <b>87.01</b>                |

## PROFIT AND LOSS ACCOUNT

In arriving at the profit for the period, net banking income is reported separately from other operating income and charges.

(€ millions)

|  |                  |
|--|------------------|
| Net banking income                                   | (2,001.55)       |
| Exceptional income items                             | -                |
| Other operating income and charges                   | <u>18,254.54</u> |
| Gross operating profit and net profit for the period | 16,252.99        |

A specific mission has been entrusted to CADES, which is to extinguish a debt over its scheduled term. The profit for the year measures its capacity to reduce its own debt.

### Net banking income

Net banking income consists of the cost of debt, the income generated from cash positions and the net profit or loss on financial transactions.

#### Note 9: Banking income

| Period ended (€ millions)  | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|--|---------------------|---------------------|---------------------|
| <b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</b>   | <b>28.28</b>        | <b>188.81</b>       | <b>225.32</b>       |
| <b>Interest receivable – Demand loans and advances and open repurchase agreements</b>      | -                   | -                   | <b>0.01</b>         |
| Interest from ordinary accounts in debit   | -                   | -                   | 0.01                |
| Interest from loans  | -                   | -                   | -                   |
| Interest from securities delivered under open repurchase agreements                        | -                   | -                   | -                   |
| <b>Interest receivable – Term loans, advances and repurchase agreements</b>                | -                   | -                   | -                   |
| Interest from loans denominated in euro  | -                   | -                   | -                   |
| Interest from loans denominated in foreign currencies                                      | -                   | -                   | -                   |
| Interest from securities delivered under repurchase agreements                             | -                   | -                   | -                   |
| <b>Other interest receivable</b>   | <b>28.28</b>        | <b>188.81</b>       | <b>225.31</b>       |
| <b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES</b> | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| Interest from fixed income securities  | -                   | -                   | -                   |
| Interest from government securities  | -                   | -                   | -                   |
| <b>OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</b>  | <b>585.41</b>       | <b>685.73</b>       | <b>799.65</b>       |
| Amortisation of premiums on issue  | 93.21               | 95.60               | 101.20              |
| Net profit on hedging transactions   | 492.20              | 590.13              | 698.45              |
| Profit on repurchase of own securities   | -                   | -                   | -                   |
| <b>Total</b>   | <b>613.69</b>       | <b>874.54</b>       | <b>1,024.97</b>     |

Banking income, which amounted to €613.69 million, consists mainly of:

- Net profit on hedging transactions amounting to €492.20 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €28.28 million; and
- The amortisation of bond premiums on issue amounting to €93.21 million.



**Note 10: Cost of debt**

| Period ended (€ millions)  | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|--|---------------------|---------------------|---------------------|
| <b>INTEREST PAYABLE AND SIMILAR CHARGES<br/>ON TRANSACTIONS WITH CREDIT<br/>INSTITUTIONS</b>   | <b>41.30</b>        | <b>44.34</b>        | <b>42.36</b>        |
| <b>Interest payable - Demand loans and repurchase<br/>agreements</b>                           | -                   | -                   | -                   |
| Interest on ordinary accounts in credit  | -                   | -                   | -                   |
| Interest on overnight loans  | -                   | -                   | -                   |
| Interest on securities delivered under repurchase<br>agreements                                | -                   | -                   | -                   |
| <b>Interest payable – Term loans and repurchase<br/>agreements</b>                             | <b>40.55</b>        | <b>40.55</b>        | <b>40.55</b>        |
| Interest on CDC loan (transfer of debt)  | -                   | -                   | -                   |
| Interest on multi-currency credit  | -                   | -                   | -                   |
| Interest on securities delivered under repurchase<br>agreements                                | -                   | -                   | -                   |
| Interest on private placements   | 40.55               | 40.55               | 40.55               |
| <b>Other interest payable and similar charges</b>  | <b>0.75</b>         | <b>3.79</b>         | <b>1.81</b>         |
| <b>INTEREST PAYABLE AND SIMILAR CHARGES<br/>ON BONDS AND OTHER FIXED<br/>INCOME SECURITIES</b> | <b>2,566.24</b>     | <b>3,014.07</b>     | <b>3,111.97</b>     |
| <b>Interest on debts evidenced by certificates</b>   | <b>2,566.24</b>     | <b>3,014.07</b>     | <b>3,111.97</b>     |
| Interest on negotiable debt instruments denominated in<br>euros                                | 4.40                | 3.82                | 6.54                |
| Interest on negotiable debt instruments denominated in<br>other currencies                     | 19.57               | 142.20              | 137.74              |
| Interest on bonds and equivalent securities<br>denominated in euros                            | 1,938.22            | 2,045.93            | 2,158.13            |
| Interest on bonds and equivalent securities<br>denominated in other currencies                 | 502.35              | 577.19              | 628.94              |
| Other charges on debt evidenced by securities  | 101.70              | 244.93              | 180.62              |
| <b>Other interest payable and similar charges</b>  | -                   | -                   | -                   |
| <b>FEES PAYABLE</b>  | <b>7.97</b>         | <b>22.78</b>        | <b>30.93</b>        |
| Fees on term loans with credit institutions  | 4.95                | 20.28               | 22.50               |
| Fees on negotiable debt instruments issued   | -                   | -                   | -                   |
| Fees on bonds  | 3.00                | 2.47                | 8.39                |
| Other fees on securities transactions  | 0.02                | 0.03                | 0.04                |
| Other fees   | -                   | -                   | -                   |
| <b>TOTAL</b>   | <b>2,615.51</b>     | <b>3,081.19</b>     | <b>3,185.26</b>     |

