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## GENERAL INFORMATION

### 1. MISSION STATEMENT

Order No. 96-50 dated 24 January 1996<sup>1</sup> 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 des Travailleurs Salariés – CNAMTS*).

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.

### 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. 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

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<sup>1</sup> As modified by Social Security Finance Act No. 97-1164 of 19 December 1997, Act No. 98-1194 of 23 December 1998, the 2001, 2002, and 2006 Finance Acts, the 2003, 2004, 2006 and 2008 Social Security Finance Acts, Act No. 2004-810 of 13 August 2004 relating to health insurance, Organic Law No. 2005-881 of 2 August 2005, 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. 2011-1906 of 21 December 2011, Act No. 2012-354 of 14 March 2012, Act No. 2012-958 of 16 August 2012, Act No. 2014-1655 of 29 December 2014, Act No. 2015-994 of 17 August 2015 and Act No. 2015-1702 of 21 December 2015.

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).

Decree No. 2015-1764 of 24 December 2015 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.

Pursuant to the provisions of the aforementioned Decrees, financial and accounting transactions fall under the responsibility of Mr. Patrice Ract Madoux, the Authorising Officer of CADES and Chairman of the Board of Directors, until 14 May 2017, Mr. Jean-Louis Rey, appointed as from 15 May 2017, and the Accounting Officer Mrs. Christine Buhl, Finance ministry budgetary and accounting auditor.

CADES' annual budget is drawn up by 30 November of the previous year by the Board of Directors and approved by 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*).

CADES' Board of Directors examines and approves the accounts. In parallel, the Board ensures that CADES maintains a healthy underlying financial basis over its scheduled lifetime by updating its revenue forecasts on the basis of changes in the amortisation schedule of the debt carried on the balance sheet as a liability and debt servicing charges.

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

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 enable the Accounting Officer and the Authorising Officer to exercise their respective powers.

### **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 on 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.

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 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). 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, 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 2017	<b>120,941</b>
At 31 December 2016	<b>135,694</b>
At 31 December 2015	<b>126,039</b>

Period ended	31 December 2017	31 December 2016	31 December 2015
<b>NET PROFIT</b>	<b>15,044</b>	<b>14,426</b>	<b>13,513</b>
Primarily reflecting the following items:			
CRDS and CSG revenue	<b>15,106</b>	<b>14,662</b>	<b>12,851</b>
Social levies on income from property and investments net of expenses	<b>1</b>	<b>(3)</b>	<b>1,494</b>
Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites – FRR</i> )	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>
Estimation changes and error adjustments	<b>0</b>	<b>0</b>	<b>(188)</b>
Interest expenses	<b>(2,160)</b>	<b>(2,330)</b>	<b>(2,742)</b>
General operating charges	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>

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

## BALANCE SHEET

At (€ millions)	31 December 2017	31 December 2016	31 December 2015
<b>ASSETS</b>			
Cash in hand, balances with central banks and post office banks (Note 1)	3,174.15	1,636.81	2,264.96
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	1,000.00	4,000.00	9,000.00
Loans and advances to credit institutions (Note 1)			
- Repayable at sight	0.05	0.03	0.18
- Repayable at term	0.00	0.00	520.61
Intangible assets (Note 2)	0.00	0.00	0.00
Tangible assets (Note 2)	0.06	0.08	0.09
Other assets (Note 3)	1,243.91	167.13	185.89
Prepayments and accrued income (Note 4)	1,980.09	6,824.83	6,287.54
<b>TOTAL ASSETS</b>	<b>7,398.26</b>	<b>12,628.88</b>	<b>18,259.27</b>
<b>LIABILITIES &amp; RESERVES</b>			
Amounts owed to credit institutions (Note 5)			
- Payable at sight	0.00	0.00	0.00
- Payable at term	1,003.37	1,003.37	1,003.46
Debts evidenced by securities (Note 6)			
- Negotiable debt instruments	7,521.51	14,093.80	8,431.71
- Bonds and similar instruments	117,155.77	126,673.50	129,413.81
- Other debts evidenced by securities	0.00	0.00	0.00
Other liabilities (Note 7)	220.30	5,329.78	4,748.37
Accruals and deferred income (Note 8)	2,173.59	1,263.56	1,199.74
<b>Sub-total – Liabilities</b>	<b>128,074.55</b>	<b>148,364.01</b>	<b>144,797.09</b>
Provisions (Note 8a)	<b>113.26</b>	<b>98.40</b>	<b>113.06</b>
Property endowment	181.22	181.22	181.22
Retained earnings	(136,014.76)	(150,441.15)	(140,344.97)
Profit for the period	15,043.99	14,426.39	13,512.87
<b>Sub-total – Reserves</b>	<b>(120,789.54)</b>	<b>(135,833.53)</b>	<b>(126,650.88)</b>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>7,398.26</b>	<b>12,628.88</b>	<b>18,259.27</b>

## PROFIT AND LOSS ACCOUNT

Period ended (€ millions)	31 December 2017	31 December 2016	31 December 2015
<b>Interest receivable and similar income (Note 9)</b>	<b>1,024.97</b>	<b>1,086.12</b>	<b>876.67</b>
- From transactions with credit institutions	225.32	160.33	39.19
- From bonds and other fixed income securities	0.00	0.00	0.09
- Other interest receivable and similar income	799.65	925.79	837.39
<b>Interest payable and similar charges (Note 10)</b>	<b>(3,154.33)</b>	<b>(3,378.43)</b>	<b>(3,591.72)</b>
- On transactions with credit institutions	(42.36)	(40.79)	(43.87)
- On bonds and other fixed income securities	(3,111.97)	(3,337.64)	(3,547.85)
<b>Fees payable (Note 10)</b>	<b>(30.93)</b>	<b>(37.66)</b>	<b>(26.87)</b>
<b>Gains and losses on trading securities (Note 11)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.10)</b>
- Net profit (loss) on foreign exchange transactions	0.00	0.00	(0.10)
<b>Gains and losses on investment securities (Note 11a)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
- Net profit (loss) on investment securities	0.00	0.00	0.00
<b>Other operating income – banking</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other operating charges – banking</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>NET BANKING INCOME</b>	<b>(2,160.30)</b>	<b>(2,329.99)</b>	<b>(2,742.04)</b>
<b>General operating charges (Note 13)</b>	<b>(2.78)</b>	<b>(2.92)</b>	<b>(2.87)</b>
- Staff costs	(1.09)	(1.11)	(1.07)
- Other administrative expenses	(1.69)	(1.81)	(1.80)
<b>Depreciation and impairment provisions - intangible and tangible assets</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>Other operating income</b>	<b>17,380.97</b>	<b>16,933.24</b>	<b>16,635.60</b>
- Income relating to CRDS and CSG (Notes 12a and 12.1a)	15,262.46	14,811.43	13,008.56
- Income relating to social levies on income from property and investments (Note 12.2a)	(3.60)	(15.28)	1,526.90
- 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)	0.15	0.20	0.13
- Provisions reversed for receivables (Notes 12a and 12.1a)	14.79	14.90	0.00
- Other provisions reversed for receivables	7.17	21.99	0.01
<b>Other operating charges</b>	<b>(173.98)</b>	<b>(173.95)</b>	<b>(190.29)</b>
- Charges relating to CRDS and CSG (Notes 12a and 12.1a)	(150.34)	(150.72)	(130.17)
- Charges relating to social levies on income from property and investments (Note 12.2a)	0.02	(0.58)	(32.99)
- Payments to the State (Note 14)	0.00	0.00	0.00
- Provision for sundry liabilities (Note 14)	0.00	0.00	(5.40)
- Provision for receivables (Notes 12a, 12.1a and 12.2a)	(23.57)	(22.65)	(21.73)
- Charges related to property (Note 13a)	(0.09)	0.00	0.00
<b>Estimation changes and error adjustments (Note 15a)</b>	<b>0.00</b>	<b>0.00</b>	<b>(187.97)</b>
<b>GROSS OPERATING PROFIT</b>	<b>15,043.89</b>	<b>14,426.36</b>	<b>13,512.42</b>
<b>OPERATING PROFIT</b>	<b>15,043.89</b>	<b>14,426.36</b>	<b>13,512.42</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>15,043.89</b>	<b>14,426.36</b>	<b>13,512.42</b>
- Exceptional income (Note 15)	0.10	0.03	0.45
<b>NET PROFIT FOR THE PERIOD</b>	<b>15,043.99</b>	<b>14,426.39</b>	<b>13,512.87</b>

