

CONTENTS

General Information	page 2
Financial Highlights	page 6
Balance Sheet	page 7
Profit and Loss Account	page 8
Cash Flow Statement	page 9
Off-Balance Sheet Commitments	page 10
Notes to the Financial Statements	page 11
Other Information: market and repayment value of net debt	page 41
Signatures	page 44

GENERAL INFORMATION

1. MISSION STATEMENT

Order No. 96-50 dated 24 January 1996¹ established the Social Security Debt Repayment Fund (*Caisse d'Amortissement de la Dette Sociale – CADES*) on 1 January 1996. CADES is an administrative public agency (*Etablissement Public à Caractère Administratif – EPA*) supervised by the French Minister of the Economy and Finance and the Minister in charge of Social Security.

CADES' mission is to:

- Amortize the social security debt transferred to it, i.e. the cumulative deficits of the Central Agency of Social Security Bodies (*Agence Centrale des Organismes de Sécurité Sociale – ACOSS*); and
- Make payments to various social security funds and organisations.

CADES' mandate has been extended beyond 31 January 2014 as decided initially to until such date as the social security debt transferred to it has been fully extinguished.

In the furtherance of its mission, CADES receives the proceeds of a special tax known as the social security debt repayment contribution (*Contribution pour le Remboursement de la Dette Sociale – CRDS*), introduced in Chapter 2 of the aforementioned Order. It also received the proceeds from the sale of property assets owned and leased by the national agencies falling under the basic social security scheme and ACOSS.

Since 2009, a 0.2% portion of the supplementary social security contribution (*Contribution Sociale Généralisée – CSG*) had been paid to CADES. From 2011 this portion was increased to 0.48% for CSG on all taxable employment income, unemployment and similar benefits, income from property and investments; and to 0.28% for profits from gaming.

Starting in 2011, two new resources have been allocated to CADES:

- a 1.3% share of the social levies on income from property and investments;
- an annual payment of €2.1 billion from the Retirement Reserve Fund (*Fonds de Réserve pour les Retraites – FRR*) until 2024 inclusive.

As of 1 January 2016, the portion of the CSG allocated to CADES increased:

- from 0.48% to 0.60% on all taxable employment income, unemployment and similar benefits, and income from property and investments, replacing the payment of 1.3% of social levies on income from property and investments;
- from 0.28% to 0.30% on profits from gaming.

CADES is authorised to borrow funds, in particular via public offerings and the issuance of negotiable debt securities.

Moreover, CADES benefits from repayments of receivables from foreign social security agencies to the national health insurance fund for salaried workers (*Caisse Nationale d'Assurance Maladie– CNAM*).

Lastly, in accordance with Act No. 2004-810 of 13 August 2004, any future surpluses generated by the health insurance branch of the French social security system will be allocated to CADES. The Social Security Finance Act will define the terms under which this transfer will take place.

¹ As modified by Social Security Finance Act No. 97-1164 of 19 December 1997, Act No. 98-1194 of 23 December 1998, the 2000, 2001, 2002, 2004 and 2006 Finance Acts, the 2002, 2003, 2004, 2006, 2008, 2010 and 2013 Social Security Finance Acts, Act No. 2001-152 of 19 February 2001 relating to employee savings, Act No. 2003-721 of 1 August 2003 relating to economic initiative, Act No. 2004-810 of 13 August 2004 relating to health insurance, Organic Law No. 2005-881 of 2 August 2005, Act No. 2005-1720 of 30 December 2005, Act No. 2006-437 of 14 April 2006, Act No. 2008-1249 of 1 December 2008, Order No. 2009-80 of 22 January 2009, Act No. 2009-1646 of 24 December 2009, Act No. 2010-476 of 12 May 2010, Organic Law No. 2010-1380 of 13 November 2010, Act No. 2010-1594 of 20 December 2010, Act No. 2010-1657 of 29 December 2010, Act No. 2010-1658 of 29 December 2010, Act No. 2011-900 of 29 July 2011, Act No. 2011-1906 of 21 December 2011, Act No. 2012-354 of 14 March 2012, Act No. 2012-958 of 16 August 2012, Act No. 2014-40 of 20 January 2014, Act No. 2014-1554 of 22 December 2014, Act No. 2014-1655 of 29 December 2014, Act No. 2015-994 of 17 August 2015, Act No. 2015-1702 of 21 December 2015, Order No. 2018-470 of 12 June 2018, Act No. 2018-699 of 3 August 2018 and Act No. 2018-1203 of 22 December 2018.

2. ORGANIZATION OF THE AGENCY

CADES is overseen by a Board of Directors and a Supervisory Board.

The composition of the Board of Directors was altered by Decree No. 2011-458 of 26 April 2011, Act No. 2018-699 of 3 August 2018 and Order No. 2018-470 of 12 June 2018. It now comprises a majority of representatives of social security bodies, whereas it was previously composed solely of government representatives.

It is governed by the provisions of Decree No. 2012-1246 dated 7 November 2012 relating to public budget and accounting management (GBCP), subject to the legal provisions and regulations specific to CADES (aforementioned Order of 24 January 1996, and Decree No. 96-353 dated 24 April 1996).

Pursuant to these provisions, financial and accounting transactions fall under the responsibility of Mr. Jean-Louis Rey, the Authorising Officer of CADES and Chairman of the Board of Directors, appointed as from 15 May 2017, and the Accounting Officer Mrs. Christine Buhl, Finance ministry budgetary and accounting auditor.

Decree No. 2015-1764 of 24 December 2015 relating to the application of public budget and accounting management rules to the Public Debt Fund (*Caisse de la dette publique* - CDP) and the Social Security Debt Repayment Fund (*Caisse d'amortissement de la dette sociale* - CADES) exempts CADES from the application of budgetary accounting in commitment authorisations and limited payment appropriations, and from submission to budgetary audit procedures, as of 1 January 2016.

CADES' annual budget is drawn up by 30 November of the previous year by the Board of Directors and sent to the ministers who supervise the agency.

Financing is limited to appropriated funds, excluding expenses related to the repayment of loans, financial management costs, and assessment and collection charges.

The Board of Directors reviews and signs off the accounts drawn up by the Accounting Officer. The annual financial statements are forwarded to the supervisory ministers for approval, prior to submission to the Government Audit Office (*Cour des Comptes*).

Accounting procedures and principles are subject to a contractual, independent audit and audits carried out by the Government Audit Office.

On 1 September 2017, CADES signed an agency agreement with Agence France Trésor (AFT), representing the State, entrusting it with operational responsibility for its financing activities and managing social security debt repayment. Under this agreement, CADES makes its contractual employees available to AFT. On 22 November 2018, the General Treasury Department (DGT) and CADES signed an agreement setting the conditions for determining the remuneration by CADES of the DGT's services in respect of the activities that AFT carries out under the agency agreement.

The terms of this merger provide that CADES and AFT remain distinct, independent legal entities, debts remain separate and the State's and CADES' respective financing programmes continue unchanged.

CADES' accounting will also remain separate from that of AFT. In an internal memorandum of 5 June 2018, the State accounting department reaffirmed that transactions that AFT carries out on behalf of CADES will not be reproduced in AFT's financial statements but will continue to be recorded in those of CADES.