Interest payable and similar charges on CADES' debt, which amounted to €2,615.51 million, decreased by 15% from 31 December 2018 and consists of:

- Charges amounting to €2,566.24 million in respect of debts;
- Interest amounting to €41.30 million on transactions with credit institutions, consisting of interest on private placements and margin calls; and
- Fees amounting to €7.97 million.

The decrease in interest and similar charges payable compared with 31 December 2018 was related mainly to the decrease in the amount of debt.

**Note 11: Gains and losses on trading securities**

| <b>Period ended (€ millions)</b>                            | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>NET GAIN (LOSS) ON FOREIGN EXCHANGE<br/>TRANSACTIONS</b> | -                           | -                           | -                           |
| Other foreign exchange transactions                         | -                           | -                           | -                           |
| <b>TOTAL</b>  | -                           | -                           | -                           |

In accordance with the requirements of Regulation No. 2014-07 of 26 November 2014 on the presentation of financial statements issued by the French Accounting Standards Authority, gains and losses on instruments used to hedge interest rate and currency risks are reported under interest receivable and similar income or interest payable and similar charges (see Note 9). The net profit on foreign exchange transactions comprises solely gains and losses determined on the periodic measurement of foreign currency accounts that have not been hedged.

**Note 11a: Gains and losses on investment securities and equivalent**

| <b>Period ended (€ millions)</b>                                  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>GAINS (LOSSES) ON INVESTMENT SECURITIES AND<br/>EQUIVALENT</b> | -                           | -                           | -                           |
| Net gain (loss) on investment securities                          | -                           | -                           | -                           |

**Note 11b: Exchange rate gains and losses on management operations**

| <b>Period ended (€ millions)</b>                                   | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>EXCHANGE RATE GAINS AND LOSSES ON<br/>MANAGEMENT OPERATIONS</b> | -                           | -                           | -                           |
| Exchange rate gains on foreign-currency invoices                   | -                           | -                           | -                           |
| Exchange rate losses on foreign-currency invoices                  | -                           | -                           | -                           |

## Other operating income and charges

Other operating income and charges consist mainly of specific income and charges dealt with by Order No. 96-50 of 24 January 1996 (CRDS contributions, CSG, social levies on income from property and investments, payments from the Retirement Reserve Fund, property asset sales and payments to the State and social security funding organisations), general operating charges and depreciation, amortisation and impairment charges on non-current assets.

### **Note 12: CRDS revenues**

The table below details revenue allocated to CADES under Article 6 of Order No. 96-50 of 24 January 1996 after deducting assessment and collection costs and losses on outstanding CRDS contributions (write-offs, waivers, cancellations and debt forgiveness).

| Period ended (€ millions)                                      | 31 December<br>2019 | 31 December<br>2018 | 31 December<br>2017 |
|--|---------------------|---------------------|---------------------|
| <b>NET CRDS REVENUES (Article 6)</b>                           | <b>7,597.14</b>     | <b>7,347.32</b>     | <b>7,168.36</b>     |
| CRDS contributions levied on wages and salaries                | 6,706.69            | 6,487.03            | 6,354.68            |
| CRDS contributions levied on property assets                   | 327.23              | 320.09              | 299.77              |
| CRDS contributions levied on investment income                 | 390.75              | 377.27              | 352.84              |
| CRDS contributions levied on sales of gems and precious metals | 4.91                | 5.77                | 5.36                |
| CRDS contributions on gaming proceeds                          | 167.56              | 157.16              | 155.71              |
| CRDS exemption offsets   | -                   | -                   | -                   |
| <u>(travel vouchers and voluntary community services)</u>      |                     |                     |                     |

CRDS revenues, net of collection costs, amounted to €7,596.14 million.