## CASH FLOW STATEMENT

Cash flow (€ millions)	Period ended	31 December 2017	31 December 2016	31 December 2015
<b>Net banking income</b>		<b>(2,160)</b>	<b>(2,330)</b>	<b>(2,742)</b>
Inflation premiums		118	42	5
Provisions for financial instruments		0	0	0
Amortisation of premiums and balancing payments		(51)	(64)	(83)
Change in accrued interest		(96)	(320)	(254)
<b>Net cash from (used in) banking activities</b>	<b>(A)</b>	<b>(2,189)</b>	<b>(2,672)</b>	<b>(3,073)</b>
<b>Net operating income</b>		<b>17,204</b>	<b>16,756</b>	<b>16,442</b>
(Increase) decrease in accrued income from CRDS and CSG		(93)	(79)	(132)
(Increase)/decrease in accruals on social levies		0	3	(36)
(Increase)/decrease in deferred expenses		(28)	10	27
Unearned income		0	0	1
Provisions – sundry allocations or reversals		15	(22)	0
<b>Net cash from (used in) operating activities</b>	<b>(B)</b>	<b>17,098</b>	<b>16,668</b>	<b>16,302</b>
<b>Net cash from (used in) banking and operating activities</b>	<b>(C=A+B)</b>	<b>14,909</b>	<b>13,996</b>	<b>13,230</b>
<b>Net cash from (used in) financing activities</b>	<b>(D)</b>	<b>(16,371)</b>	<b>3,464</b>	<b>(134)</b>
<b>Debt assumed</b>	<b>(E)</b>	<b>0</b>	<b>(23,609)</b>	<b>(10,000)</b>
<b>Net cash flow for the year</b>	<b>(C+D+E)</b>	<b>(1,463)</b>	<b>(6,149)</b>	<b>3,095</b>
<i>Cash and cash equivalents at start of period</i>		5,637	11,786	8,690
<i>Cash and cash equivalents at close of period</i>		4,174	5,637	11,786
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(1,463)</b>	<b>(6,149)</b>	<b>3,095</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 (€ millions) (notes 16-18)	31 December 2017	31 December 2016	31 December 2015
<b>COMMITMENTS GIVEN (note 18)</b>			
<b>Financing commitments</b>			
Payments to various social security bodies (Article 4.IV of Order 96-50 of 24 January 1996)	-	-	-
- First assumption of debt provided for by the 2011 Social Security Finance Act	-	-	-
- Second assumption of debt provided for by the 2011 Social Security Finance Act	-	-	23,609.04
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	700.00	700.00	1,200.00
- 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> )	14,700.00	16,800.00	18,900.00

## NOTES TO THE FINANCIAL STATEMENTS

### HIGHLIGHTS OF 2017

- **Social security debts assumed**

No social security debts were assumed in 2017.

- **Financing transactions**

#### **Issues (excluding commercial paper)**

CADES borrowed €8.67 billion:

- two new issues under the UK programme in USD for an amount of €4.67 billion;
- one new issue under the French programme in EUR for an amount of €4 billion.

#### **Redemptions (excluding commercial paper)**

CADES reimbursed €13.13 billion at maturity:

- seven issues made under the French programme (one each in JPY, MXN and CNY, two in GBP and two in EUR), for an amount of €7.94 billion;
- two issues made under the UK programme in USD for an amount of €5.19 billion.

- **Credit lines**

Commitments received as at 31 December 2017 comprise:

- four activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account no. 46 002 held with Banque de France, totalling €700 million and cancellable by the counterparties at 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 preparation and publication of the individual accounts of credit institutions. 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. Estimation changes and error adjustments**

In preparing the financial statements for the year ended 31 December 2015, CADES recognised estimation changes in the 2015 financial statements to improve the consistency of estimation methods and the accuracy of data, in accordance with the notifications issued by ACOSS.

According to the chart of accounts for credit institutions, the impact of any estimation change corresponding to the financial year in progress must be recognised in profit and loss for the period. In the financial statements for the year ended 31 December 2015, the impact of estimation changes is recognised on a separate line of the income statement (see Note 15a) in the amount of €-187.97million.

### **4. 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.

## **5. CADES' resources**

### **5.1 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. For the six-monthly closing at 30 June, as CADES receives no notification from the collecting agencies it estimates accrued income based on payments received in July.

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. As CADES receives no notification from ACOSS for the position as at 30 June, it determines provisions against outstanding contributions on the same basis as at the previous year end.

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.

## **5.2 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.

## **5.3 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.

## **5.4 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".

## **6. 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, CNAVTS 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 CNAVTS 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.

## **7. 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 2017, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.19930	SEK:	9.8438	GBP:	0.887230
AUD:	1.5346	NOK:	9.8403	MXN:	23.6612
CHF:	1.1702	NZD:	1.6850	HKD:	9.3720
CAD:	1.5039	TRY:	4.5464	JPY:	135.0100
ZAR:	14.8054	SGD:	1.6024	CNY:	7.8044

- 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.

## **8. Repurchase agreements with securities delivered**

Top-grade securities may be acquired by CADES under repurchase agreements for the purpose of investing available cash balances.

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

## **9. 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.

## **10. 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 2017:	101.39677
Cadesi 2019 index:	1.16860
Cadesi 2021 index:	1.06442
Cadesi 2024 index:	1.04378

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”.

### **11. Interest rate and currency swaps**

Transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, are recognised in accordance with the regulations issued by the French Banking and Financial Regulatory Committee. Commitments in respect of these transactions 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*.