Accounting transactions are recorded by CADES in an information system managed using software that is shared by the Authorising Officer and the Accounting Officer. The system is networked and features a single database. Authorisations for displaying and processing data have been clearly defined so as to ensure the separation of duties between the Authorising Officer and the Accounting Officer.

3. GENERAL PROVISIONS FOR RECORDING ACCOUNTING AND FINANCIAL TRANSACTIONS

Accounting framework

Article 7 of Decree No. 96-353 of 24 April 1996, relating to CADES, calls for the adoption of a special chart of accounts drawn up in accordance with the standard chart of accounts for administrative public agencies (Instruction M 9-1 from the Public Finances Directorate, replaced by the public agencies' common nomenclature since 1 January 2016).

This chart of accounts being modelled on the general chart of accounts, it was found to be poorly suited to CADES' activity. Consequently, the Board of Directors decided on 10 October 1996 to adopt the chart of accounts used by credit institutions (PCEC).

Consequently, both the transactions and the annual financial statements submitted by the Accounting Officer are presented in accordance with standards specific to credit institutions. In addition, separate financial statements are drawn up in accordance with the regulatory standards of public agencies, for submission to audit organisations.

This specific accounting framework was recommended by an independent consulting firm and approved by the Authorising Officer, the Accounting Officer, the General Directorate of Public Accounting (now the DGFIP) and the French Accounting Standards Board (*Conseil National de la Comptabilité – CNC*) (Opinion No. 99-04, plenary session of 18 March 1999).

Transactions executed by the Accounting Officer

Transactions executed by CADES' Accounting Officer differ from those traditionally executed by Accounting Officers at other administrative public agencies.

Due to CADES' status as a market participant, specific structures have been set up in conformity with the agency's mission. For example, financing transactions are distinguished from administrative transactions.

1. Financing transactions

The administrative workflow of financing transactions reflects the existence of Front Office, Middle Office and Back Office services.

The Front Office is responsible for transactions in the financial, interest rate and currency markets, in accordance with defined limits and procedures. These routine transactions relate to financing, investment and the management of interest rate and foreign exchange exposures.

A sequentially numbered ticket is issued for each transaction, describing its main features, and validated by the Front Office. The Back Office then verifies and validates the ticket before forwarding it to the Accounting Officer.

The Middle Office gathers information on cash positions, draws up forecasts, provides repayment schedules, and performs a first-level plausibility check of Front Office transactions.

The Back Office records and validates the transactions processed by the Front Office after verifying that formal presentation and threshold requirements are met. The Back Office monitors risk, produces reports and liaises with the Accounting Departments.

The Accounting Officer then records transaction tickets as income or expenses.

2. Administrative transactions

Performance of the administrative section of the budget is done in compliance with the provisions of the Decree No. 2012-1246 dated 7 November 2012 relating to public budget and accounting management (GBCP), subject to the provisions of the aforementioned Decree No. 2015-1764. Administrative expenses are evidenced by payment orders and income by receipt orders, accompanied by the appropriate supporting vouchers and documents.

After due completion of the control procedures described in Articles 19 and 20 relating to the aforementioned GBCP, items of expenditure and income are recognised in the accounts and the amounts are paid or collected.

3. Cash movements

CADES has opened a euro-denominated deposit account in the books of SCBCM Finances that is listed in the register of government accounts.

In the books of CADES, entries to the debit of this account record expenses falling within the administrative budget. Only the Accounting Officer may authorize these payments. Since 1 January 2014 entries to the credit of this account record solely revenue from CRDS levies on sales of gems and precious metals paid over by the Public Finances Directorate network. This takes the form of daily transfers from the Public Finances Directorate departmental (DDFIP) and regional (DRFIP) offices.

Since 1 September 2005, CADES has had its own remunerated account with the Banque de France that is distinct from the dedicated Treasury account. Movements to this account comprise all euro-denominated financial transactions completed by CADES and all CRDS and CSG revenue paid over by ACOSS. Once again, only the Accounting Officer may authorize expenditures.

The balance on the deposit account is transferred to CADES' own account at the end of each month.

In addition, CADES has opened foreign currency accounts with foreign financial institutions in New York and London.

These are intended to be zero-balance accounts. They record all transactions related to CADES issues in currencies other than the euro and their transformation into euro-denominated structures on the international markets.

Due to management constraints attributable primarily to the time lag between the European, Asian, American and Australian markets, CADES has been dispensed from applying the provision of the decree relating to the GBCP, which states that only public accounting officers may authorize transactions affecting the financial accounts. Accordingly, solely the Authorising Officer's Back Office carries out the movements on CADES' foreign currency accounts.

FINANCIAL HIGHLIGHTS

NET DEBT AT REPAYMENT VALUE (€ millions)

At 31 December 2018	105,801
At 31 December 2017	120,941
At 31 December 2016	135,694

Period ended	31 December 2018	31 December 2017	31 December 2016
NET PROFIT	15,444	15,044	14,426
Primarily reflecting the following items:			
CRDS and CSG revenue	15,551	15,106	14,662
Social levies on income from property and investments net of expenses	2	1	-3
Retirement Reserve Fund (<i>Fonds de Réserve pour les Retraites – FRR</i>)	2,100	2,100	2,100
Estimation changes and error adjustments	-	-	-
Interest expenses	-2,207	-2,160	-2,330
General operating charges	-3	-3	-3

The table above distinguishes between interest expenses and general operating charges.

BALANCE SHEET

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
ASSETS			
Cash in hand, balances with central banks and post office banks (Note 1)	2,263.29	3,174.15	1,636.81
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	-	1,000.00	4,000.00
Loans and advances to credit institutions (Note 1)			
- Repayable at sight	0.21	0.05	0.03
- Repayable at term	-	-	-
Intangible assets (Note 2)	-	-	-
Tangible assets (Note 2)	-	0.06	0.08
Other assets (Note 3)	450.32	1,243.91	167.13
Prepayments and accrued income (Note 4)	2,364.06	1,980.09	6,824.83
TOTAL ASSETS	5,077.88	7,398.26	12,628.88
LIABILITIES & RESERVES			
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	265.17	7,521.51	14,093.80
- Bonds and similar instruments	107,694.03	117,155.77	126,673.50
- Other debts evidenced by securities	-	-	-
Other liabilities (Note 7)	447.61	220.30	5,329.78
Accruals and deferred income (Note 8)	933.32	2,173.59	1,263.56
Sub-total – Liabilities	110,343.49	128,074.55	148,364.01
Provisions (Note 8a)	80.17	113.26	98.40
Property endowment	181.22	181.22	181.22
Retained earnings	(120,970.77)	(136,014.76)	(150,441.15)
Profit for the period	15,443.77	15,043.99	14,426.39
Sub-total – Reserves	(105,345.78)	(120,789.54)	(135,833.53)
TOTAL LIABILITIES AND RESERVES	5,077.88	7,398.26	12,628.88