CRDS levied on wages and salaries (which is mainly collected by ACOSS) represents 88.28% of the total. CRDS collected by the offices of the Directorate General of Public Finances and levied mainly on capital (property and investment income) represented 9.45%. CRDS on gaming profits and the sale of precious metals represented 2.27%.

## Note 12a

The table below provides a breakdown of income and charges relating to the CRDS at 31 December 2019.

| <b>CRDS REVENUES<br/>(€ millions)</b>                                     | <b>(I)</b>      | <b>CRDS COSTS</b>                                      | <b>(II)</b>  | <b>Net revenues<br/>(I-II)</b> |
|---|-----------------|--|--------------|--------------------------------|
| CRDS levied on wages and salaries   | 6,766.26        | Write-offs, waivers, cancellation and debt forgiveness | 25.51        | <b>6,706.69</b>                |
|   |                 | Assessment and collection costs                        | 34.06        |                                |
| CRDS levied on property assets  | 341.29          | Assessment and collection costs                        | 14.06        | <b>327.23</b>                  |
| CRDS levied on investment income  | 392.71          | Assessment and collection costs                        | 1.96         | <b>390.75</b>                  |
| CRDS levied on sales of gems and precious metals                          | 4.93            | Assessment and collection costs                        | 0.02         | <b>4.91</b>                    |
| CRDS levied on gaming proceeds  | 168.40          | Assessment and collection costs                        | 0.84         | <b>167.56</b>                  |
| CRDS exemption offsets (travel vouchers and voluntary community services) | -               |  | -            | -                              |
| Reversal of provisions on outstanding CRDS to be collected                | 0.09            | Provisions on outstanding CRDS to be collected         | 17.01        | <b>16.92</b>                   |
| <b>Total</b>  | <b>7,673.68</b> | <b>Total</b>   | <b>93.46</b> | <b>7,580.22</b>                |

### Note 12.1: CSG revenues

Supplementary social security contributions (*Contribution Sociale Généralisée – CSG*) are a resource allocated to CADES at the rate of 0.60% since 1 January 2016 for CSG on income from employment, unemployment and other similar benefits and on taxable income from property and investments, and at 0.30% for CSG on gaming proceeds.

The tax base is similar to that of the CRDS, with the exception that no contributions are levied on the sale of gems and precious metals.

| <b>Period ended (€ millions)</b>               | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>NET CSG REVENUES (Article 6)</b>            | <b>8,583.37</b>             | <b>8,129.29</b>             | <b>7,943.76</b>             |
| CSG contributions levied on wages and salaries | 7,713.47                    | 7,288.66                    | 7,151.30                    |
| CSG contributions levied on property assets    | 390.58                      | 378.05                      | 359.16                      |
| CSG contributions levied on investment income  | 468.96                      | 452.90                      | 423.73                      |
| CSG contributions on gaming proceeds           | 10.36                       | 9.68                        | 9.57                        |
| CSG exemption offsets                          | -                           | -                           | -                           |

CSG revenues, net of collection costs, amounted to €8,583.37 million.

CSG levied on wages and salaries (which is collected mainly by ACOSS) represents 90% of the total. The remaining CSG is levied on income from investments and from property (10%).

**Note 12.1a**

The table below provides a breakdown of income and charges relating to the CSG at 31 December 2019.

| <b>CSG REVENUES<br/>(€ millions)</b>                      | <b>(I)CSG COSTS</b> | <b>(II)</b>  | <b>Net revenues<br/>(I-II)</b> |                 |
|---|---------------------|--|--------------------------------|-----------------|
|   | 7,777.72            | Write-offs, waivers, cancellation and debt forgiveness | 25.20                          | <b>7,713.47</b> |
| CSG levied on wages and salaries                          |                     | Assessment and collection costs                        | 39.05                          |                 |
| CSG levied on property assets                             | 407.33              | Assessment and collection costs                        | 16.75                          | <b>390.58</b>   |
| CSG levied on investment income                           | 471.32              | Assessment and collection costs                        | 2.36                           | <b>468.96</b>   |
| CSG levied on gaming proceeds                             | 10.41               | Assessment and collection costs                        | 0.05                           | <b>10.36</b>    |
| CSG exemption offsets                                     | -                   |  | -                              | -               |
| Reversal of provisions on outstanding CSG to be collected |                     | -Provisions on outstanding CSG to be collected         | 5.93                           | <b>5.93</b>     |
| <b>TOTAL</b>  | <b>8,666.78</b>     | <b>TOTAL</b>   | <b>89.34</b>                   | <b>8,577.44</b> |

**Note 12.2: Social levies on income from property and investments**

Social levies on income from property and investments were a source of revenue allocated to CADES from 1 January 2011 under Act No. 2010-1594 of 20 December 2010 (pursuant to Articles 245-14 and 245-15 of the Social Security Code). Since 1 January 2016, CADES no longer receives the 1.3% portion of these levies, but an additional 0.12% of CSG.