### **12. Interest rate futures**

Firm macro hedging transactions on organised markets (German Bund and Bobl) are recognised in accordance with the regulations issued by the French Banking and Financial Regulatory Committee. Sales of financial futures (Euro Bund and Euro Bobl futures) are recognised as off-balance sheet items for their nominal value. Margin calls are recognised directly to profit or loss. Initial margins are accounted for as deposits paid and reported as assets in the balance sheet. Finally, brokerage fees – which represent trading fees on the sale or purchase of Bunds or Bobls – are recognised directly to profit or loss.

### **13. 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.

## **14. 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.

## **15. Counterparty risk**

CADES' exposure to counterparty risk is limited to three types of transactions: investment transactions, off-balance sheet transactions and credit line transactions.

For all three types of transactions, CADES has signed market agreements modelled on the master agreement drawn up by the French Banking Association (*Fédération Bancaire Française – FBF*) providing for daily margin calls (for investment transactions) and weekly margin calls (for off-balance sheet transactions).

### **1. Investment transactions**

CADES invests cash balances mainly in securities delivered under repurchase agreements but may also buy government securities outright. In exchange for the loan extended to a counterparty, CADES receives full ownership of a government security (OAT, BTAN, 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 double-A rating.

Margins calls are carried out daily by CADES to provide additional protection against significant fluctuations in market prices for the securities received as collateral.

### **2. Off-balance sheet transactions**

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

By using triggers set by reference to each counterparty's rating and by carrying out daily margin calls, CADES significantly reduces the residual risk of default on these instruments.

## **16. Transactions involving investment securities**

The portfolio of investment securities is valued in accordance with Regulation No. 2014-07 of 26 November 2014 relating to the financial statements of banking sector companies. This portfolio, 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 2017, the balance sheet showed total assets of €7.40 billion for total debt of €128.07 billion resulting in negative reserves of €120.79 billion.

#### ASSETS

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

At (€ millions)	31 December 2017	31 December 2016	31 December 2015
<b>CENTRAL BANKS</b>	<b>3,174.15</b>	<b>1,636.81</b>	<b>2,264.96</b>
Central banks	3,174.15	1,636.81	2,264.96
<b>TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS</b>	<b>1,000.00</b>	<b>4,000.00</b>	<b>9,000.00</b>
Government securities with a maturity of less than 3 months	1,000.00	4,000.00	9,000.00
Accrued interest	0.00	0.00	0.00
<b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>0.05</b>	<b>0.03</b>	<b>520.79</b>
<b>Repayable at sight</b>	<b>0.05</b>	<b>0.03</b>	<b>0.18</b>
Debit balances on ordinary accounts	0.05	0.03	0.18
Securities received under open repurchase agreements	0.00	0.00	0.00
Accrued interest	0.00	0.00	0.00
<b>Repayable at term</b>	<b>0.00</b>	<b>0.00</b>	<b>520.61</b>
Securities received under term repurchase agreements with a maturity of less than 3 months	0.00	0.00	520.61
Of which: Treasury bills	0.00	0.00	0.00
Bonds	0.00	0.00	0.00
Own securities	0.00	0.00	520.61
Accrued interest	0.00	0.00	0.00
<b>Total</b>	<b>4,174.20</b>	<b>5,636.84</b>	<b>11,785.75</b>

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 2017	Acquisitions	Disposals	Gross value at 31 December 2017	Amortisation and depreciation	Net book value at 31 December 2017	Net book value at 31 December 2016	Net book value at 31 December 2015
<b>Intangible assets</b>	<b>0.18</b>	<b>0.00</b>	<b>0.00</b>	<b>0.18</b>	<b>0.18</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Software	0.18	0.00	0.00	0.18	0.18	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Tangible assets</b>	<b>0.37</b>	<b>0.00</b>	<b>0.00</b>	<b>0.37</b>	<b>0.31</b>	<b>0.06</b>	<b>0.08</b>	<b>0.09</b>
Sundry equipment	0.37	0.00	0.00	0.37	0.31	0.06	0.08	0.09
<b>Total</b>	<b>0.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.55</b>	<b>0.49</b>	<b>0.06</b>	<b>0.08</b>	<b>0.09</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 (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>SUNDRY DEBTORS</b>	<b>1,243.91</b>	<b>167.13</b>	<b>185.89</b>
Deposits paid by way of initial margins	1,072.07	1.41	3.20
- <i>Deposits</i>	1,072.04	0.02	2.40
- <i>Accrued interest</i>	0.03	1.39	0.80
Outstanding CRDS and CSG contributions and social levies to be collected	171.84	165.72	182.69
- <i>Gross amounts receivable</i>	646.30	653.42	670.02
- <i>Provisions</i>	(474.46)	(487.70)	(487.33)
Other debtors in respect of financial transactions	0.00	0.00	0.00
Other debtors in respect of operating charges	0.00	0.00	0.00
Other sundry debtors – CNAV	0.00	0.00	0.00
- <i>Gross amounts receivable</i>	0.26	0.41	0.61
- <i>Provisions</i>	(0.26)	(0.41)	(0.61)
<b>Total</b>	<b>1,243.91</b>	<b>167.13</b>	<b>185.89</b>

Other assets comprise:

- outstanding CRDS and CSG contributions and social levies to be collected by ACOSS amounting to €171.84 million. Provisions totalling €474.46 million have been deducted from the gross amounts receivable of €646.30 million.
- a receivable of €0.26 million, consisting 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 2017.

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 (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Provisions brought forward</b>	<b>488.11</b>	<b>487.94</b>	<b>496.41</b>
Impact of accounting method changes	0.00	0.00	0.00
Provisions set aside – property	0.00	0.00	0.00
Provisions set aside – CRDS and CSG contributions and social levies	1.55	14.68	21.73
Provisions reversed – property	(0.15)	(0.20)	(0.13)
Provisions reversed – CRDS and CSG contributions and social levies	(14.79)	(14.31)	(30.07)
<b>Provisions carried forward</b>	<b>474.72</b>	<b>488.11</b>	<b>487.94</b>

