

BALANCE SHEET in French francs (FRF)	<u>As at 31/12/1997</u>	<u>As at 31/12/1996</u>
<u>ASSETS</u>		
Cash in hand, central banks, national giro (note 1)	5 875 222,37	5 951 492,95
Treasury bills and similar securities		
Loans and advances to credit institutions (note 1)		
. <i>repayable on demand</i>	636 167,06	235,95
. <i>repayable at maturity</i>	67 171 133 549,55	4 145 688 720,15
Loans and advances to clients (note 1)		
. <i>Other advances to customers</i>		
Bonds and other fixed-income securities		
Shares and other variable-yield securities		
Intangible assets (note 2)	541 882,68	546 943,74
Tangible assets (note 2)	1 007 696,83	778 336,33
Other assets (note 3)	36 893,87	256 820,00
Accrued income and prepaid expenses (note 4)	8 871 107 411,90	4 582 401 453,69
<u>TOTAL ASSETS</u>	76 050 338 824,26	8 735 624 002,81
<u>LIABILITIES</u>		
Amounts owed to credit institutions (note 5)		
. <i>payable on demand</i>	0,00	694 940,49
. <i>payable at maturity</i>	11 938 304 060,61	0,00
Amounts owed to clients - Other debt		
. <i>payable on demand</i>		
. <i>payable at maturity</i>		
Debts evidenced by certificates (note 6)		
. Tradeable debt instruments	96 266 794 170,00	76 860 644 400,00
. Bonds	97 622 322 024,90	69 296 548 359,98
. Other debts evidenced by certificates		
Other liabilities (note 7)	1 018 436 890,49	569 727,66
Accrued expenses and deferred income (note 8)	807 017 103,53	749 969 537,54
<u>Sub-total liabilities</u>	207 652 874 249,53	146 908 426 965,67
Loss brought forward	-138 172 802 962,86	-137 000 000 000,00
Loss for the year ended	6 570 267 537,59	-1 172 802 962,86
<u>Net liability position</u>	-131 602 535 425,27	-138 172 802 962,86
<u>TOTAL LIABILITIES</u>	76 050 338 824,26	8 735 624 002,81

PROFIT AND LOSS ACCOUNT in French francs (FRF)	<u>As at 31/12/1997</u>	<u>As at 31/12/1996</u>
INCOME AND CHARGES FROM BANKING OPERATIONS	-6 389 183 143,30	-6 719 817 445,89
Interest receivable and charges from banking (note 9)	<u>1 254 621 041,97</u>	<u>568 695 786,41</u>
. Interest receivable and similar income on transactions with credit institutions	1 194 659 057,81	547 536 640,14
. Interest receivable and similar income on transactions with clients		
. Interest receivable and similar income on bonds and other fixed-income securities	169,64	412 000,00
. Other interest receivable and similar income	59 961 814,52	20 747 146,27
Interest payable and similar charges (note 10)	<u>-7 814 325 639,51</u>	<u>-6 973 224 323,53</u>
. Interest payable and similar charges arising from transactions with credit institutions	-76 093 227,18	-3 341 360 470,48
. Interest payable and similar charges arising from transactions with clients		
. Interest payable and similar charges on bonds and other fixed-income securities	-7 738 232 412,33	-3 631 863 853,05
. Other interest payable and similar charges		
Commissions payable (note 10)	<u>-269 820 030,04</u>	<u>-384 437 647,95</u>
Net profits on financial transactions (note 11)	<u>440 341 484,28</u>	<u>69 148 739,18</u>
. Net profit on transactions in trading securities		
. Net profit on transactions in securities held for sale		
. Net profit on foreign exchange transactions	92 832 553,28	65 699 207,22
. Net profit on transactions in financial instruments	347 508 931,00	3 449 531,96
Net loss on financial transactions		
. Net loss on transactions in trading securities		
. Net loss on transactions in securities held for sale		
. Net loss on foreign exchange transactions		
. Net loss on transactions in financial instruments		