The following table essentially shows adjustments in 2019 to payments recognised in 2015.

| <b>Period ended (€ millions)</b>      | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>NET REVENUE FROM SOCIAL LEVIES</b> | <b>(0.80)</b>               | <b>(1.89)</b>               | <b>(3.58)</b>               |
| On income from property               | -                           | -                           | -                           |
| On income from investments            | (0.80)                      | (1.89)                      | (3.58)                      |

**Note 12.2a**

The following table shows the breakdown of revenue and costs associated with social levies on income from property and investments recognised in 2019.

| <b>REVENUES FROM SOCIAL LEVIES(I)<br/>(€ millions)</b>        | <b>COSTS RELATING TO SOCIAL<br/>LEVIES</b>             | <b>(II)</b> | <b>Net revenues<br/>(I-II)</b> |
|---|--|-------------|--------------------------------|
| Social levies on income from property -                       | Assessment and collection costs                        | -           | -                              |
|   | Write-offs, waivers, cancellation and debt forgiveness | -           |                                |
| Social levies on income from investments(0.80)                | Assessment and collection costs                        | -           | <b>(0.80)</b>                  |
| Reversal of provisions on outstanding-amounts to be collected | Provisions on outstanding amounts to be collected      | -           | -                              |
| <b>TOTAL</b>  | <b>TOTAL</b>   | -           | <b>(0.80)</b>                  |

### **Note 12.3: Payments by the Retirement Reserve Fund (FRR)**

The Retirement Reserve Fund paid €2.10 billion on 25 April 2019.

| <b>Period ended (€ millions)</b>                | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>REVENUE FROM THE RETIREMENT RESERVE FUND</b> | <b>2,100.00</b>             | <b>2,100.00</b>             | <b>2,100.00</b>             |
| Revenue for the year                            | 2,100.00                    | 2,100.00                    | 2,100.00                    |

### **Note 13: General operating charges**

| <b>Period ended (€ millions)</b>     | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>STAFF COSTS</b>                   | <b>0.98</b>                 | <b>1.08</b>                 | <b>1.09</b>                 |
| Wages and salaries                   | 0.69                        | 0.75                        | 0.79                        |
| Social security charges              | 0.28                        | 0.31                        | 0.30                        |
| Time savings account                 | 0.01                        | 0.02                        | -                           |
| Sundry charges                       | -                           | -                           | -                           |
| <b>OTHER ADMINISTRATIVE EXPENSES</b> | <b>2.35</b>                 | <b>1.83</b>                 | <b>1.69</b>                 |
| Taxes and duties                     | 0.09                        | 0.09                        | 0.10                        |
| External services                    | 2.26                        | 1.74                        | 1.59                        |
| <b>TOTAL</b>                         | <b>3.33</b>                 | <b>2.91</b>                 | <b>2.78</b>                 |

General operating charges correspond to expenditure falling within the scope of the administrative budget. They do not include the acquisition and the amortisation and depreciation of fixed assets (see Note 2). They increased by 14% compared with 31 December 2018, mainly on account of IT developments (change of valuation software).

### **List of staff positions at 31 December 2019**

#### Non-civil servant public sector employees:

- 1 senior front office manager (grade A)
- 1 assistant front office manager (grade A)
- 1 asset and liabilities matching strategist (grade A)
- 1 senior back office manager (grade A)
- 1 assistant back office manager (grade A)
- 1 bilingual executive secretary (grade B)

#### Civil servant employees:

- 1 general office manager (grade A)
- 1 administrative manager (grade A)

CADES has made available non-civil servant public sector employees to AFT since 1 September 2017 and has accordingly paid the corresponding salaries, employer charges and payroll taxes, which have then been reimbursed annually by the Directorate General of the Treasury. In accordance with the terms of the services framework agreement signed on 1 September 2017 by CADES and the DGT, these salaries are then rebilled to CADES. CADES' administrative expenses came to €2.35 million in 2019 and comprised mainly:

- statutory auditors' fees for the statutory audit of the 2019 financial statements in the amount of €48,000;
- operating costs paid directly by the Ministry of the Economy and Finance in respect of activities carried out by AFT on behalf of CADES, in accordance with the financial agreement of 22 November 2018.