#### **Note 4: Prepayments and accrued income**

<b>At (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>ACCRUED INCOME</b>	<b>1,694.48</b>	<b>1,662.65</b>	<b>1,402.54</b>
On forward interest rate instruments	8.22	7.32	7.44
On forward currency instruments	246.02	308.04	244.46
On CRDS and CSG revenues	1,440.24	1,347.26	1,147.68
On revenue from social levies on income from property and investments	0.00	0.03	2.96
On property sales	0.00	0.00	0.00
Other accrued income	0.00	0.00	0.00
<b>CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>14.54</b>	<b>21.44</b>	<b>28.79</b>
<b>DEFERRED CHARGES</b>	<b>180.79</b>	<b>215.00</b>	<b>256.15</b>
Issuance premiums on bonds and EMTN	180.79	215.00	256.15
Other deferred charges	0.00	0.00	0.00
<b>PREPAYMENTS</b>	<b>19.23</b>	<b>17.11</b>	<b>6.47</b>
Prepaid administrative expenses	0.02	0.02	0.01
Prepaid interest on negotiable debt instruments	19.21	17.09	6.46
Prepaid interest on bonds	0.00	0.00	0.00
Other prepayments	0.00	0.00	0.00
<b>OTHER</b>	<b>71.05</b>	<b>4,908.63</b>	<b>4,593.59</b>
Currency adjustment accounts	70.95	4,908.63	4,593.59
Property rental adjustment account	0.00	0.00	0.00
Sundry	0.10	0.00	0.00
<b>Total</b>	<b>1,980.09</b>	<b>6,824.83</b>	<b>6,287.54</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 contributions for €1,440.24 million: this amount includes €76.18 million corresponding to the impact of a regulatory change. Article 13 of Act No. 2016-1827 of 23 December 2016 on the funding of the social security system for 2017, as laid down in Articles L.242-1 and L.136-1 of the French Social Security Code (*Code de la sécurité sociale*), specifies that the definition that it gives of items of remuneration taken into account in the common law base of social security contributions concerns contributions “due for the periods in respect of which employment income and unemployment and similar benefits are allocated”. Article R.214-1 of the French Social Security Code, in its wording resulting from Decree No. 2016-1567 of 21 November 2016, which provided for application to work periods beginning on or after 1 January 2018, was amended by Decree No. 2017-858, leading to application to work periods for which compensation is paid on or after 1 January 2018. The result under accrual basis accounting is an increase in accrued income in respect of CSG and CRDS contributions on remuneration for the year ended 31 December 2017 but paid after that date;
- accrued income relating to interest rate financial instruments for €8.22 million and foreign currency financial instruments for €246.02 million;
- issuance premiums on bonds and EMTN amounting to €180.79 million to be recognised in profit and loss over time;
- prepayments amounting to €19.23 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments;
- foreign currency adjustment accounts amounting to €71.05 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 (€-136,014.76 million), the profit or loss for the period (€15,043.99 million) and the property endowment (€181.22 million), came to €-120,789.54 million.

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

	Reference text	Amount (€ millions)
<b>Debt transferred to CADES</b>	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 2016 and impact of previous accounting method changes		98,121.41
<b>Profit and loss account brought forward</b>		<b>(136,014.76)</b>

Liabilities, which amounted to €128,074.55 million at 31 December 2017, consist mainly of debts to credit institutions amounting to €1,003.37 million, debt evidenced by securities totalling €124,677.28 million, guarantee deposits received and others totalling €220.30 million and accruals and deferred income totalling €2,173.59 million.

### **Note 5: Treasury and interbank transactions**

At	31 December 2017				31 December 2017	31 December 2016	31 December 2015
(€ 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>1,003.46</b>
<b>At sight</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Credit balances on ordinary accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<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>1,003.46</b>
Securities given under repurchase agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts and deposits	0.00	0.00	151.00	847.00	998.00	998.00	998.00
Of which: Euro	0.00	0.00	151.00	847.00	998.00	998.00	998.00
Other currencies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued interest	4.14	1.23	0.00	0.00	5.37	5.37	5.46
<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>1,003.46</b>

## Note 6: Debts evidenced by securities

At (€ millions)	31 December 2017				31 December 2016	31 December 2015	
	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	
<b>NEGOTIABLE DEBT INSTRUMENTS</b>	<b>4,307.61</b>	<b>2,949.90</b>	<b>0.00</b>	<b>264.00</b>	<b>7,521.51</b>	<b>14,093.80</b>	<b>8,431.71</b>
Treasury bills denominated in euro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Treasury bills denominated in other currencies	0.00	0.00	0.00	0.00	0.00	0.00	116.65
BMTN denominated in euro	0.00	0.00	0.00	264.00	264.00	264.00	264.00
Commercial paper denominated in euro	50.00	0.00	0.00	0.00	50.00	529.00	0.00
Commercial paper denominated in other currencies	4,256.06	2,949.81	0.00	0.00	7,205.87	13,299.16	8,049.40
Other negotiable debt instruments denominated in foreign currencies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued interest	1.55	0.09	0.00	0.00	1.64	1.64	1.66
<b>BONDS</b>	<b>10,536.51</b>	<b>3,972.11</b>	<b>69,295.94</b>	<b>33,351.21</b>	<b>117,155.77</b>	<b>126,673.50</b>	<b>129,413.81</b>
Bonds and EMTN denominated in euro	1,100.00	3,000.00	51,449.32	29,145.77	84,695.09	86,627.13	91,174.49
Bonds and EMTN denominated in other currencies	8,597.55	796.85	17,846.62	4,205.44	31,446.46	38,863.55	36,805.37
Accrued interest	838.96	175.26	0.00	0.00	1,014.22	1,182.82	1,433.95
<b>Total</b>	<b>14,844.12</b>	<b>6,922.01</b>	<b>69,295.94</b>	<b>33,615.21</b>	<b>124,677.28</b>	<b>140,767.30</b>	<b>137,845.52</b>

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

### Debts evidenced by securities are analysed below:

They comprise negotiable debt instruments totalling €124,677.28 million, comprising negotiable debt securities totalling €7,521.51 million and bonds and similar instruments totalling €117,155.77 million.

Bonds and similar instruments are issued under a borrowing programme approved by the Minister of Economy and Finance on 15 December 2017, including:

- a French issuance programme for which the limit is €130 billion;
- a UK issuance programme for which the limit is €80 billion, including an Australian issuance programme and a BMTN programme;
- a stand-alone programme.

All in all, at 31 December 2017 debts evidenced by securities maturing within one year totalled €21,766.13 million and by those maturing in more than five years €33,615.21 million, compared with €29,420.22 million and €42,374.97 million, respectively, at 31 December 2016. Debt due to mature at between one and five years increased from €68,972.11 million at 31 December 2016 to €69,295.94 million at 31 December 2017.

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%	-

<b>BMTN</b>	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
<b>UK</b>	29/01/2013	29/01/2018	3,500	USD	1.375%	US12802DAF33
	07/03/2011	07/03/2018	1,000	EUR	3.25%	XS0599789343
	12/03/2015	12/03/2018	5,000	USD	1.25%	XS1200751367
	15/03/2016	15/03/2018	1,000	USD	3-month USD Libor +38bp	XS1379591602
	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	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
	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
	<b>FR</b>	05/03/2013	05/03/2018	100	EUR	3-month EURIBOR + 0.10%
27/02/2015		07/03/2018	600	GBP	1.00%	FR0012560084
04/04/2013		25/05/2018	3,000	EUR	1.00%	FR0011459684
20/01/2011		15/10/2018	450	GBP	3.75%	FR0010994376
26/10/2006		26/10/2018	400	CAD	4.45%	FR0010386110
28/11/2016		28/11/2018	28.4	USD	8.00%	FR0013220407
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
29/11/2013	29/11/2023	50	EUR	Formula-based variable rate	FR0011627827
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	4.700%	FR0011142215
01/12/2011	01/12/2025	800	NOK	5.120%	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
<b>Euro-denominated debt</b>		<b>86,007</b>		<b>40,122</b>		<b>126,129</b>
<b>Foreign currency-denominated debt</b>		<b>Value in euros at 31 December 2017</b>		<b>Value in euros at 31 December 2017</b>		
CHF	550	470	(550)	(470)	0	0
GBP	1,579	1,780	(1,579)	(1,780)	0	0
JPY			0	0	0	0
USD	41,368	34,493	(41,368)	(34,493)	0	0
HKD			0	0	0	0
SEK			0	0	0	0
AUD	833	543	(833)	(543)	0	0
NOK	9,400	955	(9,400)	(955)	0	0