OTHER ORDINARY INCOME AND CHARGES	12 959 450 680,89	5 547 014 483,03
Other non-banking operating income :	<u>25 652 968 597,37</u>	<u>21 205 244 879,36</u>
. Other banking operating income	12 268,38	
. other non-banking operating income		
. CRDS (note 12)	25 561 310 935,33	21 205 244 879,36
. Property sales (note 12)	91 626 613,00	
. Other	18 780,66	
General operating charges (note 13)	<u>-12 864 600,69</u>	<u>-13 610 462,02</u>
. <i>Staff costs</i>	-1 517 646,45	-560 821,20
. <i>Other administrative expenses</i>	-11 346 954,24	-13 049 640,82
Depreciation and provisions for depreciation of intangible and tangible assets	<u>-402 958,71</u>	<u>-135 904,37</u>
Other operating charges	<u>-12 680 250 357,08</u>	<u>-15 644 484 029,94</u>
. <i>Other operating charges arising from banking transactions</i>	-599 040,84	-329 099,36
. <i>Other non-banking operating charges (note 14)</i>		
- <i>payment to the state</i>	-12 500 000 000,00	-12 500 000 000,00
- <i>payment to CANAM</i>	0,00	-3 000 000 000,00
- <i>Costs on CRDS revenues</i>	-179 451 728,37	-144 098 650,58
- <i>Other</i>	-199 587,87	-56 280,00
PROFIT ON ORDINARY ACTIVITIES	6 570 267 537,59	-1 172 802 962,86
Exceptional income		
Exceptional charges		
NET PROFIT FOR YEAR ENDED	6 570 267 537,59	-1 172 802 962,86

OFF BALANCE SHEET in french francs (FRF) (notes 15 à 17)	<u>As at 31/12/97</u>	<u>As at 31/12/96</u>
<u>COMMITMENTS GIVEN</u>		
Financing commitments		
. Commitments in favour of credit institutions		
. Commitments in favour of clients		
. Annual payment to the state (article 4 of Ordinance n° 96-50 of 24 January 1996)	137 500 000 000	150 000 000 000
Guarantees		
. Guarantees in favour of credit institutions		
. Guarantees in favour of clients		
Commitments with respect to securities		
. Securities purchased with sale or repurchase options		
. Other commitments given		
<u>COMMITMENTS RECEIVED</u>		
Financing commitments		
. Commitments received from credits institutions (note 17)	89 033 390 000	60 000 000 000
Guarantees		
. Guarantees received from credits institutions		
Commitments with respect to securities		
. Securities sold with sale or repurchase options		
. Other commitments received		

CADES - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1997

I - 1997 highlights

The FRF87 billion (USD14.5 billion) increase in social security debt transferred to CADES under the 1998 Social Security Financing Act did not directly impact on the 1997 balance sheet as it occurred on 1 January 1998. However, to cover the repayment by CADES by 31 January 1998 of the cash advance granted by Caisse des Dépôts et Consignations (CDC) to the Social Security Bodies' Central Agency (ACOSS), CADES' short-term debt increased sharply at the end of 1997.

II - Accounting principles and methods

The accounting principles followed by CADES are intended to meet two requirements:

Given the financial nature of the activities carried on by CADES, the annual accounts were prepared in accordance with accounting requirements applicable to credit and financial institutions as well as generally accepted accounting principles in France. In particular, the accounts comply with two fundamental principles: the "accruals" and prudence principles.

The annual accounts also comply with Regulation No. 91.01 adopted by the Banking Regulation Committee on 16th January 1991, governing the preparation and publication of the annual accounts of credit institutions. This regulation incorporated into French law the European Directive of 8th December 1996 on the annual and consolidated accounts of banks and other financial institutions.

In accordance with Instruction M 9-1, these accounts are then aggregated so as to comply with the accounting chart for public administrative agencies with a view to filing with the *Cour des Comptes*¹.

It is important to underline that the **profit and loss account of CADES needs to be interpreted in relation to its mission** which has for sole purpose to extinguish a debt over its lifetime.

Concurrently with the examination and preparation of the accounts, the CADES Board of Directors ensures at regular intervals that the **financial equilibrium** of the fund is maintained throughout the lifetime of CADES. For this purpose, it takes into account up-dated projections as regards the collection of Contributions for the Repayment of the Social Debt (CRDS),

¹ The State Audit Office

changes in the repayment schedule for the debt recorded as a liability in the balance sheet as well as charges incurred to service this debt.

1 - Contributions for the Repayment of the Social Security Debt

A resource explicitly allotted to CADES

Contributions for the Repayment of the Social Debt (CRDS) defined by Ordinance No. 96-50 of 24th January 1996 were explicitly created to provide CADES with resources: “The revenue from the contribution enacted by Chapter II of this Ordinance on reimbursement of the social security debt shall be appropriated to *Caisse d'Amortissement de la Dette Sociale*” (Section 6 of the Ordinance).