**Note 13a: Property assets and property management**

| <b>Period ended (€ millions)</b>    | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>REVENUE FROM PROPERTY ASSETS</b> | <b>0.13</b>                 | <b>0.14</b>                 | <b>0.15</b>                 |
| Exceptional income                  | -                           | 0.01                        | -                           |
| Provisions reversed                 | 0.13                        | 0.13                        | 0.15                        |
| <b>CHARGES ON PROPERTY ASSETS</b>   | <b>-</b>                    | <b>0.02</b>                 | <b>0.09</b>                 |
| External services                   | -                           | 0.02                        | 0.01                        |
| Exceptional charges                 | -                           | -                           | 0.08                        |

All the properties transferred to CADES on 1 January 2000 were sold over the next three years. Since 2007, CADES has managed the run-off of the last properties, in particular the related disputes.

**Note 14: Other non-banking operating charges**

| <b>Period ended (€ millions)</b> | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Payments to the State            | -                           | -                           | -                           |
| Provision for sundry liabilities | -                           | -                           | -                           |
| Ruyter judgment                  | 2.30                        | 1.57                        | -                           |
| Reduction of CSG and CRDS income | -                           | -                           | -                           |
| <b>TOTAL</b>                     | <b>2.30</b>                 | <b>1.57</b>                 | <b>-</b>                    |

In the Judgment of 26 February 2015, the European Court of Justice confirmed the non-taxability of property income received in France by tax non-residents, and granted them entitlement to the full reimbursement of sums unduly deducted since 2012 in respect of CRDS, CSG and social levies. In 2019, the provision for the related liability amounted to €2.30 million.

**Note 14a: Other operating income**

| <b>Period ended (€ millions)</b>                     | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Other reversals of provisions for sundry charges     | 0.25                        | -                           | -                           |
| Other reversals of provisions for sundry liabilities | 2.92                        | 7.41                        | 7.17                        |
| Ruyter judgment                                      | -                           | -                           | -                           |
| <b>TOTAL</b>   | <b>3.17</b>                 | <b>7.41</b>                 | <b>7.17</b>                 |

**Note 15: Exceptional income and charges**

| <b>Period ended (€ millions)</b>                     | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Statutory limitation of debt – administrative budget | -                           | 0.01                        | 0.01                        |
| Statutory limitation of debt – financing budget      | -                           | -                           | 0.09                        |
| Other exceptional income (impact of ACOSS changes)   | -                           | -                           | -                           |
| Other exceptional charges (impact of ACOSS changes)  | -                           | -                           | -                           |
| Other exceptional charges Other exceptional income   | 0.01                        | (0.04)                      | -                           |
| <b>TOTAL</b>   | <b>0.01</b>                 | <b>(0.03)</b>               | <b>0.10</b>                 |



## OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments distinguish between commitments given and commitments received and are analysed between loan commitments, guarantee obligations and guarantees on securities. Certain commitments are not recorded on the face of the accounts, being commitments in respect of currency transactions and forward financial instruments. Information regarding these commitments is provided in Notes 16 and 17 below.

### Note 16: Currency transactions

| 31 December 2019                                | 30 December 2018          | 31 December 2017 |                         |                           |                            |                           |                            |
|---|---------------------------|------------------|-------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| At (€ millions)                                 | Currencies to be received |                  | Currencies to delivered | Currencies be to received | Currencies be to delivered | Currencies be to received | Currencies to be delivered |
| <b>FORWARD TRANSACTIONS</b>                     | <b>18,937.76</b>          |                  | -                       | <b>24,707.79</b>          | -                          | <b>38,652.33</b>          | -                          |
| Financing in foreign currency                   |                           |                  |                         |                           |                            |                           |                            |
| Hedging transactions over the counter           |                           |                  |                         |                           |                            |                           |                            |
| <b>Forward exchange against euros</b>           | <b>133.73</b>             | -                | -                       |                           | -                          | <b>7,205.87</b>           | -                          |
| Up to 1 year                                    | 133.73                    | -                | -                       |                           | -                          | 7,205.87                  | -                          |
| From 1 to 5 years                               | -                         | -                | -                       |                           | -                          |                           | -                          |
| Over 5 years                                    | -                         | -                | -                       |                           | -                          |                           | -                          |
| <b>Currency swaps against euros</b>             | <b>18,804.03</b>          | -                |                         | <b>24,707.79</b>          | -                          | <b>31,446.46</b>          | -                          |
| Up to 1 year                                    | 6,453.62                  | -                |                         | 6,255.56                  | -                          | 9,394.40                  | -                          |
| From 1 to 5 years                               | 11,383.84                 | -                |                         | 14,788.73                 | -                          | 17,846.62                 | -                          |
| Over 5 years                                    | 966.57                    | -                |                         | 3,663.50                  | -                          | 4,205.44                  | -                          |
|   |                           |                  |                         |                           |                            |                           |                            |
| <b>FORWARD TRANSACTIONS</b>                     |                           |                  |                         |                           |                            |                           |                            |
| Foreign currency financing commitments received |                           |                  | -                       | -                         | -                          | -                         | -                          |
| Hedging transactions over the counter           |                           |                  |                         |                           |                            |                           |                            |
| <b>Forward exchange against euros</b>           |                           |                  | -                       | -                         | -                          | -                         | -                          |
| Up to 1 year                                    |                           |                  | -                       | -                         | -                          | -                         | -                          |
| From 1 to 5 years                               |                           |                  | -                       | -                         | -                          | -                         | -                          |
| <b>Currency swaps against euros</b>             |                           |                  | -                       | -                         | -                          | -                         | -                          |
| Up to 1 year                                    |                           |                  | -                       | -                         | -                          | -                         | -                          |
| From 1 to 5 years                               |                           |                  | -                       | -                         | -                          | -                         | -                          |
| Over 5 years                                    |                           |                  | -                       | -                         | -                          | -                         | -                          |