NZD	20	12	(20)	(12)	0	0
CNY			0	0	0	0
CAD	600	399	(600)	(399)	0	0
MXN			0	0	0	0
<b>Sub-total foreign currencies</b>		<b>38,652</b>		<b>(38,652)</b>		<b>0</b>
<b>Total</b>		<b>124,659</b>		<b>1,470</b>		<b>126,129</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 effectively 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, 61%<sup>(1)</sup> of the debt bears fixed rates, 31% 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	0	0	0		0	0	0	0	0	
Bonds, EMTN and BMTN	30,613	73,433	104,046		(30,613)	2,855	0	76,289	76,289	
Private placements	0	998	998		0	0	0	998	998	
Macro hedging swaps	0	0	0		0	0	0	0	0	
<b>Total fixed rates</b>	<b>30,613</b>	<b>74,431</b>	<b>105,044</b>	<b>84</b>	<b>(30,613)</b>	<b>2,855</b>	<b>0</b>	<b>77,287</b>	<b>77,287</b>	<b>61</b>
<b>Floating rates</b>										
Negotiable debt instruments	7,206	50	7,256		(7,206)	7,299	0	7,349	7,349	
Bonds, EMTN and BMTN	833	1,864	2,697		(833)	29,967	0	31,831	31,831	
Private placements	0	0	0		0	0	0	0	0	
Macro hedging swaps	0	0	0		0	0	0	0	0	
<b>Total floating rates</b>	<b>8,039</b>	<b>1,914</b>	<b>9,953</b>	<b>8</b>	<b>(8,039)</b>	<b>37,266</b>	<b>0</b>	<b>39,180</b>	<b>39,180</b>	<b>31</b>
<b>Indexed rates</b>										
Bonds	0	9,662	9,662		0	0	0	9,662	9,662	
Macro hedging swaps	0	0	0		0	0	0	0	0	
<b>Total indexed rates</b>	<b>0</b>	<b>9,662</b>	<b>9,662</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,662</b>	<b>9,662</b>	<b>8</b>
<b>Total</b>	<b>38,652</b>	<b>86,007</b>	<b>124,659</b>	<b>100</b>		<b>1,470</b>	<b>0</b>	<b>126,129</b>	<b>126,129</b>	<b>100</b>

- (1) Includes €279.84 million that corresponds to the hedging of swaps cancellable at the initiative of the counterparties. If the swap is cancelled by the counterparty, the hedged position reverts to a variable rate. Based on market rates at 31 December 2017, 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 2017	31 December 2016	31 December 2015
<b>DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS</b>	<b>58.81</b>	<b>5,145.35</b>	<b>4,556.37</b>
- Deposits	58.54	5,145.35	4,556.37
- Accrued interest	0.27	0.00	0.00
<b>OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS</b>	<b>0.00</b>	<b>0.10</b>	<b>0.30</b>
<b>OTHER CREDITORS IN RESPECT OF OPERATING CHARGES</b>	<b>161.49</b>	<b>184.33</b>	<b>191.70</b>
Payments to the State	0.00	0.00	0.00
Tax	0.00	0.00	0.02
Social security	0.00	0.00	0.00
Trade creditors	0.04	0.03	0.04
Sundry creditors – ACOSS	161.45	184.30	191.64
Other sundry creditors	0.00	0.00	0.00
<b>Total</b>	<b>220.30</b>	<b>5,329.78</b>	<b>4,748.37</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 €58.81 million at 31 December 2017;
- The credit balance with ACOSS amounting to €161.45million, consisting of taxpayer credit notes received from ACOSS.

## Note 8: Accruals and deferred income

At (€ millions)	31 December 2017	31 December 2016	31 December 2015
<b>ACCRUALS</b>	<b>21.10</b>	<b>21.88</b>	<b>31.36</b>
Accruals on forward interest rate instruments	6.58	6.24	6.33
Accruals on forward currency instruments	4.80	6.94	17.22
Fees payable in respect of market transactions	0.00	0.00	0.00
Accruals in respect of operating charges	0.40	0.25	0.25
Accruals in respect of CRDS and CSG collection costs	7.64	7.33	6.20
Accruals in respect of revenue from social levies on income from property and investments	0.00	0.00	0.56
Other accruals	1.68	1.12	0.80
<b>CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>28.97</b>	<b>40.86</b>	<b>49.95</b>
<b>UNEARNED INCOME</b>	<b>494.56</b>	<b>596.40</b>	<b>639.66</b>
Issuance premiums on bonds	494.53	595.74	638.76
On government securities	0.00	0.00	0.00
On foreign currency transactions	0.03	0.66	0.05
Other unearned income	0.00	0.00	0.85
<b>OTHER</b>	<b>1,628.96</b>	<b>604.42</b>	<b>478.77</b>
Currency adjustment accounts	1,605.23	597.46	478.77
Sundry	23.73	6.96	0.00
<b>TOTAL</b>	<b>2,173.59</b>	<b>1,263.56</b>	<b>1,199.74</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:

- Accrued expenses in respect of interest rate swaps amounting to €6.58 million, forward currency transactions for €4.80 million, and CRDS and CSG for €7.64 million;
- Balancing cash payments on currency swaps amounting to €28.97 million that are to be spread;
- Unearned income, corresponding to premiums on bond issues (€494.53 million);
- Currency adjustment accounts amounting to €1,60523 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 2016	Set aside	Reversed	31 December 2017
<b>Provisions</b>	<b>98.40</b>	<b>22.03</b>	<b>7.17</b>	<b>113.26</b>
Provision for redundancy indemnities	0.29	0.01	0.00	0.30
Provision for time savings account	0.01	0.00	0.00	0.01
Provision for remuneration	0.00	0.00	0.00	0.00
Provision for liabilities				
Ruyter judgment	21.02	0.00	7.17	13.85
Reduction of CSG and CRDS income	77.08	22.02	0.00	99.10
<b>Total</b>	<b>98.40</b>	<b>22.03</b>	<b>7.17</b>	<b>113.26</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	(2,160.30)
Exceptional income items	0.10
Other operating income and charges	<u>17,204.19</u>
Gross operating profit and net profit for the period	15,043.99