PROFIT AND LOSS ACCOUNT

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
Interest receivable and similar income (Note 9)	874.54	1,024.97	1,086.12
- From transactions with credit institutions	188.81	225.32	160.33
- From bonds and other fixed income securities	-	-	-
- Other interest receivable and similar income	685.73	799.65	925.79
Interest payable and similar charges (Note 10)	(3,058.41)	(3,154.33)	(3,378.43)
- On transactions with credit institutions	(44.34)	(42.36)	(40.79)
- On bonds and other fixed income securities	(3,014.07)	(3,111.97)	(3,337.64)
Fees payable (Note 10)	(22.78)	(30.93)	(37.66)
Gains and losses on trading securities (Note 11)	-	-	-
- Net profit (loss) on foreign exchange transactions	-	-	-
Gains and losses on investment securities (Note 11a)	-	-	-
- Net profit (loss) on investment securities	-	-	-
Exchange rate gains and losses on management operations (Note 11b)	-	-	-
Other operating income – banking	-	-	-
Other operating charges – banking	(0.02)	(0.02)	(0.02)
NET BANKING INCOME	(2,206.67)	(2,160.30)	(2,329.99)
General operating charges (Note 13)	(2.91)	(2.78)	(2.92)
- Staff costs	(1.08)	(1.09)	(1.11)
- Other administrative expenses	(1.83)	(1.69)	(1.81)
Depreciation and impairment provisions (intangible and tangible assets)	(0.01)	(0.02)	(0.02)
Other operating income	17,816.86	17,380.97	16,933.24
- Income relating to CRDS and CSG (Notes 12a and 12.1a)	15,631.70	15,262.46	14,811.43
- Income relating to social levies on income from property and investments (Note 12.2a)	(1.90)	(3.60)	(15.28)
- Income from 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)	0.14	0.15	0.20
- Provisions reversed for receivables (Notes 12a and 12.1a)	79.50	14.79	14.90
- Other provisions reversed for receivables	7.41	7.17	21.99
Other operating charges	(163.47)	(173.98)	(173.95)
- Charges relating to CRDS and CSG (Notes 12a and 12.1a)	(155.10)	(150.34)	(150.72)
- Charges relating to social levies on income from property and investments (Note 12.2a)	0.01	0.02	(0.58)
- Payments to the State (Note 14)	-	-	-
- Provision for sundry liabilities (Note 14)	(1.57)	-	-
- Provision for receivables (Notes 12a, 12.1a and 12.2a)	(6.79)	(23.57)	(22.65)
- Charges related to property (Note 13a)	(0.02)	(0.09)	-
GROSS OPERATING PROFIT	15,443.80	15,043.89	14,426.36
OPERATING PROFIT	15,443.80	15,043.89	14,426.36
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	15,443.80	15,043.89	14,426.36
- Exceptional income (Note 15)	(0.03)	0.10	0.03
NET PROFIT FOR THE PERIOD	15,443.77	15,043.99	14,426.39

CASH FLOW STATEMENT

Cash flow (€ millions)	Period ended	31 December 2018	31 December 2017	31 December 2016
Net banking income		(2,207)	(2,160)	(2,330)
Inflation premiums		188	118	42
Provisions for financial instruments		-	-	-
Amortisation of premiums and balancing payments		(47)	(51)	64
Change in accrued interest		4	(96)	320
Net cash from (used in) banking activities	(A)	(2,063)	(2,189)	(2,672)
Net operating income		17,650	17,204	16,756
(Increase) decrease in accrued income from CRDS and CSG		(131)	(93)	79
(Increase)/decrease in accruals on social levies		-	-	3
(Increase)/decrease in deferred expenses		(49)	(28)	10
Unearned income		-	-	-
Provisions – sundry allocations or reversals		(33)	15	22
Net cash from (used in) operating activities	(B)	17,437	17,098	16,668
Net cash from (used in) banking and operating activities	(C=A+B)	15,374	14,909	13,996
Net cash from (used in) financing activities	(D)	(17,285)	(16,371)	3,464
Debt assumed	(E)	-	-	(23,609)
Net cash flow for the year	(C+D+E)	(1,911)	(1,463)	(6,149)

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 (€ millions) (notes 16-18)	31 December 2018	31 December 2017	31 December 2016
COMMITMENTS GIVEN (note 18)			
Financing commitments			
Payments to various social security bodies (Article 4.IV of Order 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	-	-	-
COMMITMENTS RECEIVED (note 18)			
Financing commitments			
- From credit institutions: credit lines	700.00	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>)	12,600.00	14,700.00	16,800.00

NOTES TO THE FINANCIAL STATEMENTS

HIGHLIGHTS OF THE YEAR ENDED 31 DECEMBER 2018

- **Social security debts assumed**

No assumption of social security debt was carried out in 2018. The 2019 Social Security Finance Act No. 2018-1203 of 22 December 2018 provided for the transfer to CADES from 2020 to 2022 of €15 billion of ACOSS' residual cumulative debt. This amount was recognised off-balance sheet under commitments given. The Act increases the resources allocated to CADES in the future, raising the portion of CSG allocated to CADES from 0.60% to 0.71% in 2020, from 0.71% to 0.83% in 2021 and to 0.93% in 2022.

- **Financing transactions**

Issues (excluding commercial paper)

CADES borrowed €2.88 billion:

- one new issue under the UK programme in USD for an amount of €1.63 billion;
- two new issues under the French programme in EUR for an amount of €1.25 billion.

Redemptions (excluding commercial paper)

CADES reimbursed €13.84 billion at maturity:

- seven issues made under the French programme (three in EUR, two in GBP, one in CAD and one in USD), for an amount of €5.78 billion;
- three issues made under the UK programme in USD for an amount of €8.06 billion.

- **Credit lines**

Commitments received as at 31 December 2018 comprise:

- four activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €700 million and cancellable by the counterparties at 15 to 30 days' notice.

- **ACCOUNTING POLICIES AND METHODS**

1. 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 (*Conseil National de la Comptabilité – CNC*) 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.

2. 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.

3. 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.

4. CADES' resources

4.1 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 in charge 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 Public Finances Directorate) 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.

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. 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.

4.2 Supplementary social security contribution

Act No. 2008-1330 on the funding of the social security system for 2009 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.

4.3 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.

4.4 Resources from the Retirement Reserve Fund

Under the 2011 Social Security Funding Act (*Loi de Financement de la Sécurité Sociale – LFSS*) 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 will draw up 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".

5. Private rental property

CADES has sold all the property transferred on 1 January 2000 to CADES 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, disputes and claims have been managed internally by CADES.

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

6. 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 2018, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.1450	SEK:	10.2548	GBP:	0.89453
AUD:	1.6220	NOK:	9.9483	MXN:	22.4921
CHF:	1.1269	NZD:	1.7056	HKD:	8.9675
CAD:	1.5605	TRY:	6.0588	JPY:	125.85
ZAR:	16.4594	SGD:	1.5591	CNY:	7.8751

- 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.

7. 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.

8. 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 equipment.

Intangible fixed assets include software.

9. 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 as at 31 December 2018:	103.36613
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”.

10. 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*.

11. 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.

12. 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.

13. 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 forward market agreements modelled on the master agreement drawn up by the French Banking Association (*Fédération Bancaire Française – FBF*) 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 mainly in securities issued or guaranteed by the State either under repurchase agreements or through outright securities purchases.

