

CADES ACCOUNTING AGENCY

ACCOUNTS FOR 1999

CADES  
4bis, boulevard Diderot  
75012 PARIS  
FRANCE

# BALANCE SHEET

	As at 31/12/1999	As at 31/12/1999	As at 31/12/1998
	in euros	in French francs	in French francs
<b>ASSETS</b>			
Cash in hand, central banks, national giro (note 1)	406 223,12	2 664 648,99	65 605 925,40
Treasury bills and similar securities			
Loans and advances to credit institutions (note 1)			
. repayable on demand	127 422,87	835 839,23	3 401 125,81
. repayable at maturity	897 900 093,10	5 889 838 513,70	477 183 456,07
Loans and advances to clients (note 1)			
. Other advances to clients			
Bonds and other fixed-income securities			
Shares and other variable-yield securities			
Intangible assets (note 2)	17 765,22	116 532,20	356 417,54
Tangible assets (note 2)	158 947,78	1 042 629,09	1 346 423,82
Other assets (note 3)	71 268 853,58	467 493 033,88	1 067 606 349,77
Accrued income and prepaid expenses (note 4)	2 026 357 967,96	13 292 036 935,90	7 777 352 032,53
<b>TOTAL ASSETS</b>	<b>2 996 237 273,63</b>	<b>19 654 028 132,99</b>	<b>9 392 851 730,94</b>
<b>LIABILITIES</b>			
Amounts owed to credit institutions (note 5)			
. payable on demand	2,02	13,25	10,18
. payable at maturity	1 950 860 873,50	12 796 808 459,98	12 797 335 007,46
Amounts owed to clients - Other debts			
. payable on demand			
. payable at maturity			
Debts evidenced by certificates (note 6)			
. Negotiable debt instruments	3 641 698 022,83	23 887 973 099,62	51 731 381 675,51
. Debenture loans	27 342 261 204,10	179 353 476 326,58	154 817 758 703,27
. Other debts evidenced by certificates			
Other liabilities (note 7)	1 338 582 165,13	8 780 523 412,91	244 954 001,97
Accrued expenses and deferred income (note 8)	435 238 853,06	2 854 979 723,37	4 871 087 035,33
<b>Sub-total liabilities</b>	<b>34 708 641 120,64</b>	<b>227 673 761 035,71</b>	<b>224 462 516 433,72</b>
Loss brought forward	-32 787 159 021,52	-215 069 664 702,78	-218 602 535 425,27
Loss for the year ended	1 074 755 174,51	7 049 931 800,06	3 532 870 722,49
<b>Net liability position</b>	<b>-31 712 403 847,01</b>	<b>-208 019 732 902,72</b>	<b>-215 069 664 702,78</b>
<b>TOTAL LIABILITIES</b>	<b>2 996 237 273,63</b>	<b>19 654 028 132,99</b>	<b>9 392 851 730,94</b>

## PROFIT AND LOSS ACCOUNT

	As at 31/12/1999	As at 31/12/1999	As at 31/12/1998
	in euros	in French francs	in French francs
<b>INCOME AND CHARGES FROM BANKING OPERATIONS</b>	<b>-1 524 091 502,93</b>	<b>-9 997 384 899,88</b>	<b>-10 406 103 707,30</b>
<b>Interest receivable and similar income (note 9)</b>	<b>111 642 493,73</b>	<b>732 326 752,59</b>	<b>1 344 893 638,07</b>
. Interest receivable and similar income on transactions with credit institutions	92 303 305,24	605 469 991,95	1 239 874 467,17
. Interest receivable and similar income on transactions with clients			
. Interest receivable and similar income on bonds and other fixed-income securities			2,76
. Other interest receivable and similar income	19 339 188,49	126 856 760,64	105 019 168,14
<b>Interest payable and similar charges (note 10)</b>	<b>-1 744 295 015,58</b>	<b>-11 441 825 255,35</b>	<b>-12 263 092 478,61</b>
. Interest payable and similar charges on transactions with credit institutions	-94 028 990,20	-616 789 743,25	-1 332 954 478,58
. Interest payable and similar charges on transactions with clients			
. Interest payable and similar charges on bonds and other fixed-income securities	-1 650 266 025,38	-10 825 035 512,10	-10 930 138 000,03
. Other interest payable and similar charges			
<b>Commissions payable (note 10)</b>	<b>-46 221 955,56</b>	<b>-303 196 153,03</b>	<b>-284 042 716,83</b>
<b>Net profits on financial transactions (note 11)</b>	<b>154 782 974,48</b>	<b>1 015 309 755,91</b>	<b>796 137 850,07</b>
. Net profit on transactions in trading securities			
. Net profit on transactions in securities held for sale			
. Net profit on foreign exchange transactions	418 796,81	2 747 126,99	4 331 477,46
. Net profit on transactions in financial instruments	154 364 177,67	1 012 562 628,92	791 806 372,61
<b>Net loss on financial transactions (note 11)</b>	<b>0,00</b>	<b>0,00</b>	
. 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			