A broad tax base

Many sources of income are liable to the CRDS tax. A distinction must be made between:

- **First**, earned income and unearned income: salaries, redundancy and retirement indemnities under certain conditions, pension and disability benefits, daily sickness and maternity benefits, housing grants, family allowances, employment subsidy for minding young child, etc.;
- **Second**, capital income from property, investments, sales of jewellery and precious metals, and from gambling.

The contributions assessed on the basis of earned and unearned income are paid daily by ACOSS to CADES as and when they are collected.

The State’s financial bodies (tax collection offices, Treasury offices, and customs) centralise the collection of the contributions assessed on other income before they are paid over to CADES.

Collection costs borne by CADES

Pursuant to the provisions of section 8 of the ordinance of 24th January 1996, assessment and collection costs are borne by CADES. They consist of a flat amount defined in a joint decree issued by the Economy and Finance Minister and the Minister in charge of the Social Security system.

Collecting agencies deduct a 0.5% levy from the contributions paid over to CADES.

CRDS tax contributions on capital income assessed by the Treasury by entries in the tax assessment register are paid to CADES on the basis of the tax assessments and not the amounts actually collected. In return, a 4.1% levy is deducted from the sums paid to CADES in order to cover assessment and collection costs (i.e. 0.5%), as well as the cost of tax reductions and waivers (i.e. 3.60%), as provided for under article 1641 of the General Tax Code.

Amounts actually collected by CADES in respect of the CRDS for the year ended 31st December 1997 are reported in the profit and loss account under the heading "Other non-banking operating income".

Assessment and collection costs are reported under the heading "Other non-banking operating charges".

Principle of accruals

CADES applies this accounting method in accordance with accounting standards for credit institutions and the Decree of 23rd May 1996. This Decree modified the Social Security Code and defined the principle for the implementation of the accrual method for bodies operating under the General Social Security Regime.

Consequently, the accounts for the year ended 31st December 1997 include all CRDS paid to collecting agencies in respect of the year then ended, regardless of the date on which these amounts were actually collected.

In order to record these amounts as **accrued income**, CADES receives from collecting agencies a notification of amounts relating to the year ended 31st December 1997 that have not been collected yet.

2 - Proceeds from the sale of leased private property

Ordinance n° 96-50 dated 24th January 1996 establishing CADES allotted to it another financial resource additional to the CRDS levy: proceeds from "the sale of the private property held and leased by the national funds of the general social security system and Agence Centrale des Organismes de Sécurité Sociale (ACOSS), excluding premises used for administrative purposes, ".

"That portion of property not sold by 31st December 1999 shall be transferred to Caisse d'Amortissement de la Dette Sociale, together with the attendant rights and obligations (...) In managing or selling the aforesaid property, Caisse

d'Amortissement de la Dette Sociale may call on the service of any entities or organizations authorized to this end, as stipulated by decree. The entire property shall be fully transferred at the latest by 31st December 2008.” (section 9).

The first sale of such property took place in 1997. It amounted to FRF91.6 million, and is reported in the “Other non-banking operating income” item of the Profit and Loss account.

3 – Foreign exchange transactions

Foreign exchange transactions are accounted for on a multi-currency basis. They are dealt with in accordance with the following principles:

- transactions concerning balance sheet and off balance sheet accounts are translated into French francs at the exchange rate prevailing at year-end;
- income and charges denominated in foreign currencies are translated into French francs at the exchange rate prevailing on the date they were recorded in the profit and loss account.
- realised and unrealised exchange gains or losses are recorded in the profit and loss account, and reported as income or charges arising from banking transactions.

4 - Repurchase agreements with securities delivered

First-grade securities give rise to repurchase agreements as part of the investment of available cash resources.

Securities received under repurchase agreements are reported under loans and advances to credit institutions or clients, depending on the type of counterparty with which CADES entered into the transactions.

5 - Tangible and intangible fixed assets

Fixed assets are accounted for under the historical cost accounting method. They are depreciated over their estimated useful life.

Tangible fixed assets consist mainly of office and IT equipment.

Intangible fixed assets include software.

6 - Bonds

Bonds issued by CADES are reported as a liability in the balance sheet at their nominal value, increased by related debts.

Foreign currency bonds are translated into French francs at the exchange rate prevailing at year-end.