In the case of repurchase agreements, in exchange for the loan extended to a 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 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.

By carrying out daily or weekly margin calls, CADES significantly reduces the residual risk of counterparty default on these instruments.

14. 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.

NOTES

BALANCE SHEET

At 31 December 2018, the balance sheet showed total assets of €5.07 billion for total debt of €110.34 billion resulting in negative reserves of €105.35 billion.

ASSETS

Note 1: Treasury and interbank transactions

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
CENTRAL BANKS	2,263.29	3,174.15	1,636.81
Central banks	2,263.29	3,174.15	1,636.81
TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	-	1,000.00	4,000.00
Government securities with a maturity of less than 3 months	-	1,000.00	4,000.00
Accrued interest	-	-	-
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	0.21	0.05	0.03
Repayable at sight	0.21	0.05	0.03
Debit balances on ordinary accounts	0.21	0.05	0.03
Securities received under open repurchase agreements	-	-	-
Accrued interest	-	-	-
Repayable at term	-	-	-
Securities received under term repurchase agreements with a maturity of less than 3 months	-	-	-
Of which: Treasury bills	-	-	-
Bonds	-	-	-
Own securities	-	-	-
Accrued interest	-	-	-
Total	2,263.50	4,174.20	5,636.84

NB. Balances with central banks correspond to the euro-denominated account held by CADES with Banque de France.

Note 2: Intangible and tangible fixed assets

(€ millions)	Gross value at 1 January 2018	Acquisitions	Disposals	Gross value at 31 December 2018	Amortisation and depreciation	Net book value at 31 December r 2018	Net book value at 31 December 2017	Net book value 31 December 2016
Intangible assets	0.18	-	0.06	0.12	0.12	-	-	-
Software	0.18	-	0.06	0.12	0.12	-	-	-
Other	-	-	-	-	-	-	-	-
Tangible assets	0.37	-	0.35	0.02	0.02	-	0.06	0.08
Sundry equipment	0.37	-	0.35	0.02	0.02	-	0.06	0.08
Total	0.55	-	0.41	0.14	0.14	-	0.06	0.08

Intangible and tangible assets reflect the value of the software and equipment acquired by CADES, net of related amortisation and depreciation. CADES had total fixed assets of €554,557.22 at 1 January 2018. Following its move to the offices of Agence France Trésor on 10 September 2018, CADES sold fixed assets in the amount of €411,224.92. At 31 December 2018, the gross amount of its residual fixed assets came to €144,027.10, of which €139,193.64 had already been depreciated or amortised and €4,833.46 was still to be depreciated or amortised.

Note 3: Other assets

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
SUNDRY DEBTORS	428.32	1,243.91	167.13
Deposits paid by way of initial margins	210.98	1,072.07	1.41
- <i>Deposits</i>	210.87	1,072.04	0.02
- <i>Accrued interest</i>	0.10	0.03	1.39
Outstanding CRDS and CSG contributions and social levies to be collected	217.34	171.84	165.72
- <i>Gross amounts receivable</i>	646.38	646.30	653.42
- <i>Provisions</i>	(429.04)	(474.46)	(487.70)
Other debtors in respect of financial transactions	-	-	-
Other debtors in respect of operating charges	-	-	-
Other sundry debtors – CNAV	-	-	-
- <i>Gross amounts receivable</i>	22.13	0.26	0.41
- <i>Provisions</i>	(0.13)	(0.26)	(0.41)
Total	428.32	1,243.91	167.13

Other assets comprise:

- outstanding CRDS and CSG contributions and social levies to be collected by ACOSS amounting to €217.34 million. Provisions totalling €429.04 million have been deducted from the gross amounts receivable of €646.38 million.
- a gross amount receivable of €22 million, consisting mainly of the balance of damages and interest claimed from a buyer who reneged on a commitment to purchase a group of buildings. This amount was provisioned in full at 31 December 2018.

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:

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
Provisions brought forward	474.72	488.11	487.94
Impact of accounting method changes	-	-	-
Provisions set aside – property	-	-	-
Provisions set aside – CRDS and CSG contributions and social levies	3.18	1.55	14.68
Provisions reversed – property	(0.13)	(0.15)	(0.20)
Provisions reversed – CRDS and CSG contributions and social levies	(48.60)	(14.79)	(14.31)
Provisions carried forward	429.17	474.72	488.11

Note 4: Prepayments and accrued income

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
ACCRUED INCOME	1,770.49	1,694.48	1,662.65
On forward interest rate instruments	8.91	8.22	7.32
On forward currency instruments	189.86	246.02	308.04
On CRDS and CSG revenues	1,571.46	1,440.24	1,347.26
On revenue from social levies on income from property and investments	-	-	0.03
On property sales	-	-	-
Other accrued income	0.26	-	-
CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	8.72	14.54	21.44
DEFERRED CHARGES	133.49	180.79	215.00
Issuance premiums on bonds and EMTN	133.49	180.79	215.00
Other deferred charges	-	-	-
PREPAYMENTS	0.02	19.23	17.11
Prepaid administrative expenses	0.02	0.02	0.02
Prepaid interest on negotiable debt instruments	-	19.21	17.09
Prepaid interest on bonds	-	-	-
Other prepayments	-	-	-
OTHER	451.34	71.05	4,908.63
Currency adjustment accounts	451.33	70.95	4,908.63
Property rental adjustment account	-	-	-
Sundry	0.01	0.10	-
Total	2,364.06	1,980.09	6,824.83

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 €1,571.46 million, interest rate financial instruments for €8.91 million and foreign currency financial instruments for €189.86 million;
- issuance premiums on bonds and EMTN amounting to €133.49 million to be recognised in profit and loss over time;
- prepayments of operating charges amounting to €0.02 million;
- foreign currency adjustment accounts amounting to €451.34 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 (€-120,970.77 million), the profit or loss for the year (€15,443.77 million) and the property endowment (€181.22 million), came to €-105,345.78 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	113,165.40
Profit and loss account brought forward	(120,970.77)

Liabilities, which amounted to €110,343.49 million at 31 December 2018, consist mainly of debts to credit institutions amounting to €1,003.37 million, debts evidenced by securities totalling €107,959.20 million, guarantee deposits received and others totalling €447.61 million and accruals and deferred income totalling €933.32 million.