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>OTHER ORDINARY INCOME AND CHARGES</b>	<b>2 598 846 677,44</b>	<b>17 047 316 699,94</b>	<b>13 938 974 429,79</b>
<b>Other operating income :</b>	<b>4 632 048 999,44</b>	<b>30 384 249 655,26</b>	<b>26 649 247 991,05</b>
. other banking operating income	15 137,46	99 295,22	29 199,62
. other non-banking operating income			
. CRDS (note 12)	4 403 314 601,42	28 883 850 360,04	26 649 218 791,43
. Property sales (note 12)	228 719 260,56	1 500 300 000,00	0,00
. Other			
<b>General operating charges (note 13)</b>	<b>-2 057 801,27</b>	<b>-13 498 291,48</b>	<b>-18 373 880,39</b>
. Staff costs	-540 325,97	-3 544 306,02	-3 555 591,82
. Other administrative expenses	-1 517 475,30	-9 953 985,46	-14 818 288,57
<b>Depreciation and provisions for depreciation of intangible and tangible assets</b>	<b>-96 282,61</b>	<b>-631 572,52</b>	<b>-590 671,19</b>
<b>Other operating charges</b>	<b>-1 938 256 170,02</b>	<b>-12 714 127 025,17</b>	<b>-12 691 309 009,68</b>
. Other banking operating charges	-53 205,38	-349 004,42	-397 061,59
. Other non-banking operating charges (note 14)			
- payment to the State	-1 905 612 715,47	-12 500 000 000,00	-12 500 000 000,00
- costs on RDS revenues	-30 344 087,94	-199 044 168,93	-189 552 564,66
- expenses on property sales	-2 195 877,73	-14 404 013,68	
- other	-50 283,50	-329 838,14	-1 359 383,43
<b>Net charges to bad debt provisions (note 12)</b>	<b>-92 792 068,10</b>	<b>-608 676 066,15</b>	
<b>PROFIT ON ORDINARY ACTIVITIES</b>	<b>1 074 755 174,51</b>	<b>7 049 931 800,06</b>	<b>3 532 870 722,49</b>
Exceptional income			
Exceptional charges			
<b>NET PROFIT FOR YEAR ENDED</b>	<b>1 074 755 174,51</b>	<b>7 049 931 800,06</b>	<b>3 532 870 722,49</b>

# OFF BALANCE SHEET

Notes 15 to 17	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>COMMITMENTS GIVEN</b>			
<b>Financing commitments</b>			
. Commitments in favour of credit institutions			
. Commitments in favour of clients			
. Annual payment to the State (pursuant to art. 4 of Ordinance n° 96-50 of 24 January 1996) (note 17)	17 150 514 439,21	112 500 000 000,00	125 000 000 000,00
<b>Guarantees</b>			
. Guarantees in favour of credit institutions			
. Guarantees in favour of clients			
<b>Commitments with respect to securities</b>			
. Securities purchased with sale or repurchase options			
. Other commitments given			
<b>COMMITMENTS RECEIVED</b>			
<b>Financing commitments</b>			
. Commitments received from credit institutions (note 17)	686 020 577,57	4 500 000 000,00	16 000 000 000,00
<b>Guarantees</b>			
. Commitments received from credit institutions			
<b>Commitments with respect to securities</b>			
. Securities sold with sale or repurchase options			
. Other commitments received			

## ABRIDGED BALANCE SHEET AS AT 31/12/1999

	in EUR millions	in FRF millions
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DEBT CARRYOVER as at 01/01/1999	32 787	215 070
SURPLUS as at 31/12/1999	(1 075)	(7 050)
OUTSTANDING DEBT as at 31/12/1999	31 712	208 020
<b>Breakdown of debt :</b>		
- <u>liabilities</u> contracted with third parties :		
. short-term financial debts	5 231	34 317
. bonds	27 703	181 721
. accruals, deferred income and sundries	1 774	11 636
- less <u>assets</u> held :		
. financial investments lodged at credit institutions	898	5 893
. prepayment, accrued income and sundries	2 098	13 761
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## ABRIDGED PROFIT AND LOSS STATEMENT as at 31/12/1999

	in EUR millions	in FRF millions
<b>REVENUES FROM THE CRDS</b>	<b>4 403,3</b>	28 883,9
<b>PROCEEDS FROM PROPERTY SALES</b>	<b>228,7</b>	1 500,3
Interest payable	(1 744,3)	(11 441,8)
Bank commissions	(46,2)	(303,2)
Interest receivable	266,4	1 747,6
<b>NET FINANCIAL CHARGE</b>	<b>(1 524,1)</b>	<b>(9 997,4)</b>
CRDS collection costs	(30,3)	(199,0)
Expenses on property sales	(2,2)	(14,4)
General charges	(2,2)	(14,8)
<b>General operating charges</b>	<b>(34,7)</b>	<b>(228,2)</b>
<b>OPERATING SURPLUS</b>	<b>3 073,2</b>	<b>20 158,6</b>
Net charges to bad debt provisions	(92,8)	(608,7)
Payment to the State	(1 905,6)	(12 500,0)
<b>SURPLUS</b>	<b>1 074,8</b>	<b>7 049,9</b>