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 2017	31 December 2016	31 December 2015
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>225.32</b>	<b>160.33</b>	<b>39.19</b>
<b>Interest receivable – Demand loans and advances and open repurchase agreements</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
Interest from ordinary accounts in debit	0.01	0.00	0.01
Interest from loans	0.00	0.00	0.00
Interest from securities delivered under open repurchase agreements	0.00	0.00	0.00
<b>Interest receivable – Term loans, advances and repurchase agreements</b>	<b>0.00</b>	<b>0.00</b>	<b>0.02</b>
Interest from loans denominated in euro	0.00	0.00	0.00
Interest from loans denominated in foreign currencies	0.00	0.00	0.00
Interest from securities delivered under repurchase agreements	0.00	0.00	0.02
<b>Other interest receivable</b>	<b>225.31</b>	<b>160.33</b>	<b>39.16</b>
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.09</b>
Interest from fixed income securities	0.00	0.00	0.00
Interest from government securities	0.00	0.00	0.09
<b>OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>799.65</b>	<b>925.79</b>	<b>837.39</b>
Amortisation of premiums on issue	101.20	109.77	117.49
Net profit on hedging transactions	698.45	816.02	719.90
Profit on repurchase of own securities	0.00	0.00	0.00
<b>Total</b>	<b>1,024.97</b>	<b>1,086.12</b>	<b>876.67</b>

Banking income, which amounted to €1,024.97 million, consists mainly of:

- Net profit on hedging transactions amounting to €698.45 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €225.31 million; and
- The amortisation of bond premiums on issue amounting to €101.20 million.

## Note 10: Cost of debt

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>42.36</b>	<b>40.79</b>	<b>43.87</b>
<b>Interest payable - Demand loans and open repurchase agreements</b>	<b>0.00</b>	<b>0.06</b>	<b>0.04</b>
Interest on ordinary accounts in credit	0.00	0.04	0.03
Interest on overnight loans	0.00	0.00	0.00
Interest on securities delivered under open repurchase agreements	0.00	0.02	0.01
<b>Interest payable – Term loans and repurchase agreements</b>	<b>40.55</b>	<b>40.65</b>	<b>43.46</b>
Interest on CDC loan (transfer of debt)	0.00	0.00	0.00
Interest on multi-currency credit	0.00	0.00	0.00
Interest on securities delivered under repurchase agreements	0.00	0.10	2.91
Interest on private placements	40.55	40.55	40.55
<b>Other interest payable and similar charges</b>	<b>1.81</b>	<b>0.08</b>	<b>0.37</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES</b>	<b>3,111.97</b>	<b>3,337.64</b>	<b>3,547.85</b>
<b>Interest on debts evidenced by certificates</b>	<b>3,111.97</b>	<b>3,337.64</b>	<b>3,547.85</b>
Interest on negotiable debt instruments denominated in euros	6.54	7.76	6.84
Interest on negotiable debt instruments denominated in other currencies	137.74	77.37	18.10
Interest on bonds and equivalent securities denominated in euros	2,158.13	2,363.06	2,667.98
Interest on bonds and equivalent securities denominated in other currencies	628.94	781.22	783.33
Other charges on debt evidenced by securities	180.62	108.23	71.60
<b>Other interest payable and similar charges</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FEES PAYABLE</b>	<b>30.93</b>	<b>37.66</b>	<b>26.87</b>
Fees on term loans with credit institutions	22.50	22.29	7.55
Fees on negotiable debt instruments issued	0.00	0.00	0.78
Fees on bonds	8.39	15.32	18.37
Other fees on securities transactions	0.04	0.05	0.17
Other fees	0.00	0.00	0.00
<b>TOTAL</b>	<b>3,185.26</b>	<b>3,416.09</b>	<b>3,618.59</b>

Interest payable and similar charges on CADES' debt, which amounted to €3,185.26 million, decreased by 6.76% from 31 December 2016 and consists of:

- Charges amounting to €3,111.97 million in respect of debts;
- Interest amounting to €42.36 million on transactions with credit institutions, consisting of interest on private placements, securities delivered under repurchase agreements and margin calls; and
- Fees amounting to €30.93 million.

The decrease in interest and similar charges payable compared with 31 December 2016 was related mainly to the decrease in financing costs.

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

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>NET GAIN (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.10)</b>
Other foreign exchange transactions	0.00	0.00	(0.10)
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.10)</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 Committee, 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 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Gains (losses) on investment securities and equivalent</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Net gain (loss) on investment securities	0.00	0.00	0.00

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

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Exchange rate gains and losses on management operations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Exchange rate gains on foreign-currency invoices	0.00	0.00	0.00
Exchange rate losses on foreign-currency invoices	0.00	0.00	0.00

## 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).

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>NET CRDS REVENUES (Article 6)</b>	<b>7,168.36</b>	<b>6,942.78</b>	<b>6,819.82</b>
CRDS contributions levied on wages and salaries	6,354.68	6,161.54	6,090.91
CRDS contributions levied on property assets	299.77	301.81	271.68
CRDS contributions levied on investment income	352.84	327.24	309.87
CRDS contributions levied on sales of gems and precious metals	5.36	4.23	3.96
CRDS contributions on gaming proceeds	155.71	147.96	143.40
CRDS exemption offsets (travel vouchers and voluntary community services)	0.00	0.00	0.00

CRDS revenues, net of collection costs, amounted to €7,168.36 million.

CRDS levied on wages and salaries (which is mainly collected by ACOSS) represents 88.64% of the total. CRDS collected by the offices of the Public Finances Directorate and levied mainly on capital (property and investment income) represented 9.10%. CRDS on gaming profits and the sale of precious metals represented 2.24%.

Repayments relating to amounts written off prior to 31 December 1999 (pursuant to EC regulations and bilateral social security agreements) received from foreign countries have been paid over by CNAMTS to CADES since 31 December 1997 to the extent this does not create a new deficit or increase an existing deficit in the books of CNAMTS. Given that CNAMTS was in deficit from 1998 to 2012, the €216.77 million recovered during this period was not paid over to CADES.

Since Act No. 2004-810 of 13 August 2004, no surplus has been generated by the health insurance branch of the French social security system.

## Note 12a

The table below provides a breakdown of income and charges relating to the CRDS at 31 December 2017.

<b>CRDS REVENUES (€ millions)</b>	<b>(I)</b>	<b>CRDS COSTS</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
CRDS levied on wages and salaries	6,412.65	Write-offs, waivers, cancellation and debt forgiveness	26.04	<b>6,354.68</b>
		Assessment and collection costs	31.93	
CRDS levied on property assets	312.63	Assessment and collection costs	12.86	<b>299.77</b>
CRDS levied on investment income	354.61	Assessment and collection costs	1.77	<b>352.84</b>
CRDS levied on sales of gems and precious metals	5.39	Assessment and collection costs	0.03	<b>5.36</b>
CRDS levied on gaming proceeds	156.49	Assessment and collection costs	0.78	<b>155.71</b>
CRDS exemption offsets (travel vouchers and voluntary community services)	0.00		0.00	<b>0.00</b>
Reversal of provisions on outstanding CRDS to be collected	13.10	Provisions on outstanding CRDS to be collected	3.00	<b>10.10</b>
<b>Total</b>	<b>7,254.87</b>	<b>Total</b>	<b>76.41</b>	<b>7,178.46</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 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.