Note 5: Treasury and interbank transactions

At	31 December 2018				31 December 2018	31 December 2017	31 December 2016
(€ 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
AMOUNTS OWED TO CENTRAL BANKS							
Amounts owed to credit institutions	4.14	1.23	151.00	847.00	1,003.37	1,003.37	1,003.37
At sight	-	-	-	-	-	-	-
Credit balances on ordinary accounts	-	-	-	-	-	-	-
At term	4.14	1.23	151.00	847.00	1,003.37	1,003.37	1,003.37
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
Total	4.14	1.23	151.00	847.00	1,003.37	1,003.37	1,003.37

Note 6: Debts evidenced by securities

At (€ millions)	31 December 2018				31 December 2018	31 December 2016	
	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	
NEGOTIABLE DEBT INSTRUMENTS	1.07	0.10	-	264.00	265.17	7,521.51	14,093.80
Treasury bills denominated in euro	-	-	-	-	-	-	-
Treasury bills denominated in other currencies	-	-	-	-	-	-	-
BMTN denominated in euro	-	-	-	264.00	264.00	264.00	264.00
Commercial paper denominated in euro	-	-	-	-	-	50.00	529.00
Commercial paper denominated in other currencies	-	-	-	-	-	7,205.87	13,299.16
Other negotiable debt instruments denominated in foreign currencies	-	-	-	-	-	-	-
Accrued interest	1.07	0.10	-	-	1.17	1.64	1.64
BONDS	4,599.69	15,668.47	63,924.71	23,501.16	107,694.03	117,155.77	126,673.50
Bonds and EMTN denominated in euro	200.00	12,859.11	49,135.98	19,837.66	82,032.75	84,695.09	86,627.13
Bonds and EMTN denominated in other currencies	3,615.72	2,639.84	14,788.73	3,663.50	24,707.79	31,446.46	38,863.55
Accrued interest	783.97	169.52	-	-	953.49	1,014.22	1,182.82
Total	4,600.76	15,668.57	63,924.71	23,765.16	107,959.20	124,677.28	140,767.30

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 €107,959.20 million and comprise negotiable debt securities totalling €265.17 million and bonds and similar instruments totalling €107,694.03 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 US commercial paper issuance programme for which the maximum amount of outstandings is €60 billion;
- a French medium-term negotiable debt security (NEU MTN) issuance programme for which the maximum amount of outstandings is €10 billion;
- a French short-term negotiable debt security (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 €6 billion.

All in all, at 31 December 2018 debts evidenced by securities maturing within one year totalled €20,269.33 million and by those maturing in more than five years €23,765.16 million, compared with €21,766.13 million and €33,615.21 million, respectively, at 31 December 2017. Debt due to mature at between one and five years decreased from €69,295.94 million at 31 December 2017 to €63,924.71 million at 31 December 2018.

The tables below detail borrowings (in millions) by programme.

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Nominal interest rate	ISIN
Stand-alone	09/12/2004	25/07/2019	2,400	EUR	CADESI 1.85%	FR0010137554
	21/12/2004	25/10/2019	5,000	EUR	4.00%	FR0010143743
	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	Formula-based variable rate	FR0120634516
	10/05/2012	19/12/2025	214	EUR	Formula-based variable rate	FR0120634581
UK	28/01/2016	28/01/2019	3,500	USD	1.50%	XS1353166108
	24/10/2017	24/09/2019	3,000	USD	1.75%	XS1705860267
	13/01/2017	13/01/2020	2,250	USD	0.01875%	XS1548793402
	17/04/2013	17/04/2020	1,000	USD	2.00%	US12802DAG16
	28/07/2015	28/07/2020	3,000	USD	1.88%	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%	XSI188127788
	20/03/2014	20/03/2024	3,000	USD	3.375%	XS1046806821
FR	05/03/2013	05/03/2019	200	EUR	3-month EURIBOR + 0.18%	FR0011435261
	11/02/2016	07/03/2019	500	GBP	1.000%	FR0013113099
	20/02/2014	25/05/2019	5,000	EUR	1.125%	FR0011746247
	28/11/2016	28/11/2019	22.6	USD	8.000%	FR0013220415
	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
	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	Formula-based variable rate	FR0011270644
	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	3,850	EUR	0.500%	FR0012467991
18/09/2013	18/09/2023	2,000	NOK	4.080%	FR0011565449	
20/06/2018	25/10/2023	1,000	EUR	0.125%	FR0013344181	
29/11/2013	29/11/2023	50	EUR	Formula-based variable rate	FR0011627827	

Borrowings (in millions) by programme

	18/12/2013	18/12/2023	50	EUR	Formula-based variable rate	FR0011649169
	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	Formula-based variable rate	FR0011202514
	02/07/2012	02/07/2024	60	EUR	Formula-based variable rate	FR0011277383
	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	Formula-based variable rate	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
	21/06/2012	21/12/2025	1,000	NOK	4.52%	FR0011271527

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
Euro-denominated debt		83,295		24,712		108,007
Foreign currency-denominated debt		Value in euros at 31 December 2018		Value in euros at 31 December 2018		
CHF	550	488	(550)	(488)	-	-
GBP	500	559	(500)	(559)	-	-
JPY	-	-	-	-	-	-
USD	25,523	22,290	(25,523)	(22,290)	-	-
HKD	-	-	-	-	-	-
SEK	-	-	-	-	-	-
AUD	690	425	(690)	(425)	-	-
NOK	9,400	945	(9,400)	(945)	-	-
NZD	-	-	-	-	-	-
CNY	-	-	-	-	-	-
CAD	-	-	-	(259)	-	-
MXN	-	-	-	-	-	-
Sub-total foreign currencies		24,708		(24,708)		-
Total		108,003		4		108,007

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, 78%⁽¹⁾ of the debt bears fixed rates, 13% floating rates and 9% 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
Fixed rates									
Negotiable debt instruments	-	-	-		-	-	-	-	-
Bonds, EMTN and BMTN	24,707.80	70,683.50	95,391.30		(24,707.80)	12,371.36	-	83,054.86	83,054.86
Private placements	-	998.00	998.00		-	-	-	998.00	998.00
Macro hedging swaps	-	-	-		-	-	-	-	-
Total fixed rates	24,707.80	71,681.50	96,389.30	89.25	(24,707.80)	12,371.36	-	84,052.86	84,052.86
Floating rates									
Negotiable debt instruments	-	-	-		-	-	-	-	-
Bonds, EMTN and BMTN	-	1,764.00	1,764.00		-	12,340.86	-	14,104.86	14,104.86
Private placements	-	-	-		-	-	-	-	-
Macro hedging swaps	-	-	-		-	-	-	-	-
Total floating rates	-	1,764.00	1,764.00	1.63	-	12,340.86	-	14,104.86	14,104.86
Indexed rates									
Bonds	-	9,849.24	9,849.24		-	-	-	9,849.24	9,849.24
Macro hedging swaps	-	-	-		-	-	-	-	-
Total indexed rates	-	9,849.24	9,849.24	9.12	-	-	-	9,849.24	9,849.24
Total	24,707.80	83,294.74	108,001.54	100.00		4.43	-	108,006.97	108,006.97

- (1) Based on market rates at 31 December 2018, the swap cancellation options held by counterparties were significantly out of the money, making the likelihood of a reversion to a variable rate virtually nil.

Note 7: Other liabilities

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS	268.34	58.81	5,145.35
- Deposits	268.30	58.54	5,145.35
- Accrued interest	0.04	0.27	0.00
OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS	-	-	0.10
OTHER CREDITORS IN RESPECT OF OPERATING CHARGES	179.27	161.49	184.33
Payments to the State	-	-	-
Tax	-	-	-
Social security	-	-	-
Trade creditors	-	0.04	0.03
Sundry creditors – ACOSS	179.27	161.45	184.30
Other sundry creditors	-	-	-
Total	447.61	220.30	5,329.78

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 €268.34 million at 31 December 2018;
- The credit balance with ACOSS amounting to €179.27 million, consisting of taxpayer credit notes received from ACOSS.