## NET DEBT IN TERMS OF REPAYMENT VALUE

Excluding interest as at 31/12/99

Based on residual lifetime

	As at 31/12/1999	As at 31/12/1998	
	in EUR 000s	in FRF 000s	in FRF 000s
<b>&lt; 1 year</b>	<b>4 763 018</b>	<b>31 243 349</b>	<b>49 805 067</b>
Negotiable debt instruments	2 185 865	14 338 332	46 998 031
Bonds	2 141 919	14 050 068	4 183 660
Private placements	0	0	0
Amounts owed to the State (1)	762 245	5 000 000	0
Treasury transactions	-896 982	-5 883 817	-546 041
Margin calls	569 971	3 738 766	-830 583
<b>1 to 5 years</b>	<b>10 514 906</b>	<b>68 973 260</b>	<b>56 067 642</b>
Negotiable debt instruments	1 009 125	6 619 424	3 668 125
Bonds	9 505 781	62 353 836	52 399 517
<b>&gt; 5 years</b>	<b>16 653 286</b>	<b>109 238 392</b>	<b>108 224 422</b>
Negotiable debt instruments	192 818	1 264 800	1 264 800
Bonds (2)	14 568 688	95 564 329	94 572 920
Private placements (3)	1 891 780	12 409 263	12 386 702
<b>NET DEBT IN TERMS OF REPAYMENT VALUE</b>	<b>31 931 210</b>	<b>209 455 001</b>	<b>214 097 131</b>

(1) In order to determine the true amount of CADES net debt as at 31/12/99, the FRF 5 bn owed to the State and paid at the beginning of 2000 were reclassified as debt

(2) As at 31/12/99, indexation of the nominal value of the inflation-indexed bond (CADESi) gives a redemption premium of EUR 7.83 millions. At maturity date (25/07/13), this premium should amount to EUR 483 millions according to market data at the end of 1999.

(3) These private placements in DEM maturing in 2008 and 2009 include a call option at par that the investor may exercise at the end of the third year (see note 5)



## Note 1 : Treasury and interbank transactions

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b><u>CENTRAL BANKS, NATIONAL GIRO</u></b>	<b><u>406 223,12</u></b>	<b><u>2 664 648,99</u></b>	<b><u>65 605 925,40</u></b>
Central banks	406 223,12	2 664 648,99	65 605 925,40
<b><u>DUE BY CREDIT INSTITUTIONS</u></b>	<b><u>898 027 515,97</u></b>	<b><u>5 890 674 352,93</u></b>	<b><u>480 584 581,88</u></b>
<b>Repayable on demand</b>	<b>127 422,87</b>	<b>835 839,23</b>	<b>3 401 125,81</b>
Ordinary debit accounts	127 422,87	835 839,23	3 401 125,81
Securities received under repurchase agreements	0,00	0,00	0,00
Related amounts receivable	0,00	0,00	0,00
<b>Repayable at maturity</b>	<b>897 900 093,10</b>	<b>5 889 838 513,70</b>	<b>477 183 456,07</b>
Securities received under repurchase agreements (< 3 months) o. w.:	896 448 460,96	5 880 316 431,06	477 034 120,00
. Treasury bills	535 401 683,36	3 512 004 820,12	98 008 489,00
. bonds	279 042 698,60	1 830 400 114,46	379 025 631,00
. own securities	82 004 079,00	537 911 496,48	0,00
Related amounts receivable	1 451 632,14	9 522 082,64	149 336,07
<b>TOTAL</b>	<b>898 433 739,09</b>	<b>5 893 339 001,92</b>	<b>546 190 507,28</b>

## Note 2 : Tangible and intangible fixed assets

	As at 31/12/99				As at 31/12/98		
	in euros				in euros		
	Cost on 01/01/99	Purchases	Sales	Cost on 31/12/99	Depreciation and Provisions	Net book value 31/12/99	Net book value 31/12/98
<b>INTANGIBLE ASSETS</b>	<b>144 241,09</b>	<b>1 046,88</b>		<b>145 287,97</b>	<b>127 522,75</b>	<b>17 765,22</b>	<b>54 335,50</b>
IT software	144 241,09	1 046,88		145 287,97	127 522,75	17 765,22	54 335,50
<b>TANGIBLE ASSETS</b>	<b>287 551,79</b>	<b>12 352,24</b>		<b>299 904,03</b>	<b>140 956,25</b>	<b>158 947,78</b>	<b>205 260,99</b>
Sundry equipment	287 551,79	12 352,24		299 904,03	140 956,25	158 947,78	205 260,99
<b>TOTAL</b>	<b>431 792,88</b>	<b>13 399,12</b>		<b>445 192,00</b>	<b>268 479,00</b>	<b>176 713,00</b>	<b>259 596,49</b>