Premiums on issue are treated as deferred charges. Accordingly, they are recorded as an asset in the balance sheet under the heading "Accrued income and prepaid expenses". Premiums are amortised over the life of the loans, the amortisation charge being included under "Charges arising from banking transactions".

Discounts on issue are reported under "Accruals and deferred income". They are amortised over the life of the loan and recorded in the profit and loss account under "Operating income arising from banking transactions".

All costs incurred in connection with the issuing of bonds are charged to the profit and loss account on the date of the issue under the heading "Commissions payable".

7 - Provisions for liabilities and charges

CADES has not recorded any general provision for liabilities. Where appropriate, provisions are recorded in respect of identified risks, in accordance with applicable accounting principles.

8 - Interest rate and currency swaps

The commitments made when entering into such transactions are recorded as off-balance sheet items for the nominal value of such contracts.

Interest rate swaps are entered into in accordance with the risk management policy defined by the Board of Directors.

Currency swaps are entered into solely for the purpose of hedging CADES's foreign exchange risk.

These contracts are accounted for in accordance with the accounting rules and methods applicable to the transactions being hedged. Recording in the profit and loss account is symmetrical with the hedged transactions.

9 - Taxation

CADES is not liable to business taxes (corporate income tax, value added tax, local business rates) or to the apprenticeship tax. The only tax to which it is liable is the payroll tax.

ABRIDGED BALANCE SHEET
as at 31/12/1997

(in FRF millions)

DEBT CARRYOVER as at 01/01/1997	138 173
SURPLUS as at 31/12/1997	<u>(6 570)</u>
DEBT REMAINING TO BE PAID as at 31/12/1997	131 603
Breakdown of debt:	
- Liabilities contracted with third parties :	
.short-term financial debts	104 858
.bonds	100 969
.Accruals, deferred income and sundries	<u>1 826</u>
	207 653
- less assets held :	
. Financial investments lodged at credit institutions	(67 172)
.Prepayment, accrued income and sundries	<u>(8 878)</u>
	(76 050)

Note 1 : Treasury and interbank transactions

TREASURY AND INTERBANK TRANSACTIONS In FRF	as at 31/12/1997	as at 31/12/1996
<u>CENTRAL BANKS, NATIONAL GIRO</u>	<u>5 875 222,37</u>	<u>5 951 492,95</u>
Central banks	5 875 222,37	5 951 492,95
<u>DUE BY CREDIT INSTITUTIONS</u>	<u>67 171 769 716,61</u>	<u>4 145 688 956,10</u>
Repayable on demand	636 167,06	235,95
Repayable at maturity	67 171 133 549,55	4 145 688 720,15
Securities received under repurchase agreements (< 3 months)		
. <i>Treasury bills</i>	49 466 283 326,07	752 171 721,00
. <i>Bonds</i>	14 646 287 763,40	2 332 383 442,00
. <i>Own securities</i>	2 906 813 743,00	980 976 984,00
Related amounts receivable	151 748 717,08	2 770 947,15
TOTAL AMOUNT DUE BY CREDIT INSTITUTIONS	67 177 644 938,98	4 151 640 449,05

Note 2 : Tangible and intangible fixed assets

In FRF	1997					1996	
	Cost on January 1	Purchases	Sales	Cost on December 31	Depreciation and Provisions	Net book value as at 31/12/97	Net book value as at 31/12/96
INTANGIBLE ASSETS	<u>621 286,85</u>	<u>212 115,26</u>		<u>833 402,11</u>	<u>291 519,43</u>	<u>541 882,68</u>	<u>546 943,74</u>
IT software	621 286,85	212 115,26		833 402,11	291 519,43	541 882,68	546 943,74
TANGIBLE ASSETS	<u>839 897,59</u>	<u>415 142,89</u>		<u>1 255 040,48</u>	<u>247 343,65</u>	<u>1 007 696,83</u>	<u>778 336,33</u>
Sundry equipment	839 897,59	415 142,89		1 255 040,48	247 343,65	1 007 696,83	778 336,33
TOTAL	1 461 184,44	627 258,15		2 088 442,59	538 863,08	1 549 579,51	1 325 280,07

Note 3 : Other assets

OTHER ASSETS In FRF	as at 31/12/1997	as at 31/12/1996
CONDITIONAL ASSETS PURCHASED		
Interest rate instruments		
Foreign exchange instruments		
Other conditional instruments		
Provision for depreciation of conditional instruments purchased		
Net book value of conditional instruments purchased		
SUNDRY DEBTORS		
Guarantee deposits		
Other sundry debtors on financial transactions		
Other sundry debtors on operating expenses	36 893,87	256 820,00
Other sundry debtors		
OTHERS		
TOTAL OTHER ASSETS	36 893,87	256 820,00