Forward exchange contracts against euro correspond to forward purchases entered into for the purpose of hedging commercial paper denominated in foreign currencies. Forward exchange outstandings at 31 December 2019 came to €133.73 million.

The decrease in currency swap outstandings against euro is attributable to the decrease in foreign currency issue outstandings, no issue of this type having been made in 2019.

**Note 17: Forward financial instruments**

| <b>At<br/>(€ millions)</b>                                 | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>INTEREST RATE INSTRUMENTS</b>                           |                             |                             |                             |
| <b>Organised markets and equivalents</b>                   |                             |                             |                             |
| Firm transactions entered into for hedging purposes        | -                           | -                           | -                           |
| Euro Bobl futures contracts (5 years)                      | -                           | -                           | -                           |
| Euro Bund futures contracts (10 years)                     | -                           | -                           | -                           |
| Other firm transactions                                    | -                           | -                           | -                           |
| Options entered into for hedging purposes                  | -                           | -                           | -                           |
| Other options  | -                           | -                           | -                           |
| <b>Over the counter</b>                                    | <b>13,310.67</b>            | <b>13,310.67</b>            | <b>5,423.23</b>             |
| <b>Firm transactions entered into for hedging purposes</b> |                             |                             |                             |
| Interest rate swaps in euro                                | <b>13,310.67</b>            | <b>13,310.67</b>            | <b>5,423.23</b>             |
| Micro hedging  | 13,310.67                   | 13,310.67                   | 5,423.23                    |
| - Up to 1 year   | 200.00                      | -                           | 279.84                      |
| - From 1 to 5 years  | <b>10,799.34</b>            | 8,220.17                    | 1,250.00                    |
| - Over 5 years   | 2,311.33                    | 5,090.50                    | 3,893.39                    |

At 31 December 2019, interest rate instruments entered into by CADES comprised swaps amounting to €13,310.67 million entered into for micro hedging purposes.

**Note 18: Other off-balance sheet commitments**

| <b>At<br/>(€ millions)</b>   | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>FINANCING COMMITMENTS</b>   |                             |                             |                             |
| <b>Commitments received</b>  |                             |                             |                             |
| <b>From credit institutions</b>  |                             |                             |                             |
| - Back-up credit lines   | 1,200.00                    | 700.00                      | 700.00                      |
| - Multi-currency credit lines  | -                           | -                           | -                           |
| - Credit lines in treasury bills   | -                           | -                           | -                           |
| - Other credit lines   | -                           | -                           | -                           |
| <b>Sundry</b>  |                             |                             |                             |
| - Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )                       | 10,500.00                   | 12,600.00                   | 14,700.00                   |
| - Borrowings   | -                           | -                           | -                           |
| - Commercial paper and securities lent under repurchase agreements                             | -                           | -                           | -                           |
| <b>Commitments given</b>   |                             |                             |                             |
| Payments to the State  | -                           | -                           | -                           |
| Payments to social security agencies   | -                           | -                           | -                           |
| - Assumption of debt provided for by the 2019 Social Security Finance Act                      | -                           | 15,000                      | -                           |
| Financing commitments given under repurchase agreements, currency purchases and treasury bills | -                           | -                           | -                           |

Commitments received consist of:

Five activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €1.2 billion and cancellable by the counterparties at 15 to 30 days' notice; and

A total of €10.50 billion in payments from the Retirement Reserve Fund, corresponding to the annual payments of €2.10 billion for the period from 2018 to 2024, pursuant to the 2011 Social Security Funding Act No. 2010- 1594 of 20 December 2010.