Note 8: Accruals and deferred income

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
ACCRUALS	47.77	21.10	21.88
Accruals on forward interest rate instruments	32.43	6.58	6.24
Accruals on forward currency instruments	4.82	4.80	6.94
Fees payable in respect of market transactions	0.00	0.00	0.00
Accruals in respect of operating charges	0.89	0.40	0.25
Accruals in respect of CRDS and CSG collection costs	8.51	7.64	7.33
Accruals in respect of revenue from social levies on income from property and investments	-	-	-
Other accruals	1.12	1.68	1.12
CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	20.25	28.97	40.86
UNEARNED INCOME	398.93	494.56	596.40
Issuance premiums on bonds	398.93	494.53	595.74
On government securities	-	-	-
On foreign currency transactions	-	0.03	0.66
Other unearned income	-	-	-
OTHER	466.37	1,628.96	604.42
Currency adjustment accounts	455.76	1,605.23	597.46
Sundry	10.60	23.73	6.96
TOTAL	933.32	2,173.59	1,263.56

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:

- Accrued expenses in respect of interest rate swaps amounting to €32.43 million, forward currency transactions for €4.82 million, and CRDS and CSG for €8.51 million;
- Balancing cash payments on currency swaps amounting to €20.25 million that are to be spread;
- Unearned income, corresponding to premiums on bond issues (€398.93 million);
- Currency adjustment accounts amounting to €455.76 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);
- the reduction of CSG and CRDS income.

At (€ millions)	31 December 2017	Set aside	Reversed	31 December 2018
Provisions	113.26	5.22	38.32	80.17
Provision for redundancy indemnities	0.30	-	0.01	0.29
Provision for time savings account	0.01	0.02	-	0.04
Provision for remuneration	-	0.02	-	0.02
Provision for liabilities	-	-	-	-
Ruyter judgment	13.85	1.57	7.41	8.01
Reduction of CSG and CRDS income	99.10	3.61	30.90	71.81
Total	113.26	5.22	38.32	80.17

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	(2,206.67)
Exceptional income items	(0.03)
Other operating income and charges	<u>17,650.47</u>
Gross operating profit and net profit for the period	15,443.77

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 2018	31 December 2017	31 December 2016
INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS	188.81	225.32	160.33
Interest receivable – Demand loans and advances and open repurchase agreements	-	0.01	-
Interest from ordinary accounts in debit	-	0.01	-
Interest from loans	-	-	-
Interest from securities delivered under open repurchase agreements	-	-	-
Interest receivable – Term loans, advances and repurchase agreements	-	-	-
Interest from loans denominated in euro	-	-	-
Interest from loans denominated in foreign currencies	-	-	-
Interest from securities delivered under repurchase agreements	-	-	-
Other interest receivable	188.81	225.31	160.33
INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES	-	-	-
Interest from fixed income securities	-	-	-
Interest from government securities	-	-	-
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	685.73	799.65	925.79
Amortisation of premiums on issue	95.60	101.20	109.77
Net profit on hedging transactions	590.13	698.45	816.02
Profit on repurchase of own securities	-	-	-
Total	874.54	1,024.97	1,086.12

Banking income, which amounted to €874.54 million, consists mainly of:

- Net profit on hedging transactions amounting to €590.13 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €188.81 million; and
- The amortisation of bond premiums on issue amounting to €95.60 million.

Note 10: Cost of debt

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS	44.34	42.36	40.79
Interest payable - Demand loans and open repurchase agreements	0.00	0.00	0.06
Interest on ordinary accounts in credit	0.00	0.00	0.04
Interest on overnight loans	-	-	-
Interest on securities delivered under open repurchase agreements	-	-	0.02
Interest payable – Term loans and repurchase agreements	40.55	40.55	40.65
Interest on CDC loan (transfer of debt)	-	-	-
Interest on multi-currency credit	-	-	-
Interest on securities delivered under repurchase agreements	-	-	0.10
Interest on private placements	40.55	40.55	40.55
Other interest payable and similar charges	3.79	1.81	0.08
INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES	3,014.07	3,111.97	3,337.64
Interest on debts evidenced by certificates	3,014.07	3,111.97	3,337.64
Interest on negotiable debt instruments denominated in euros	3.82	6.54	7.76
Interest on negotiable debt instruments denominated in other currencies	142.20	137.74	77.37
Interest on bonds and equivalent securities denominated in euros	2,045.93	2,158.13	2,363.06
Interest on bonds and equivalent securities denominated in other currencies	577.19	628.94	781.22
Other charges on debt evidenced by securities	244.93	180.62	108.23
Other interest payable and similar charges	-	-	-
FEES PAYABLE	22.78	30.93	37.66
Fees on term loans with credit institutions	20.28	22.50	22.29
Fees on negotiable debt instruments issued	-	-	-
Fees on bonds	2.47	8.39	15.32
Other fees on securities transactions	0.03	0.04	0.05
Other fees	-	-	-
TOTAL	3,081.19	3,185.26	3,416.09

Interest payable and similar charges on CADES' debt, which amounted to €3,081.19 million, decreased by 3% from 31 December 2017 and consists of:

- Charges amounting to €3,014.07 million in respect of debts;
- Interest amounting to €44.34 million on transactions with credit institutions, consisting of interest on private placements, securities delivered under repurchase agreements and margin calls; and
- Fees amounting to €22.78 million.

The decrease in interest and similar charges payable compared with 31 December 2017 was related mainly to the reduced borrowing cost.

Note 11: Gains and losses on trading securities

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
NET GAIN (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS	-	-	-
Other foreign exchange transactions	-	-	-
TOTAL	-	-	-

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 Committee (*l'Autorité des Normes Comptables*), 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

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
Gains (losses) on investment securities and equivalent	-	-	-
Net gain (loss) on investment securities	-	-	-

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

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
Exchange rate gains and losses on management operations	-	-	-
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 2018	31 December 2017	31 December 2016
NET CRDS REVENUES (Article 6)	7,347.32	7,168.36	6,942.78
CRDS contributions levied on wages and salaries	6,487.03	6,354.68	6,161.54
CRDS contributions levied on property assets	320.09	299.77	301.81
CRDS contributions levied on investment income	377.27	352.84	327.24
CRDS contributions levied on sales of gems and precious metals	5.77	5.36	4.23
CRDS contributions on gaming proceeds	157.16	155.71	147.96
CRDS exemption offsets (travel vouchers and voluntary community services)	-	-	-

CRDS revenues, net of collection costs, amounted to €7,347.32 million.

CRDS levied on wages and salaries (which is mainly collected by ACOSS) represents 88.29% of the total. CRDS collected by the offices of the Public Finances Directorate and levied mainly on capital (property and investment income) represented 9.49%. CRDS on gaming profits and the sale of precious metals represented 2.22%.

Note 12a

The table below provides a breakdown of income and charges relating to the CRDS at 31 December 2018.