Note 4 : ACCRUED INCOME AND PREPAID EXPENSES

ACCRUED INCOME AND PREPAID EXPENSES In FRF	as at 31/12/1997	as at 31/12/1996
<u>ACCRUED INCOME</u>	<u>4 035 744 136,47</u>	<u>2 614 127 391,18</u>
On forward interest rate instruments	112 364 806,82	21 974 806,95
On forward foreign exchange transactions	655 899 966,11	207 459 471,48
On revenues from RDS levy (article 6 Ordinance n° 96-50)	3 175 852 750,54	2 384 693 112,75
On the sale of property (article 9 Ordinance n° 96-50)	91 626 613,00	
Other accrued income		
<u>DEFERRED CHARGES</u>	<u>437 004 366,02</u>	<u>485 887 616,54</u>
Premiums on bond issues	437 004 366,02	485 887 616,54
Other deferred charges		
<u>PREPAYMENTS</u>	<u>1 626 292 486,68</u>	<u>895 873 593,97</u>
Prepayments of management expenses	1 012 726,02	612 145,50
Prepaid interest on negotiable debt instruments	1 624 909 984,29	895 261 448,47
Other prepaid expenses	369 776,37	
<u>OTHER ADJUSTMENT ACCOUNTS</u>	<u>2 772 066 422,73</u>	<u>586 512 852,00</u>
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	8 871 107 411,90	4 582 401 453,69

Note 5 : Treasury and interbank transactions

In FRF Based on remaining term to maturity	as at 31/12/1997					as at 31/12/1996
	<= 3 month	> 3 month <= 1 year	> 1 year <= 5 years	> 5 years	Total	Total
<u>CENTRAL BANKS</u>						0,00
<u>DEBT OWED TO CREDITS INSTITUTIONS</u>						<u>694 940,49</u>
Payable on demand						
Ordinary deposits		8 591 374 859,60		3 346 929 201,01	<u>11 938 304 060,61</u>	694 940,49
Payable at maturity						
Term accounts and debt (1)		8 576 528 511,32		3 345 700 000,00	11 922 228 511,32	
Related debts		14 846 348,28		1 229 201,01	16 075 549,29	
Total amount owed to credit institutions		8 591 374 859,60		3 346 929 201,01	11 938 304 060,61	694 940,49

(1) Private placements in foreign currency :

- GBP 864 830 948 at 7.02% maturing on 31/12/98

- DEM1 billion at a graduated rate (4.47% from 29/12/97 to 29/12/2000, then 5.885% until 29/12/2008)

This issue comprises a call option at par at the investor's discretion at the end of the third year.

Note 6 : Debts evidenced by certificates

In FRF <i>Based on remaining term to maturity</i>	1997				1996	
	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total	
<u>NEGOTIABLE DEBT INSTRUMENTS</u>					<u>96 266 794 170</u>	<u>76 860 644 400</u>
Commercial paper issued in FRF	23 202 000 000	11 675 000 000			34 877 000 000	34 995 000 000
BMTN (medium-term notes) issued in FRF						
Commercial paper (issued in forex)	23 555 307 000	37 834 487 170			61 389 794 170	41 865 644 400
Other negotiable debt instruments issued in forex						
Related debts						
<u>BOND ISSUES</u>					<u>97 622 322 025</u>	<u>69 296 548 360</u>
Bonds issued in FRF (1)			28 859 000 000	32 707 000 000	61 566 000 000	48 281 000 000
Bonds issued in forex (2)			25 118 558 000	8 905 500 000	34 024 058 000	19 484 800 000
Related debts			1 205 517 299	826 746 726,02	2 032 264 025	1 530 748 360
<u>OTHER DEBTS EVIDENCED BY CERTIFICATES</u>						
<u>TOTAL DEBTS EVIDENCED BY CERTIFICATES</u>	46 757 307 000	49 509 487 170	55 183 075 299	42 439 246 726	193 889 116 195	146 157 192 760

(1) Bond exposure in FRF comprises the following :

- FRF18.859 billion issue at 5.5 % maturing on 25 April 2002
- FRF14.923 billion issue at 6.25 % maturing on 25 October 2007
- FRF14.499 billion issue at 6% maturing on 25 July 2005
- FRF10 billion issue at 4% maturing on 12 October 2000
- FRF650 million issue at a graduated rate (5.18% from 16/04/1997 to 16/04/2003, then 7% until 16/04/2008)
This issue comprises a redemption option at par at the discretion of the issuer as from the end of the 6th year.
- FRF2.635 billion issue at a graduated rate (4.63% from 17/12/1997 to 17/12/2001, then 5.94% until 17/12/2008)
This issue comprises a call option at par at the discretion of the issuer as from the end of the 4th year.