Net book value as at 31/12/99 : FRF 1 159 161,29

## Note 3 : Other assets

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>OPTIONAL ASSETS PURCHASED</b>			
Interest rate instruments			
Foreign exchange instruments			
Other optional instruments			
Provision for depreciation of optional instruments purchased			
Net book value of optional instruments purchased			
<b>SUNDRY DEBTORS</b>			
Guarantee deposits	4 211 374,77	27 624 807,60	1 067 606 349,77
<i>Guarantee deposits received</i>	4 200 000,00	27 550 194,00	1 065 182 653,86
<i>Related amounts receivable</i>	11 374,77	74 613,60	2 423 695,91
<i>Amounts receivable on unpaid CRDS contr.A23 to be collected by ACOS:</i>	67 057 478,81	439 868 226,28	
<i>Gross amounts receivable</i>	159 849 546,91	1 048 544 292,43	
<i>Provisions</i>	(92 792 068,10)	(608 676 066,15)	
Other sundry debtors on financial transactions			
Other sundry debtors on operating expenses			
Other sundry debtors			
<b>TOTAL</b>	<b>71 268 853,58</b>	<b>467 493 033,88</b>	<b>1 067 606 349,77</b>

## Note 4 : Accrued income and prepaid expenses

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>ACCRUED INCOME</b>			
On forward interest rate instruments	73 186 718,69	480 073 404,34	352 212 412,12
On forward foreign exchange transactions	138 606 318,49	909 197 848,59	2 048 606 120,39
On RDS revenues (pursuant to art. 6 of Ordinance n° 96-50)	447 773 113,05	2 937 199 079,19	3 207 709 501,85
On property sales (pursuant to art.9 of Ordinance n° 96-50)	158 699 426,95	1 041 000 000,00	
Other accrued income			
<b>POTENTIAL LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>8 724 350,40</b>	<b>57 227 987,15</b>	<b>238 446 989,40</b>
<b>DEFERRED CHARGES</b>			
Premium on bond and EMTN issues	159 395 087,65	1 045 563 235,12	844 580 576,71
Other deferred charges			
<b>PREPAYMENTS</b>			
Prepayments of management expenses	31 028,73	203 535,13	192 219,79
Prepaid interest on negotiable debt instruments	26 946 905,11	176 760 110,37	555 271 177,60
Other prepaid expenses			
<b>OTHER ADJUSTMENT ACCOUNTS</b>	<b>1 012 995 018,89</b>	<b>6 644 811 736,01</b>	<b>530 333 034,67</b>
<b>TOTAL</b>	<b>2 026 357 967,96</b>	<b>13 292 036 935,90</b>	<b>7 777 352 032,53</b>

## Note 5 : Treasury and interbank transactions

in euros	As at 31/12/1999			As at 31/12/1998	
	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	Total	Total
<b>CENTRAL BANKS</b>				<b>0</b>	<b>0</b>
<b>AMOUNTS OWED TO CREDIT INSTITUTIONS</b>	<b>58 953 944,27</b>	<b>126 970,82</b>	<b>1 891 779 960,43</b>	<b>1 950 860 875,52</b>	<b>1 950 941 146,60</b>
<b>Payable on demand</b>					
Ordinary deposits	2,02			2,02	1,52
<b>Payable at maturity</b>					
Term accounts and debt (1)		0,00	1 891 779 960,43	1 891 779 960,43	1 891 777 204,91
Related debts	58 953 942,25	126 970,82		59 080 913,07	59 163 940,17
<b>TOTAL</b>	<b>58 953 944,27</b>	<b>126 970,82</b>	<b>1 891 779 960,43</b>	<b>1 950 860 875,52</b>	<b>1 950 941 146,60</b>

Total amount owed to credit institutions as at 31/12/1999 : FRF **12 796 808 473,23**

(1) Private placements in foreign currency :

- DEM 1 bn at incrementally increasing rates (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, which the investor may exercise at the end of the third year
- DEM 700 m at incrementally increasing rates (4.18 % from 09/01/98 to 09/01/2001 then 5.715 % until 09/01/2009) this issue comprises a call option at par, which the investor may exercise at the end of the third year
- DEM 500 m at incrementally increasing rates (4.18 % from 07/01/98 to 07/01/2001 then 5.72% until 07/01/2009) this issue comprises a call option at par, which the investor may exercise at the end of the third year
- DEM 1 bn at incrementally increasing rates (4.47 % from 05/01/98 to 05/01/2001 then 5.885 % until 05/01/2009) this issue comprises a call option at par, which the investor may exercise at the end of the third year
- DEM 500 m at incrementally increasing rates (4.47 % from 05/01/98 to 05/01/2001 then 5.885% until 05/01/2009) this issue comprises a call option at par, which the investor may exercise at the end of the third year

Forward purchases initially planned in order to hedge these private placements in DEM were cancelled in 1999 following the introduction of the euro