CRDS REVENUES (€ millions)	(I)	CRDS COSTS	(II)	Net revenues (I-II)
CRDS levied on wages and salaries	6,545.83	Write-offs, waivers, cancellation and debt forgiveness	26.24	6,487.03
		Assessment and collection costs	32.56	
CRDS levied on property assets	333.79	Assessment and collection costs	13.70	320.09
CRDS levied on investment income	379.17	Assessment and collection costs	1.90	377.27
CRDS levied on sales of gems and precious metals	5.80	Assessment and collection costs	0.03	5.77
CRDS levied on gaming proceeds	157.95	Assessment and collection costs	0.79	157.16
CRDS exemption offsets (travel vouchers and voluntary community services)	-		-	-
Reversal of provisions on outstanding CRDS to be collected	44.44	Provisions on outstanding CRDS to be collected	2.81	41.63
Total	7,466.98	Total	78.03	7,388.95

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 profits from gaming.

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

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
NET CSG REVENUES (Article 6)	8,129.29	7,943.76	7,717.93
CSG contributions levied on wages and salaries	7,288.66	7,151.30	6,956.92
CSG contributions levied on property assets	378.05	359.16	358.60
CSG contributions levied on investment income	452.90	423.73	393.46
CSG contributions on gaming proceeds	9.68	9.57	8.95
CSG exemption offsets	-	-	-

CSG revenues, net of collection costs, amounted to €8,129.29 million.

CSG levied on wages and salaries (which is collected mainly by ACOSS) represents 89.78% of the total. The remaining CSG is levied mainly on income from investments and from property (10.22%).

Note 12.1a

The table below provides a breakdown of income and charges relating to the CSG at 31 December 2018.

CSG REVENUES (€ millions)	(I)	CSG COSTS	(II)	Net revenues (I-II)
CSG levied on wages and salaries	7,350.00	Write-offs, waivers, cancellation and debt forgiveness	24.76	7,288.66
CSG levied on property assets	394.25	Assessment and collection costs	36.59	378.05
CSG levied on investment income	455.17	Assessment and collection costs	16.20	452.90
CSG levied on gaming proceeds	9.73	Assessment and collection costs	2.27	9.68
CSG exemption offsets	-		0.05	-
Reversal of provisions on outstanding CSG to be collected	35.06	Provisions on outstanding CSG to be collected	-	31.08
TOTAL	8,244.21	TOTAL	83.85	8,160.36

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 since 1 January 2011 under Act No. 2010-1594 of 20 December 2010 (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 2018 to payments recognised in 2015.

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
NET REVENUE FROM SOCIAL LEVIES	(1.89)	(3.58)	(15.86)
On income from property	-	-	(7.52)
On income from investments	(1.89)	(3.58)	(8.34)

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 2018.

REVENUES FROM SOCIAL LEVIES (€ millions)	(I)	COSTS RELATING TO SOCIAL LEVIES	(II)	Net revenues (I-II)
Social levies on income from property	-	Assessment and collection costs	-	-
		Write-offs, waivers, cancellation and debt forgiveness	-	
Social levies on income from investments	(1.90)	Assessment and collection costs	(0.01)	(1.89)
Reversal of provisions on outstanding amounts to be collected	-	Provisions on outstanding amounts to be collected	-	-
TOTAL	(1.90)	TOTAL	(0.01)	(1.89)

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

The Retirement Reserve Fund paid €2.10 billion on 25 April 2018.

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
REVENUE FROM THE RETIREMENT RESERVE FUND	2,100.00	2,100.00	2,100.00
Revenue for the year	2,100.00	2,100.00	2,100.00

Note 13: General operating charges

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
STAFF COSTS	1.08	1.09	1.11
Wages and salaries	0.75	0.79	0.84
Social security charges	0.31	0.30	0.33
Time savings account	0.02	-	-
Sundry charges	-	-	(0.06)
OTHER ADMINISTRATIVE EXPENSES	1.83	1.69	1.81
Taxes and duties	0.09	0.10	0.11
External services	1.74	1.59	1.70
TOTAL	2.91	2.78	2.92

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 3% compared with 31 December 2017.

List of staff positions at 31 December 2018

Non-civil servant 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)
- 1 internal control officer (grade A), until 30 June 2018

Civil servants:

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

CADES has made available non-civil servant public sector workers 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 French General Treasury Department (DGT). In accordance with the terms of the financial agreement signed on 22 November 2018 by CADES and the DGT, these salaries are then rebilled to CADES.

CADES administrative costs came to €1.74 million in 2018 and comprised mainly:

- statutory auditors' fees for the statutory audit of the 2018 financial statements, of which €24,200 was paid in 2018;
- operating costs paid by the Ministry for the Economy and Finance in respect of activities carried out by AFT on behalf of CADES, *prorata temporis* for 2018.

Note 13a: Property assets and property management

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
REVENUES FROM PROPERTY ASSETS	0.14	0.15	0.20
Exceptional income	0.01	-	-
Provisions reversed	0.13	0.15	0.20
CHARGES ON PROPERTY ASSETS	0.02	0.09	-
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 and of disputes.

Note 14: Other non-banking operating charges

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
Payments to the State	-	-	-
Provision for sundry liabilities	-	-	-
Ruyter judgment	1.57	-	-
Reduction of CSG and CRDS income	-	-	-
TOTAL	1.57	-	-

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 2018, the provision for the related risk amounted to €1.57 million.

Note 14a: Other operating income

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
Other reversals of provisions for sundry charges	-	-	-
Other reversals of provisions for sundry liabilities	7.41	7.17	21.99
Ruyter judgment	-	-	-
TOTAL	7.41	7.17	21.99

Note 15: Exceptional income and charges

Period ended (€ millions)	31 December 2018	31 December 2017	31 December 2016
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)	-	-	0.03
Other exceptional charges (impact of ACOSS changes)	-	-	-
Other exceptional charges	(0.04)	-	-
TOTAL	(0.04)	0.10	0.03

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

At (€ millions)	31 December 2018		31 December 2017		31 December 2016	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
FORWARD TRANSACTIONS						
Financing in foreign currency	24,707.79	-	38,652.33	-	52,162.71	-
Hedging transactions over the counter						
Forward exchange against euros	-	-	7,205.87	-	13,299.16	-
Up to 1 year	-	-	7,205.87	-	13,299.16	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Currency swaps against euros	24,707.79	-	31,446.46	-	38,863.55	-
Up to 1 year	6,255.56	-	9,394.40	-	8,377.67	-
From 1 to 5 years	14,788.73	-	17,846.62	-	22,486.31	-
Over 5 years	3,663.50	-	4,205.44	-	7,999.57	-
FORWARD TRANSACTIONS						
Foreign currency financing commitments received	-	-	-	-	-	-
Hedging transactions over the counter						
Forward exchange against euros	-	-	-	-	-	-
Up to 1 year	-	-	-	-	-	-
From 1 to 5 years	-	-	-	-	-	-
Currency swaps against euros	-	-	-	-	-	-
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. There were no forward exchange outstandings at 31 December 2018.

The decrease in currency swap outstandings against euro between 1 January 2017 and 31 December 2018 is attributable to the decrease in foreign currency issue outstandings, with repayments on these issues (the equivalent of €9.74 billion) exceeding total new issuance (the equivalent of €1.63 billion).