## Note 19: Abridged statements

### BALANCE SHEET

| <b>At</b>  | <b>31 December 2019</b> |
|--|-------------------------|
| <b>(€ millions)</b>  |                         |
| <b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD FROM 1 JANUARY 2019</b> | <b>(105,527.00)</b>     |
| <b>PROFIT FOR THE YEAR ENDED 31 DECEMBER 2019</b>                  | <b>16,252.99</b>        |
| <b>PROPERTY ENDOWMENT</b>  | <b>181.22</b>           |
| <b>DEBT REMAINING TO BE REPAID AT 31 DECEMBER 2019</b>             | <b>(89,092.79)</b>      |
| <b>Represented by:</b>   |                         |
| Liabilities towards third parties                                  |                         |
| - Borrowings falling due within 1 year                             | 21,370.54               |
| - Borrowings falling due after 1 year                              | 71,678.34               |
| - Other creditors, accruals and unearned income                    | 2,028.83                |
| Less assets held by CADES  |                         |
| - Financial investments  | 3,056.66                |
| - Other debtors, prepayments and accrued income                    | 2,928.26                |

### PROFIT AND LOSS ACCOUNT

| <b>Period ended (€ millions)</b>                      | <b>31 December 2019</b> |
|---|-------------------------|
| <b>NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES</b>   | <b>16,159.77</b>        |
| <b>ESTIMATION CHANGES AND ERROR ADJUSTMENTS</b>       | <b>-</b>                |
| <b>NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)</b> | <b>2,100.00</b>         |
| <b>NET REVENUE FROM PROPERTY</b>                      | <b>0.13</b>             |
| Interest payable and similar charges                  | (2,607.54)              |
| Fees  | (7.98)                  |
| Interest receivable and similar income                | 613.98                  |
| <b>NET FINANCIAL CHARGES</b>                          | <b>(2,001.55)</b>       |
| <b>Operating charges</b>                              | <b>(3.08)</b>           |
| <b>OPERATING PROFIT</b>                               | <b>16,255.28</b>        |
| Provision for sundry liabilities                      | (2.30)                  |
| Exceptional income (charges)                          | 0.01                    |
| <b>NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2019</b> | <b>16,252.99</b>        |

## OTHER INFORMATION

The table below provides information on market value, comparing the debt at repayment value as at 31 December 2019 with the debt at market value.

Debt at repayment value as at closing date comprises the following elements:

- a. The nominal value of fixed rate, variable rate and adjustable rate borrowings in euros.
- b. The nominal value of the fixed rate, variable rate and adjustable rate euro legs of basis swaps representing perfect transformation of foreign currency-denominated borrowings into euro-denominated borrowings.
- c. The accrued nominal value of inflation indexed bonds as at 31 December 2019.
- d. Interest accrued but not yet due is excluded from debt at repayment value.

Debt at repayment value at maturity comprises the following elements:

- a. The nominal value of fixed rate, variable rate and adjustable rate borrowings in euro.
- b. The nominal value of the fixed rate, variable rate and adjustable rate euro legs of swaps representing perfect transformation of foreign currency-denominated borrowings into euro-denominated borrowings.
- c. The projected nominal value at maturity of inflation indexed bonds.
- d. The market value of swaps used for macro hedging.

Debt at market value comprises the following elements:

- a. The value of the fixed rate bonds and inflation indexed bonds based on the average market price on 31 December 2019.
- b. The value of unlisted securities issued by CADES obtained using the CADES zero-coupon curve as at 31 December 2019. Options embedded in certain of these securities are valued using an internal model based on standard valuation software developed and marketed by an independent service provider.
- c. The value of derivatives used to transform part of the debt through micro hedging. Options embedded in certain of these instruments are valued using the same internal model.
- d. The value of derivatives used for macro hedging.
- e. The present value at 31 December 2019 of collateral, repurchase agreements and bank balances.

| (in millions of euros) | DEBT AT REPAYMENT VALUE |                     | DEBT AT MARKET VALUE | MARKET VALUE OF HEDGING TRANSACTIONS |
|------------------------|-------------------------|---------------------|----------------------|--------------------------------------|
|                        | At maturity             | At 31 December 2019 | At 31 December 2019  | At 31 December 2019                  |
| UP TO 1 YEAR           | 18,260.30               | 18,260.30           | 18,633.17            | 168.70                               |
| FROM 1 TO 5 YEARS      | 61,896.22               | 61,692.47           | 66,157.47            | 810.88                               |
| OVER 5 YEARS           | 9,542.83                | 9,542.83            | 11,605.83            | (172.16)                             |
| SWAPS                  | -                       | -                   | -                    | -                                    |
| <b>TOTAL</b>           | <b>89,699.35</b>        | <b>89,495.60</b>    | <b>96,396.47</b>     | <b>807.42</b>                        |
| REVISABLE RATES        | 5,410.30                | 5,410.30            | 5,404.81             | 175.05                               |
| INDEXED RATES          | 7,236.18                | 7,032.43            | 7,678.85             | -                                    |
| FIXED RATES            | 77,052.86               | 77,052.86           | 83,312.81            | 632.37                               |
| SWAPS                  | -                       | -                   | -                    | -                                    |
| <b>TOTAL</b>           | <b>89,699.35</b>        | <b>89,495.60</b>    | <b>96,396.47</b>     | <b>807.42</b>                        |