## Note 6 : Debts evidenced by certificates

As at 31/12/1999

As at 31/12/1998

	in EUR 000s				in FRF 000s	in FRF 000s	
	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total	Total	
<b>NEGOTIABLE DEBT INSTRUMENTS</b>					<b>3 641 698</b>	<b>23 887 973</b>	<b>51 731 382</b>
Commercial paper issued in "in" currencies	1 087 900	130 000			1 217 900	7 988 900	8 973 896
Commercial paper issued in "out" currencies					0	0	1 686 630
BMTN (medium-term notes)					0	0	675 000
EMTNs issued in "in" currencies (1)		50 000	270 000	76 161	396 161	2 598 646	2 466 669
EMTNs issued in "out" currencies (1)			844 295	177 452	1 021 747	6 702 218	3 690 284
Other negotiable paper issued in "in" currencies		100 000			100 000	655 957	11 786 382
Other negotiable paper issued in "out" currencies	465 857	407 127			872 984	5 726 402	22 381 013
Related debts	24 020	8 886			32 906	215 850	71 508
<b>BOND ISSUES</b>					<b>27 342 261</b>	<b>179 353 476</b>	<b>154 817 759</b>
Bonds issued in "in" currencies (2)		1 524 490	6 534 481	13 967 926	22 026 897	144 486 972	119 521 613
Bonds issued in "out" currencies (3)		879 977	3 297 770	643 397	4 821 144	31 624 632	31 026 297
Related debts	91 328	402 892			494 220	3 241 872	4 269 849
<b>OTHER DEBTS EVIDENCED BY CERTIFICATES</b>							
<b>TOTAL</b>	<b>1 669 105</b>	<b>3 503 372</b>	<b>10 946 546</b>	<b>14 864 936</b>	<b>30 983 959</b>	<b>203 241 449</b>	<b>206 549 141</b>

(1) 9 EMTNs, of which one amounting to Y 10 billion at incrementally increasing rates (1% from 29/06/98 to 29/06/2001 then 2.322% until 29/06/2008) this issue comprises an early repayment option at par, which CADES may exercise at the end of the third year

(2) Bond debt in "in" currencies is represented by :

(a) bonds issued before 01/01/99 and redenominated in euros :

- a 5.5 % issue maturing on 25 April 2002 for an amount of EUR 2 875 035 977
- a 6.25 % issue maturing on 25 October 2007 for an amount of EUR 2 610 384 484
- a 6 % issue maturing on 25 July 2005 for an amount of EUR 2 332 317 488
- a 4 % issue maturing on 12 October 2000 for an amount of EUR 1 524 490 147
- an issue with incrementally increasing rates (5.18 % from 16/04/1997 to 16/04/2003 then 7 % until 16/04/2008) for an amount of EUR 99 091 860 this issue comprises a repayment option at par, which the issuer may exercise at the end of the sixth year
- a euro-fungible 5.125 % issue maturing on 25 October 2008 for an amount of EUR 4 044 497 106
- a euro-fungible 5.25 % issue maturing on 25 October 2012 for an amount of EUR 2 438 526 739
- a 4.71% issue maturing on 11 May 2008 for an amount of EUR 304 900 000
- a 4.6% issue maturing on 15 July 2010 for an amount of EUR 228 675 000

(b) bonds issued before 01/01/99 and not redenominated in euros :

- an issue with incrementally increasing rates (4.63 % from 17/12/1997 to 17/12/2001 then 5.94 % until 17/12/2008) for an amount of FRF bn 2 635 this issue comprises a repurchase option at par, which the borrower may exercise at the end of the fourth year
- a 6.375 % issue in NLG maturing on 29 July 2004 for an amount of 2 555 millions

(c) bonds issued in euro in 1999 :

- a 3.375% issue maturing on 12 July 2004 for an amount of EUR 2.5 bn
- an inflation-indexed issue maturing in 2013 for an amount of EUR 1.508 bn (of which 8 millions of redemption premium)

(3) bond debt in "out" currencies is represented by :

- a variable-rate issue in USD maturing on 10 December 2001 for an amount of 2 bn
- a 6.5 % issue in USD maturing on 11 March 2002 for an amount of 1 bn
- a 5.2 % issue in JPY repayable in USD and maturing on 27 April 2000 for an amount of JPY 90.4 bn
- a 2.5 % issue in CHF maturing on 17 March 2003 for an amount of 500 millions
- a 6.25 % issue in GBP maturing on 5 March 2008 for an amount of 400 millions

**Note 6 a : Breakdown of debt in euros and foreign currencies before and after hedging  
(in millions)**

	Initial debt		Hedging (1)		Final debt	
	forex	euros	forex	euros	forex	euros
<b>Debt in euros</b>		<b>25 633</b>		<b>5 863</b>		<b>31 496</b>
<b>Debt in foreign currencies</b>		counter-value as at 31/12/99		counter-value as at 31/12/99		
CHF	500	312	-500	-312	0	0
GBP	600	965	-600	-965	0	0
JPY	100 400	977	-100 400	-977	0	0
USD	4 482	4 462	-4 482	-4 462	0	0
<b>Sub-total foreign currencies</b>		<b>6 716</b>		<b>-6 716</b>		<b>0</b>
<b>Total</b>		<b>32 349</b>		<b>-853</b>		<b>31 496</b>