(2) Bond exposure in foreign currencies comprises the following:

- NLG3 billion issue at 6.375% maturing on 29 July 2004
- USD2 billion floating rate issue maturing on 10/12/2001
- USD1 billion issue at 6.5% maturing on 11/03/2002
- USD500 million floating rate issue maturing on 17/12/1999
- JPY90.4 billion issue repayable in USD at 5.2% maturing on 27/04/2000

Note 7: Other liabilities

OTHER LIABILITIES In FRF	as at 31/12/1997	as at 31/12/1996
Guarantee deposits received	<u>978 993 125,00</u>	
Other sundry creditors on financial transactions	<u>36 600 722,44</u>	
Other sundry creditors on operating transactions	<u>2 843 043,05</u>	<u>569 727,66</u>
* Taxes due	171 739,20	39 778,64
* Social security	12 654,52	221 604,03
* Suppliers	2 625 011,72	300 237,89
* Other sundry creditors	33 637,61	8 107,10
TOTAL OTHER LIABILITIES	1 018 436 890,49	569 727,66

Note 8 : Accrued expenses and deferred income

ACCRUED EXPENSES AND DEFERRED INCOME In FRF	as at 31/12/1997	as at 31/12/1996
<u>ACCRUED EXPENSES</u>	<u>434 848 863,09</u>	<u>96 083 282,71</u>
On forward interest rate instruments	94 909 355,99	30 854 668,49
On forward foreign exchange transactions	316 556 031,88	35 720 291,90
Fees payable on market trading transactions	2 392 859,51	6 926 864,56
Accrued operating expenses	2 320 673,06	8 623 779,94
Expenses due on RDS levy revenues	18 642 622,11	13 947 497,00
Other accruals	27 320,54	10 180,82
<u>DEFERRED INCOME</u>	<u>337 004 910,51</u>	<u>302 379 913,73</u>
Discounts on bond issues	337 004 910,51	302 379 913,73
<u>OTHER ADJUSTMENT ACCOUNTS</u>	<u>35 163 329,93</u>	<u>351 506 341,10</u>
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	807 017 103,53	749 969 537,54

Note 9 : INCOME FROM TREASURY TRANSACTIONS

INTEREST RECEIVABLE In FRF	as at 31/12/1997	as at 31/12/1996
<u>INTEREST RECEIVABLE AND SIMILAR INCOME ON TRANSACTIONS WITH CREDIT INSTITUTIONS</u>	<u>1 194 659 057,81</u>	<u>547 536 640,14</u>
Interest on sight transactions		
Interest on ordinary debit accounts	979 838,48	1 369 756,92
Interest on loans		
Interest on securities received under repurchase agreements	1 148 980,00	
Interest on forward transactions		
Interest on franc-denominated loans		
Interest on foreign-currency loans		
Interest on securities received under repurchase agreements	465 361 091,24	136 789 785,85
Other interest income	727 169 148,09	409 377 097,37
<u>INTEREST RECEIVABLE AND SIMILAR INCOME ON BONDS AND OTHER FIXED-INCOME SECURITIES</u>	<u>169,64</u>	<u>412 000,00</u>
Interest on investment and held-to-maturity securities		
Other interest on securities transactions	169,64	412 000,00
<u>OTHER INTEREST AND SIMILAR INCOME</u>	<u>59 961 814,52</u>	<u>20 747 146,27</u>
TOTAL INTEREST RECEIVABLE	1 254 621 041,97	568 695 786,41