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>NET CSG REVENUES (Article 6)</b>	<b>7,943.76</b>	<b>7,717.93</b>	<b>6,058.58</b>
CSG contributions levied on wages and salaries	7,151.30	6,956.92	5,492.03
CSG contributions levied on property assets	359.16	358.60	260.69
CSG contributions levied on investment income	423.73	393.46	297.76
CSG contributions on gaming proceeds	9.57	8.95	8.10
CSG exemption offsets	0.00	0.00	0.00

CSG revenues, net of collection costs, amounted to €7,943.76 million.

CSG levied on wages and salaries (which is collected mainly by ACOSS) represents 90.01% of the total. The remaining CSG is levied mainly on income from investments and from property (9.87%).

### Note 12.1a

The table below provides a breakdown of income and charges relating to the CSG at 31 December 2017.

<b>CSG REVENUES</b> <b>(€ millions)</b>	<b>(I)</b>	<b>CSG COSTS</b>	<b>(II)</b>	<b>Net revenues</b> <b>(I-II)</b>
CSG levied on wages and salaries	7,210.64	Write-offs, waivers, cancellation and debt forgiveness	23.36	<b>7,151.30</b>
CSG levied on property assets	374.57	Assessment and collection costs	35.98	<b>359.16</b>
CSG levied on investment income	425.86	Assessment and collection costs	15.41	<b>423.73</b>
CSG levied on gaming proceeds	9.62	Assessment and collection costs	2.13	<b>9.57</b>
CSG exemption offsets	0.00		0.05	<b>0.00</b>
Reversal of provisions on outstanding CSG to be collected	1.69	Provisions on outstanding CSG to be collected	0.00	<b>(18.88)</b>
<b>TOTAL</b>	<b>8,022.38</b>	<b>TOTAL</b>	<b>97.50</b>	<b>7,924.88</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 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 2016 and 2017 to payments recognised in 2015.

<b>Period ended</b> <b>(€ millions)</b>	<b>31 December</b> <b>2017</b>	<b>31 December</b> <b>2016</b>	<b>31 December</b> <b>2015</b>
<b>NET REVENUE FROM SOCIAL LEVIES</b>	<b>(3.58)</b>	<b>(15.86)</b>	<b>1,493.91</b>
On income from property	0.00	(7.52)	687.78
On income from investments	(3.58)	(8.34)	806.13

### 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 2017.

<b>REVENUES FROM SOCIAL LEVIES</b> <b>(€ millions)</b>	<b>(I)</b>	<b>COSTS RELATING TO SOCIAL LEVIES</b>	<b>(II)</b>	<b>Net revenues</b> <b>(I-II)</b>
Social levies on income from property	0.00	Assessment and collection costs	0.00	<b>0.00</b>
		Write-offs, waivers, cancellation and debt forgiveness	0.00	
Social levies on income from investments	(3.60)	Assessment and collection costs	(0.02)	<b>(3.58)</b>
Reversal of provisions on outstanding amounts to be collected	0.00	Provisions on outstanding amounts to be collected	0.00	<b>0.00</b>
<b>TOTAL</b>	<b>(3.60)</b>	<b>TOTAL</b>	<b>(0.02)</b>	<b>(3.58)</b>



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

The Retirement Reserve Fund paid €2.10 billion on 25 April 2017.

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</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 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>STAFF COSTS</b>	<b>1.09</b>	<b>1.11</b>	<b>1.07</b>
Wages and salaries	0.79	0.84	0.72
Social security charges	0.30	0.33	0.28
Time savings account	0.00	0.00	0.01
Sundry charges	0.00	(0.06)	0.06
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>1.69</b>	<b>1.81</b>	<b>1.80</b>
Taxes and duties	0.10	0.11	0.09
External services	1.59	1.70	1.71
<b>TOTAL</b>	<b>2.78</b>	<b>2.92</b>	<b>2.87</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 decreased by 4.79% compared with 31 December 2016.

### **List of staff positions at 31 December 2017**

#### 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 internal control officer (grade A)
- 1 bilingual executive secretary (grade C)

#### Civil servants:

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

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

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>REVENUES FROM PROPERTY ASSETS</b>	<b>0.15</b>	<b>0.20</b>	<b>0.13</b>
Exceptional income	-	-	-
Provisions reversed	0.15	0.20	0.13
<b>CHARGES ON PROPERTY ASSETS</b>	<b>0.09</b>	<b>-</b>	<b>-</b>
External services	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.

The charges representing the statutory auditors' fees for the statutory audit of the 2017 financial statements came to €45,000.

Fees for services other than the statutory audit of the financial statements were nil in 2017.

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

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Payments to the State	-	-	-
Provision for sundry liabilities	-	-	-
Ruyter judgment	-	-	0.23
Reduction of CSG and CRDS income	-	-	5.17
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>5.40</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.

### **Note 14a: Other operating income**

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Other reversals of provisions for sundry charges	-	-	-
Other reversals of provisions for sundry liabilities	7.17	-	-
Ruyter judgment	-	21.99	0.01
<b>TOTAL</b>	<b>7.17</b>	<b>21.99</b>	<b>0.01</b>

## Note 15: Exceptional income and charges

<b>Period ended (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Statutory limitation of debt – administrative budget	0.01	-	-
Statutory limitation of debt – financing budget	0.09	-	0.39
Other exceptional income (impact of ACOSS changes)	-	0.03	0.06
Other exceptional charges (impact of ACOSS changes)	-	-	-
<b>TOTAL</b>	<b>0.10</b>	<b>0.03</b>	<b>0.45</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

<b>At (€ millions)</b>	<b>31 December 2017</b>		<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Currencies to be received</b>	<b>Currencies to be delivered</b>	<b>Currencies to be received</b>	<b>Currencies to be delivered</b>	<b>Currencies to be received</b>	<b>Currencies to be delivered</b>
<b>FORWARD TRANSACTIONS</b>						
<b>Financing in foreign currency</b>	<b>38,652.33</b>	-	<b>52,162.71</b>	-	<b>44,971.44</b>	-
<b>Hedging transactions over the counter</b>						
<b>Forward exchange against euros</b>	<b>7,205.87</b>	-	<b>13,299.16</b>	-	<b>8,166.06</b>	-
Up to 1 year	7,205.87	-	13,299.16	-	8,166.06	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Currency swaps against euros</b>	<b>31,446.46</b>	-	<b>38,863.55</b>	-	<b>35,805.38</b>	-
Up to 1 year	9,394.40	-	8,377.67	-	6,527.83	-
From 1 to 5 years	17,846.62	-	22,486.31	-	22,357.47	-
Over 5 years	4,205.44	-	7,999.57	-	7,920.08	-
<b>FORWARD TRANSACTIONS</b>						
<b>Foreign currency financing commitments received</b>	-	-	-	-	-	-
<b>Hedging transactions over the counter</b>						
<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.

Outstandings decreased by 25.90% at 31 December 2017 compared with 31 December 2016.

The decrease in currency swaps against euro is attributable to the increase in foreign currency bond repayment in 2017 compared with the issuance of bonds in foreign currency (repayment of €7.08 billion in bonds in foreign currency, compared with issuance of €4.67 billion of bonds in foreign currency).