(1) currency swaps and forex trader swaps

## Breakdown of debt in euros and foreign currencies before and after hedging

	Initial debt				Hedging		Final debt			
	forex	euros	total	%	forex	euros	forex	euros	total	%
<b>Fixed rate</b>										
Euro-MTN	1 022	396	1 418		-1 022	-346	0	50	50	
Bonds	2 830	22 027	24 857		-2 830	-22	0	22 005	22 005	
Private placements		1 892	1 892				0	1 892	1 892	
Macro-hedging swaps						1 601	0	1 601	1 601	
<b>Total fixed rate</b>	<b>3 852</b>	<b>24 315</b>	<b>28 167</b>	<b>87</b>	<b>-3 852</b>	<b>1 233</b>	<b>0</b>	<b>25 548</b>	<b>25 548</b>	<b>81</b>
<b>Floating rate</b>										
Commercial paper (2)	873	1 318	2 191		-55		0	2 136	2 136	
Euro-MTN			0		860	342	0	1 202	1 202	
Bonds	1 991		1 991		-913	3 133	0	4 211	4 211	
Macro-hedging swaps						-1 601	0	-1 601	-1 601	
<b>Total floating rate</b>	<b>2 864</b>	<b>1 318</b>	<b>4 182</b>	<b>13</b>	<b>-108</b>	<b>1 874</b>	<b>0</b>	<b>5 948</b>	<b>5 948</b>	<b>19</b>
<b>TOTAL</b>	<b>6 716</b>	<b>25 633</b>	<b>32 349</b>		<b>-853</b>		<b>0</b>	<b>31 496</b>	<b>31 496</b>	

(2) commercial paper falls under floating rate because it is a short-term instrument resulting in a regular renewal of debt. A EUR 30 million macro-hedging swap has been introduced on one of the commercial paper instruments.

## Note 7 : Other liabilities

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>GUARANTEE DEPOSITS RECEIVED</b>	<b>575 576 304,49</b>	<b>3 775 533 059,64</b>	<b>235 221 278,03</b>
Guarantee deposits received	574 171 267,71	3 766 316 622,53	234 600 000,00
Related debts	1 405 036,78	9 216 437,11	621 278,03
<b>OTHER CREDITORS ON FINANCIAL TRANSACTIONS</b>	<b>657 132,89</b>	<b>4 310 509,19</b>	<b>7 480 475,00</b>
<b>OTHER CREDITORS ON OPERATING TRANSACTIONS</b>	<b>762 348 727,75</b>	<b>5 000 679 844,08</b>	<b>2 252 248,94</b>
Payment to the State (1)	762 245 086,19	5 000 000 000,00	0,00
Taxes due	48 898,94	320 756,03	314 097,00
Social security	45 490,48	298 397,99	0,00
Suppliers	9 192,68	60 300,03	1 401 878,00
Other sundry creditors	59,46	390,03	536 273,94
<b>TOTAL</b>	<b>1 338 582 165,13</b>	<b>8 780 523 412,91</b>	<b>244 954 001,97</b>

## Note 8 : Accrued expenses and deferred income

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>ACCRUED EXPENSES</b>	<b>124 462 894,48</b>	<b>816 423 068,76</b>	<b>2 082 851 184,87</b>
On forward interest rate instruments	51 535 635,65	338 051 609,54	375 991 145,43
On forward foreign exchange transactions	68 261 351,47	447 765 113,26	1 683 761 146,71
Fees payable on market trading transactions	130 883,66	858 540,53	851 209,16
Accrued operating expenses	386 945,02	2 538 192,95	1 853 103,92
Costs on RDS revenues	2 638 793,26	17 309 349,11	20 354 809,79
Expenses due on property sales	1 398 046,69	9 170 585,13	
Other accruals	111 238,73	729 678,24	39 769,86
<b>POTENTIAL INCOME &amp; INCOME TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>207 106 961,47</b>	<b>1 358 532 611,25</b>	<b>1 644 818 148,59</b>
<b>DEFERRED INCOME</b>	<b>99 594 664,14</b>	<b>653 298 171,05</b>	<b>575 904 148,27</b>
Discounts on bond issues	99 594 664,14	653 298 171,05	575 904 148,27
Other deferred income			
<b>OTHER ADJUSTMENT ACCOUNTS</b>	<b>4 074 332,97</b>	<b>26 725 872,31</b>	<b>567 513 553,60</b>
<b>TOTAL</b>	<b>435 238 853,06</b>	<b>2 854 979 723,37</b>	<b>4 871 087 035,33</b>

(1)The annual payment provided for by law is FRF 12.5 bn until 2008.  
For 1999, payments amounted to FRF 7.5 bn; the outstanding 5 billions were settled at the beginning of 2000.