Compared with the previous financial year, at 31 December 2019 there had been an increase in the proportion of short- and medium-term debt and a decrease in that of long-term debt, as shown by the table below:

| DEBT                      | At 31 December 2019 | At 31 December 2018 | At 31 December 2017 |
|---------------------------|---------------------|---------------------|---------------------|
| Short-term (under 1 year) | 20.40%              | 16.36%              | 13.23%              |
| Medium-term               | 68.93%              | 60.59%              | 58.32%              |
| Long-term (over 5 years)  | 10.66%              | 23.04%              | 28.45%              |

As regards the breakdown between issues denominated in euro and other currencies, in the year ended 31 December 2019 the proportion of euro-denominated debt increased slightly from 31 December 2018, as shown by the table below:

| DEBT                  | At 31 December 2019 | At 31 December 2018 | At 31 December 2017 |
|-----------------------|---------------------|---------------------|---------------------|
| In foreign currencies | 20.06%              | 22.88%              | 31.81%              |
| In euros              | 79.94%              | 77.12%              | 68.19%              |

Lastly, the post-hedging book-value-debt breakdown relative to 31 December 2018 below shows an increase in the proportion of fixed rate issues and a continued decrease in that of revisable and indexed rate issues:

| DEBT           | At 31 December 2019 | At 31 December 2018 | At 31 December 2017 |
|----------------|---------------------|---------------------|---------------------|
| Revisable rate | 6.05%               | 11.25%              | 28.11%              |
| Indexed rate   | 7.86%               | 9.31%               | 7.99%               |
| Fixed rate     | 86.10%              | 79.44%              | 63.90%              |

Explanation of variances between market value and repayment value of debt:

The difference between the market value of the debt and its repayment value is explained by the following factors:

- The market value of fixed rate loans increased because of the decline in interest rates;
- Market value factors in the present value of future coupons whereas the repayment value excludes coupons; and
- Gains and losses on macro hedging swaps impact market value one way or the other.

The above information covers a significant part of CADES' main activity, which is to repay in the best possible conditions the debt it raises on the financial markets.

## **POST-BALANCE SHEET DATE EVENTS**

The COVID-19 epidemic creates an uncertain situation for CADES, which has accordingly deployed all available resources to maintain its activities in the context of this health crisis and taken the necessary measures to protect the health of its employees and other stakeholders.

CADES has striven in particular to implement the most appropriate measures and initiatives needed to pursue its business, in accordance with government decisions. It will fully maintain and apply its internal control and IT security procedures throughout the crisis. The solutions it has introduced meet all requirements as regards procedural security and transaction reliability.

This event occurred after the end of the 2019 financial year, has no direct relation to any situation prevailing at the year-end and has no impact on the financial statements for the year ended 31 December 2019.

However, given the pandemic's impact, at the date of the Board of Directors' approval of the 2019 financial statements CADES believes that this health crisis could have a negative impact on the amount of resources allocated to it in respect of 2020. At the same time, it is not aware of any material uncertainty that could call into question its mission of amortising the social security debt transferred to it.

Nevertheless, uncertainty persists as to how long the epidemic will last and what its impact on CADES will be; this impact will become easier to gauge as the situation evolves.



## RESPONSIBILITY FOR PROSPECTUS SUPPLEMENT

### Individual assuming responsibility for the Prospectus Supplement

#### In the name of the Issuer

I declare, having taken all reasonable measures for this purpose, that the information contained in this Supplement is true to my knowledge and there has been no omission of material facts.

#### Caisse d'Amortissement de la Dette Sociale represented by the Agence France Trésor

139 rue de Bercy  
75012 Paris  
France

*Directeur général*

Anthony REQUIN

In Paris, on 29 April 2020



#### *Autorité des marchés financiers*

In accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement général*) of the *Autorité des marchés financiers* (“AMF”), in particular articles 212-31 to 212-33, the AMF has granted to this Supplement the visa n°20-169 on 29 April 2020. This document was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "*whether the document is complete and comprehensible, and whether the information it contains is coherent*". It does not imply any approval of the opportunity of the operation or authentication of the accounting and financial data set out in it. In accordance with article 212-32 of the AMF's General Regulations, any issue or admission of the securities under the terms of the Base Prospectus, as supplemented, will lead to a publication of the final terms.