Note 17: Forward financial instruments

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
INTEREST RATE INSTRUMENTS			
Organised markets and equivalents	-	-	-
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	-	-	-
Over the counter	13,310.67	5,423.23	2,506.54
Firm transactions entered into for hedging purposes			
Interest rate swaps in euro	13,310.67	5,423.23	2,506.54
Micro hedging	13,310.67	5,423.23	2,506.54
- Up to 1 year	-	279.84	45.70
- From 1 to 5 years	8,220.17	1,250.00	1,279.84
- Over 5 years	5,090.50	3,893.39	1,181.00
Macro hedging	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-
Isolated positions	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-
Currency swaps	-	-	-
Micro hedging	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-

At 31 December 2018, interest rate instruments entered into by CADES comprised swaps amounting to €13,310.67 million entered into for micro hedging purposes.

All swaps cancellable by counterparties matured in 2018. CADES entered into these swaps, under which it received three-month Euribor less a haircut and paid a fixed rate, in 2007 and 2008. Counterparties could cancel these swaps six months after inception and then every three months.

These cancellable swaps, which qualify as micro hedges, were used to transform CADES' adjustable rate structured transactions into fixed rate transactions for at least six months. Each swap was therefore systematically backed to a swap already held in portfolio by CADES. If these swaps had been cancelled, CADES would have reverted to its initial refinancing level.

These swaps were authorised by the Board of Directors on 28 November 2007. They were designated as micro hedges (Category b, pursuant to Article 2522-1 of Regulation No. 2014-07 of 26 November 2014 relating to the financial statements of banking sector companies).

To reduce CADES' exposure to a possible increase in interest rates, on 29 November 2017 the Board of Directors authorised it to convert some of its variable rate hedges of existing borrowings into fixed rate hedges and to hedge new borrowings exclusively in fixed rates.

Note 18: Other off-balance sheet commitments

At (€ millions)	31 December 2018	31 December 2017	31 December 2016
FINANCING COMMITMENTS			
Commitments received			
<i>From credit institutions</i>			
- Back-up credit lines	700.00	700.00	700.00
- Multi-currency credit lines	-	-	-
- Credit lines in treasury bills	-	-	-
- Other credit lines	-	-	-
<i>Sundry</i>			
- Retirement Reserve Fund (<i>Fonds de Réserve pour les Retraites</i>)	12,600.00	14,700.00	16,800.00
- Borrowings	-	-	-
- Commercial paper and securities lent under repurchase agreements	-	-	-
Commitments given			
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:

- Four activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €700 million and cancellable by the counterparties at 15 to 30 days' notice;
- A total of €12.60 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.

Commitments given consist of the assumption of debt provided for by the 2019 Social Security Finance Act No. 2018-1253 of 22 December 2018, which amended Order No. 96-50 of 24 January 1996. Article 27 of the Act stipulates that the deficits of the various social security branches for the financial years from 2014 to 2018 be covered by transfers from CADES to ACOSS, for up to a maximum of €15 billion, between 2020 and 2022.

This duly increases CADES' future resources, as follows:

- in 2020, the portion of CSG allocated to CADES will increase from 0.60% to 0.71%;
- in 2021, this portion will increase from 0.71% to 0.83%;
- and in 2022, it will increase to 0.93%.

It is stipulated that this transfer of resources made available by forecast surpluses have no impact for French taxpayers.

The amounts and payment dates corresponding to the transfers will be set by decree.

Note 19: Abridged statements

BALANCE SHEET

At	31 December 2018
(€ millions)	
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD FROM 1 JANUARY 2018	- (120,970.77)
PROFIT FOR THE YEAR ENDED 31 DECEMBER 2018	15,443.77
PROPERTY ENDOWMENT	181.22
DEBT REMAINING TO BE REPAID AT 31 DECEMBER 2018	(105,345.78)
Represented by:	
Liabilities towards third parties	
- Borrowings falling due within 1 year	20,274.70
- Borrowings falling due after 1 year	88,687.87
- Other creditors, accruals and unearned income	1,380.92
Less assets held by CADES	
- Financial investments	2,263.50
- Other debtors, prepayments and accrued income	2,734.22

PROFIT AND LOSS ACCOUNT

Period ended	31 December 2018
(€ millions)	
NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES	15,554.83
ESTIMATION CHANGES AND ERROR ADJUSTMENTS	-
NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)	2,100.00
NET REVENUE FROM PROPERTY	0.12
Interest payable and similar charges	(3,058.41)
Fees	(22.80)
Interest receivable and similar income	874.54
NET FINANCIAL CHARGES	(2,206.67)
Operating charges	(2.92)
OPERATING PROFIT	15,445.37
Provision for sundry liabilities	(1.57)
Exceptional income	(0.03)
NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2018	15,443.77

OTHER INFORMATION

The table below provides information on market value, comparing the debt at repayment value as at 31 December 2018 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 2018.
- (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 2018.
- (b) The value of unlisted securities issued by CADES obtained using the CADES zero-coupon curve as at 31 December 2018. 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 2018 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 2018	AT 31 DECEMBER 2018	AT 31 DECEMBER 2018
UP TO 1 YEAR	17,319.78	17,313.96	17,675.32	(186.43)
FROM 1 TO 5 YEARS	64,175.43	64,109.78	68,541.60	(108.01)
OVER 5 YEARS	24,570.20	24,377.15	27,834.76	344.99
SWAPS	-	-	-	-
TOTAL	106,065.40	105,800.90	114,051.68	50.55
REVISABLE RATES	11,898.79	11,898.79	11,926.98	(198.12)
INDEXED RATES	10,113.75	9,849.24	10,561.00	-
FIXED RATES	84,052.86	84,052.86	91,563.70	248.67
SWAPS	-	-	-	-
TOTAL	106,065.40	105,800.90	114,051.67	50.55

Compared with the previous financial year, at 31 December 2018 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	31 December 2018	31 December 2017	31 December 2016
Short-term (under 1 year)	16.36%	13.23%	18.93%
Medium-term	60.59%	58.32%	49.68%
Long-term (over 5 years)	23.04%	28.45%	31.39%

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

Debt	31 December 2018	31 December 2017	31 December 2016
In foreign currencies	22.88%	31.81%	35.08%
In euros	77.12%	68.19%	64.92%

Lastly, the post-hedging book-value-debt breakdown relative to 2017 below shows an increase in the proportion of fixed rate issues and, to a lesser extent, indexed rate issues, as well as a marked decrease in that of revisable rate issues:

Debt	31 December 2018	31 December 2017	31 December 2016
Revisable rate	11.25%	28.11%	36.65%
Indexed rate	9.31%	7.99%	8.69%
Fixed rate	79.44%	63.90%	54.66%

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.

The undersigned Authorising Officer, Mr. Jean-Louis Rey, hereby certifies that these statements record the accounting entries for which he is responsible and the orders sent to the Accounting Officer, pursuant to Articles 24 and 32 of Decree No. 2012-1246 dated 7 November 2012 relating to public budget and accounting management.

Paris, on

The Authorising Officer