## Note 9 :Income from Treasury transactions

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>INTEREST RECEIVABLE AND SIMILAR INCOME ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>92 303 305,24</b>	<b>605 469 991,95</b>	<b>1 239 874 467,17</b>
<b>Interest on sight transactions</b>			
Interest on ordinary debit accounts	22 407,05	146 980,61	392 040,85
Interest on loans			
Interest on securities received under repurchase agreements	35 743,02	234 458,84	390 751,00
<b>Interest on forward transactions</b>			
Interest on franc-denominated loans			
Interest on loans denominated in foreign currency			
Interest on securities received under repurchase agreements	40 561 665,22	266 067 082,33	446 325 013,83
<b>Other interest income</b>	<b>51 683 489,95</b>	<b>339 021 470,17</b>	<b>792 766 661,49</b>
<b>INTEREST RECEIVABLE AND SIMILAR INCOME ON BONDS AND OTHER FIXED-INCOME SECURITIES</b>	<b>0,00</b>	<b>0,00</b>	<b>2,76</b>
Interest on investment and held-to-maturity securities			
Other interest on securities transactions	0,00	0,00	2,76
<b>OTHER INTEREST AND SIMILAR INCOME</b>	<b>19 339 188,49</b>	<b>126 856 760,64</b>	<b>105 019 168,14</b>
<b>TOTAL</b>	<b>111 642 493,73</b>	<b>732 326 752,59</b>	<b>1 344 893 638,07</b>

## Note 10 : Debt financing costs

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>INTEREST PAYABLE AND SIMILAR CHARGES ARISING FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>94 028 990,20</b>	<b>616 789 743,25</b>	<b>1 332 954 478,58</b>
<b>Interest payable on debt on sight</b>			
Interest on ordinary overdrafts	21 979,99	144 179,28	206 563,10
Interest on overnight loans			
Interest on repos with securities delivered	23 989,61	157 361,53	7 356,00
<b>Interest payable on term transactions</b>			
Interest on CDC loan (debt transfer)	0,00	0,00	45 921 951,11
Interest on syndicated loan	0,00	0,00	61 529 193,04
Interest on repos with securities delivered	25 044,53	164 281,35	2 047,00
Interest on private placements	82 783 354,65	543 023 209,66	1 135 675 250,00
<b>Other interest payable and similar charges</b>	<b>11 174 621,42</b>	<b>73 300 711,43</b>	<b>89 612 118,33</b>
<b>INTEREST AND SIMILAR CHARGES ARISING FROM BONDS AND OTHER FIXED-INCOME SECURITIES</b>	<b>1 650 266 025,38</b>	<b>10 825 035 512,10</b>	<b>10 930 138 000,03</b>
<b>Charges on debts evidenced by certificates</b>			
Interest on negotiable debt instruments issued in "in" currencies	55 554 493,26	364 413 587,35	906 000 248,30
Interest on negotiable debt instruments issued in "out" currencies	175 308 086,29	1 149 945 663,59	2 104 910 402,62
Interest on bonds issued in "in" currencies	1 085 911 642,45	7 123 113 432,46	6 008 607 396,36
Interest on bonds issued in "out" currencies	289 592 349,64	1 899 601 288,93	1 799 297 645,26
Other charges on debts evidenced by certificates	43 750 164,28	286 982 265,11	111 184 771,33
<b>Other interest payable and similar charges</b>	<b>149 289,46</b>	<b>979 274,66</b>	<b>137 536,16</b>
<b>COMMISSIONS</b>	<b>46 221 955,56</b>	<b>303 196 153,03</b>	<b>284 042 716,83</b>
Commissions on term loans extended by credit institutions	404 959,13	2 656 357,76	9 932 911,08
Commissions on negotiable debt instruments issued	2 461 021,00	16 143 239,52	31 048 292,32
Commissions on bonds	43 207 895,90	283 425 217,71	237 711 670,79
Other commissions on securities transactions	148 079,53	971 338,04	5 349 842,64
Other commissions	0,00	0,00	0,00
<b>TOTAL</b>	<b>1 790 516 971,14</b>	<b>11 745 021 408,38</b>	<b>12 547 135 195,44</b>

## Note 11 : Net profit on financial transactions

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>NET PROFIT ON FOREIGN EXCHANGE TRANSACTIONS</b>	<b>418 796,81</b>	<b>2 747 126,99</b>	<b>4 331 477,46</b>
Unhedged NLG-denominated loan	0,00	0,00	-1 647 937,50
Other foreign exchange transactions	418 796,81	2 747 126,99	5 979 414,96
<b>NET PROFIT ON TRANSACTIONS IN FINANCIAL INSTRUMENTS</b>	<b>154 364 177,67</b>	<b>1 012 562 628,92</b>	<b>791 806 372,61</b>
Interest and other cash payments on currency swaps	165 284 995,65	1 084 198 498,92	869 037 715,39
Interest on interest rate swaps	-10 920 817,98	-71 635 870,00	-77 231 342,78
. <i>Micro-hedging</i>	-26 094,61	-171 169,42	-29 729 843,27
. <i>Macro-hedging</i>	-10 894 723,37	-71 464 700,58	-47 501 499,51
<b>TOTAL</b>	<b>154 782 974,48</b>	<b>1 015 309 755,91</b>	<b>796 137 850,07</b>