## Note 17: Forward financial instruments

At (€ millions)	31 December 2017	31 December 2016	31 December 2015
<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>5,423.23</b>	<b>2,506.54</b>	<b>2,346.54</b>
Firm transactions entered into for hedging purposes			
Interest rate swaps in euro	<b>5,423.23</b>	<b>2,506.54</b>	<b>2,346.54</b>
Micro hedging	<b>5,423.23</b>	<b>2,506.54</b>	<b>2,346.54</b>
- Up to 1 year	279.84	45.70	-
- From 1 to 5 years	1,250.00	1,279.84	325.54
- Over 5 years	3,893.39	1,181.00	2,021.00
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 2017, interest rate instruments entered into by CADES comprised swaps amounting to €5,423.23 million entered into for micro hedging purposes, including swaps cancellable by counterparties of €27984 million.

In 2007 and 2008, CADES entered into swaps under which it receives three-month Euribor less a haircut and pays a fixed rate. These swaps may be rescinded by the counterparties six months after inception and then every three months.

These cancellable swaps, which qualify as micro hedges, are used to transform CADES' adjustable rate structured transactions into fixed rate transactions for at least six months. Each swap is therefore systematically backed to a swap already held in portfolio by CADES. If the swaps are cancelled, CADES reverts to its initial refinancing level.

These swaps were authorised by the Board of Directors on 28 November 2007. They are designated as micro hedges (Category b of French Banking Committee Regulations No. 90-15 of 18 December 1990, as amended, and No. 88-02 of 22 February 1998, as amended), pursuant to French banking regulations (*Réglementation Bancaire*).

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

<b>At (€ millions)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>FINANCING COMMITMENTS</b>			
<b>Commitments received</b>			
<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	-	-	500.00
			-
<i>Sundry</i>			
- Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )	14,700.00	16,800.00	18,900.00
- Borrowings	-	-	-
- Commercial paper and securities lent under repurchase agreements	-	-	-
<b>Commitments given</b>			
Payments to the State	-	-	-
Payments to social security agencies	-	-	-
- First assumption of debt provided for by 2011 Social Security Finance Act	-	-	-
- Second assumption of debt provided for by 2011 Social Security Finance Act	-	-	23,609.04
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 no. 46 002 held with Banque de France, totalling €700 million and cancellable by the counterparties at 30 days' notice;
- A total of €14.70 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.

CADES no longer had any commitments given at 31 December 2017.

## Note 19: Abridged statements

### **BALANCE SHEET**

<b>At</b>	<b>31 December 2017</b>
<b>(€ millions)</b>	
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD FROM 1 JANUARY 2017</b>	<b>(136,014.76)</b>
<b>PROFIT FOR THE YEAR ENDED 31 DECEMBER 2017</b>	<b>15,043.99</b>
<b>PROPERTY ENDOWMENT</b>	<b>181.22</b>
<b>DEBT REMAINING TO BE REPAYED AT 31 DECEMBER 2017</b>	<b>(120,789.54)</b>
<b>Represented by:</b>	
Liabilities towards third parties	
- Borrowings falling due within 1 year	<b>21,771.50</b>
- Borrowings falling due after 1 year	<b>103,909.15</b>
- Other creditors, accruals and unearned income	<b>2,393.89</b>
Less assets held by CADES	
- Financial investments	<b>4,174.20</b>
- Other debtors, prepayments and accrued income	<b>3,110.80</b>

### **PROFIT AND LOSS ACCOUNT**

<b>Period ended</b>	<b>31 December 2017</b>
<b>(€ millions)</b>	
<b>NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES</b>	<b>15,106.93</b>
<b>ESTIMATION CHANGES AND ERROR ADJUSTMENTS</b>	<b>0.00</b>
<b>NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)</b>	<b>2,100.00</b>
<b>NET REVENUE FROM PROPERTY</b>	<b>0.06</b>
Interest payable and similar charges	<b>(3,154.33)</b>
Fees	<b>(30.95)</b>
Interest receivable and similar income	<b>1,024.98</b>
<b>NET FINANCIAL CHARGES</b>	<b>(2,160.30)</b>
<b>Operating charges</b>	<b>(2.80)</b>
<b>OPERATING PROFIT</b>	<b>15,043.89</b>
Provision for sundry liabilities	<b>0.00</b>
Exceptional income	<b>0.10</b>
<b>NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2017</b>	<b>15,043.99</b>

## OTHER INFORMATION

The table below provides information on market value, comparing the debt at repayment value as at 31 December 2017 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 2017.
- (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 2017.
- (b) The value of unlisted securities issued by CADES obtained using the CADES zero-coupon curve as at 31 December 2017. 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 2017 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 2017	AT 31 DECEMBER 2017	AT 31 DECEMBER 2017
UP TO 1 YEAR	16,000.48	16,000.39	16,070.04	(425.60)
FROM 1 TO 5 YEARS	70,748.31	70,531.22	75,480.01	(1,202.43)
OVER 5 YEARS	34,748.49	34,409.56	39,759.18	349.71
SWAPS	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>121,497.28</b>	<b>120,941.18</b>	<b>131,309.23</b>	<b>(1,278.32)</b>
REVISABLE RATES	36,955.17	33,992.69	37,133.48	(1,284.19)
INDEXED RATES	10,217.61	9,661.59	10,809.00	0.00
FIXED RATES	74,324.50	77,286.89	83,366.75	5.87
SWAPS	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>121,497.28</b>	<b>120,941.18</b>	<b>131,309.23</b>	<b>(1,278.32)</b>

Compared with prior years, at 31 December 2017 there had been a decrease in short and long-term debt, resulting from an increase in medium-term debt, as shown by the table below:

Debt	31 December 2017	31 December 2016	31 December 2015
Short-term (under 1 year)	13.23%	18.93%	13.29%
Medium-term	58.32%	49.68%	41.77%
Long-term (over 5 years)	28.45%	31.39%	44.94%

As regards the breakdown between issues denominated in euro and other currencies, euro-denominated debt increased in the year ended 31 December 2017, as shown by the table below:

Debt	31 December 2017	31 December 2016	31 December 2015
In foreign currencies	31.81%	35.08%	30.64%
In euros	68.19%	64.92%	69.36%

Lastly, the post-hedging book-value-debt breakdown below shows an increase in fixed rate issues and a corresponding decrease mainly in revisable rate issues relative to 2016:

Debt	31 December 2017	31 December 2016	31 December 2015
Revisable rate	28.11%	36.65%	27.82%
Indexed rate	7.99%	8.69%	9.32%
Fixed rate	63.90%	54.66%	62.86%



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 and inflation 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 the accuracy of the amounts recorded as income and expenses in these financial statements.

Paris, on

The Authorising Officer

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On pain of prosecution, the undersigned Accounting Officer, Christine Buhl, hereby attests to the accuracy of these financial statements. She also attests on pain of prosecution that the transactions recorded in these statements are, without exception, all those that were carried out for CADES and that, to her knowledge, no others exist.

Paris, on

The Accounting Officer