Note 10 : Debt financing costs

INTEREST AND COMMISSIONS PAYABLE	as at 31/12/1997	as at 31/12/1996
In FRF		
<u>INTEREST PAYABLE AND SIMILAR CHARGES ARISING FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</u>	<u>76 093 227,18</u>	<u>3 341 360 470,48</u>
Interest payable on debt on sight		
Interest on ordinary overdrafts	140 520,08	1 563 371,83
Interest on overnight loans		
Interest on securities given under repurchase agreements	114 310,00	
Interest payable on term transactions		
Interest on FRF-denominated bridging loan, CDC loan and ACOSS loan		3 077 158 870,74
Interest on syndicated loan		219 102 443,36
Interest on repos with securities delivered	1 280 670,00	
Interest on private placements	22 855 554,30	
Other interest payable and similar charges	51 702 172,80	43 535 784,55
<u>INTEREST PAYABLE AND SIMILAR CHARGES ARISING FROM BONDS AND OTHER FIXED-INCOME SECURITIES</u>	<u>7 738 232 412,33</u>	<u>3 631 863 852,20</u>
Charges on debts evidenced by certificates		
Interest on negotiable debt instruments issued in FRF	870 782 372,63	886 446 765,64
Interest on negotiable debt instruments issued in foreign currencies	1 923 098 957,54	1 433 370 568,27
Interest on FRF-denominated bonds	3 250 194 802,06	1 016 532 857,64
Interest on bonds issued in foreign currency	1 622 109 357,87	242 346 906,49
Other charges on debts evidenced by certificates	71 905 202,46	53 156 573,34
Other interest payable and similar charges	141 719,77	10 180,82
<u>COMMISSIONS</u>	<u>269 820 030,04</u>	<u>384 437 647,95</u>
Commissions on term loans extended by credit institutions	41 935 208,80	37 743 555,55
Commissions on negotiable debt instruments issued	18 397 185,49	16 693 935,65
Commissions on bonds	205 901 177,50	327 238 552,32
Other commissions on securities transactions	3 561 011,89	2 761 604,43
Other commissions	25 446,36	
TOTAL INTEREST AND COMMISSIONS PAYABLE	8 084 145 669,55	7 357 661 970,63

Note 11 : Net profit on financial transactions

NET PROFIT ON FINANCIAL TRANSACTIONS In FRF	as at 31/12/1997	as at 31/12/1996
<u>NET PROFIT ON FOREIGN EXCHANGE TRANSACTIONS</u>	<u>92 832 553,28</u>	<u>48 443 828,99</u>
Unhedged NLG-denominated loan	97 207 205,34	48 443 828,99
Other foreign exchange transactions	-4 374 652,06	17 255 378,23
<u>NET PROFIT ON TRANSACTIONS IN FINANCIAL INSTRUMENTS</u>	<u>347 508 931,00</u>	<u>3 449 531,96</u>
Interest on currency swaps	484 725 346,32	12 329 393,50
Interest on interest rate swaps	-137 216 415,32	-8 879 861,54
TOTAL NET PROFIT ON FINANCIAL TRANSACTIONS	440 341 484,28	51 893 360,95

Note 12 : Net revenues allotted to CADES by ordinance n° 96-50 of 24 January 1996

<u>NET REVENUES ALLOTTED TO CADES BY THE ORDINANCE</u>	As at 31/12/1997	as at 31/12/1996
In FRF		
<u>NET CRDS REVENUES IN THE YEAR ENDED (article 6)</u>	<u>25 381 859 206,96</u>	<u>21 061 146 228,78</u>
ACOSS CRDS revenues (on wages and salaries)	22 556 218 431,29	19 394 173 823,12
CRDS revenues on assets	1 375 770 039,68	1 014 207 130,85
CRDS revenues on investment income	986 118 982,53	90 080 156,29
CRDS revenues on sales of jewellery and precious metals	13 269 374,16	4 062 236,87
CRDS revenues on gambling gains	450 482 379,30	78 728 280,72
CRDS revenues before allocation	0,00	479 894 600,93
<u>SALE OF ASSETS...(article 9)</u>	91 626 613,00	
TOTAL NET REVENUES ALLOTTED BY THE ORDINANCE	25 473 485 819,96	21 061 146 228,78

Pursuant to article 9 of ordinance n° 96-50 of 24 January 1996,

- . The national social security agencies governed by the general social security regime and ACOSS will sell their private rental housing assets within four years (except for the assets used for administrative purposes) ;
- . The proceeds from these sales will be allotted to CADES ;
- . The property assets not sold by 31/12/1999 will be transferred to CADES with the rights and obligations attached thereto.

The first property sale took place in 1997

Note 13 : General operating charges

General operating charges In FRF	as at 31/12/1997	as at 31/12/1996
STAFF COSTS	<u>1 517 646,45</u>	<u>560 821,20</u>
Salaries and wages	1 161 053,47	412 222,44
Social security costs	356 592,98	148 598,76
OTHER ADMINISTRATIVE EXPENSES	<u>11 346 954,24</u>	<u>13 049 640,82</u>
Taxes	131 960,56	39 778,64
Outsourced services	11 214 993,68	13 009 862,18
of which the pay of staff seconded to CADES	1 935 993,90	1 128 896,10
Total general operating charges	12 864 600,69	13 610 462,02

Note 14 : Other non-banking charges

Other non-banking charges In FRF	as at 31/12/1997	as at 31/12/1996
<u>COSTS ON CRDS REVENUES</u>	<u>179 451 728,37</u>	<u>144 098 650,58</u>
<u>PAYMENTS MADE IN COMPLIANCE WITH THE DOCUMENTS ESTABLISHING CADES</u>	<u>12 500 000 000,00</u>	<u>15 500 000 000,00</u>
Payment to the State	12 500 000 000,00	12 500 000 000,00
Payment to CANAM	0,00	3 000 000 000,00
<u>OTHER ITEMS</u>	<u>199 587,87</u>	<u>56 280,00</u>
Total other non-banking charges	12 679 651 316,24	15 644 154 930,58

Note 15 : Currency transactions

In FRF	as at 31/12/1997		as at 31/12/1996	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
<u>FORWARD TRANSACTIONS</u>	<u>117 200 893 991,75</u>	<u>4 363 408 995,43</u>	<u>53 769 345 400,00</u>	
OTC hedging transactions				
Forward exchange against FRF	75 881 356 485,00	4 363 408 995,43	43 295 345 400,00	
Currency swaps against FRF	36 956 128 511,32		10 474 000 000,00	
Forex transactions against currencies	4 363 408 995,43			
Other OTC transactions				
Forward exchange transactions				
<u>SPOT TRANSACTIONS</u>		<u>6 691 400 000,00</u>		<u>1 395 999 878,00</u>
OTC transactions		6 691 400 000,00		1 395 999 878,00

Note 16 : Financial futures markets

In FRF	as at 31/12/1997			as at 31/12/1996		
	FRF	Forex	Total	FRF	Forex	Total
<u>INTEREST RATE INSTRUMENTS</u>						
Regulated markets and similar markets						
Firm hedging transactions						
. Purchases of interest rate futures						
. Sales of interest rate futures						
. Others						
Other firm transactions						
Optional hedging transactions						
. Purchases of interest rate options						
. Others						
Other optional transactions						
OTC transactions						
Firm hedging transactions						
. Interest rate swaps in FRF	32 130 000 000		32 130 000 000	10 580 000 000		10 580 000 000
. FRA						
. Others						
Other firm transactions						
Optional hedging transactions						
. Purchases of interest rate options						
. Caps						
. Floors						
. Collars						
. Others						
Other optional transactions						
<u>OTHER INSTRUMENTS</u>						
Exchange rate instruments						
. Regulated and similar markets						
. OTC markets						
Other instruments						
. Regulated and similar markets						
. OTC markets						

Note 17 : Off-balance sheet commitments

In FRF	as at 31/12/1997			as at 31/12/1996		
	FRF	Forex	Total	FRF	Forex	Total
<u>FINANCING COMMITMENTS</u>						
Commitments received	<u>80 000 000 000</u>	<u>9 033 390 000</u>	<u>89 033 390 000</u>	<u>60 000 000 000</u>		<u>60 000 000 000</u>
From credit institutions :						
. Multicurrency syndicated loan	60 000 000 000		60 000 000 000	60 000 000 000		60 000 000 000
. Bridging loan	20 000 000 000		20 000 000 000			
. Other financing commitments		9 033 390 000	9 033 390 000			
From clients						
Commitments given						
In favour of credit institutions						
In favour of clients						
<u>GUARANTEES</u>						
Guarantees given						
In favour of credit institutions						
In favour of clients						
Guarantees received						
In favour of credit institutions						
In favour of clients						
<u>SECURITIES COMMITMENTS</u>						
Securities to be received						
Securities to be delivered						
<u>OTHER COMMITMENTS</u>						
Commitments given						
Securities pledged as guarantee for transactions on futures markets						
Commitments relating to retirement pensions						
Others						
Commitments received						
Securities received as guarantee for transactions on futures markets						
Others						