**Note 12 :Net revenues allocated to CADES by Ordinance n° 96-50  
of 24 January 1996**

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>NET CRDS REVENUES</b>	<b>4 280 178 445,38</b>	<b>28 076 130 124,96</b>	<b>26 459 666 226,77</b>
ACOSS CRDS revenues (on wages and salaries)	3 697 694 979,02	24 255 289 053,53	22 993 114 010,62
CRDS revenues on assets	241 266 302,95	1 582 603 202,84	1 499 941 823,84
CRDS revenues on investment income (1)	192 113 978,35	1 260 185 088,97	1 456 021 164,41
CRDS revenues on sales of jewellery and precious metals	3 295 377,14	21 616 257,03	14 769 486,57
CRDS revenues on gambling gains	78 750 329,11	516 568 296,32	495 819 741,33
Net claims on ACOSS CRDS (2)	67 057 478,81	439 868 226,27	0,00
current year	38 064 837,84	249 688 968,35	
previous years	121 784 709,07	798 855 324,07	
provisions	(92 792 068,10)	(608 676 066,15)	
<b>SALE OF ASSETS... (3)</b>	<b>226 523 382,83</b>	<b>1 485 895 986,32</b>	<b>0,00</b>
<b>TOTAL</b>	<b>4 506 701 828,21</b>	<b>29 562 026 111,28</b>	<b>26 459 666 226,77</b>

(1) Better collection times for CRDS and more accurate information obtained in 1999 allow correct apportionment of amounts received in the years 1996 to 1999.

After adjustment, CRDS amounts would have been FFR 304 millions in 1996, FFR 1104 millions in 1997 and FFR 1124 millions in 1998.

(2) For the first time in 1999, ACOSS supplied information which allowed CADES to enter in its accounts claims for an amount of FFR 1048.5 millions, of which FFR 249.7 millions for 1999 and FFR 798.8 millions for previous years. In order to cover the bad debt risk on these claims, a provision of FFR 606.5 millions has been entered based on information communicated by ACOSS (in accordance with collection rates ascertained and priority of claim). A provision of FFR 2.2 millions has also been entered in order to cover collection costs.

(3) Pursuant to article 9 of Ordinance n° 96-50 of 24 janvier 1996,

- . the general scheme social security funds and ACOSS will sell their private rental housing assets within four years, except for those assets used for administrative purposes;
- . the proceeds from these sales will be allocated to CADES ;
- . property assets not sold by 31/12/1999 will be transferred to CADES with the rights and obligations attached thereto.

For 1999, the proceeds from property sales by the funds amounted to FFR 1485.9 millions including charges, of which FFR 454.1 millions were collected during the fiscal year.

By an order of 27 December 1999, property unsold was transferred to CADES as of 01/01/00. This property will be integrated in the accounts at the same date. At the closing of accounts, an exhaustive assessment of property transferred to CADES was not yet available.

## Note 13 : General operating charges

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>STAFF COSTS</b>	<b>540 325,97</b>	<b>3 544 306,02</b>	<b>3 555 591,82</b>
Salaries and wages	406 809,98	2 668 498,54	2 676 039,33
Social contributions	133 515,99	875 807,48	879 552,49
<b>OTHER ADMINISTRATIVE COSTS</b>	<b>1 517 475,30</b>	<b>9 953 985,46</b>	<b>14 818 288,57</b>
Taxes	49 937,16	327 566,30	316 287,10
Outsourced+A24 services	1 467 538,14	9 626 419,16	14 502 001,47
of which payroll of staff seconded to CADES	40 361,54	264 754,35	469 009,73
<b>TOTAL</b>	<b>2 057 801,27</b>	<b>13 498 291,48</b>	<b>18 373 880,39</b>

## Note 14 : Other non-banking charges

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
<b>COSTS ON RDS REVENUES</b>	<b>30 344 087,94</b>	<b>199 044 168,93</b>	<b>189 552 564,66</b>
<b>EXPENSES ON PROPERTY SALES</b>	<b>2 195 877,73</b>	<b>14 404 013,68</b>	
<b>PAYMENTS MADE IN COMPLIANCE WITH THE DEEDS ESTABLISHING CADES</b>	<b>1 905 612 715,47</b>	<b>12 500 000 000,00</b>	<b>12 500 000 000,00</b>
Payment to the State	1 905 612 715,47	12 500 000 000,00	12 500 000 000,00
<b>OTHER ELEMENTS</b>	<b>50 283,50</b>	<b>329 838,14</b>	<b>1 359 383,44</b>
<b>TOTAL</b>	<b>1 938 202 964,64</b>	<b>12 713 778 020,75</b>	<b>12 690 911 948,10</b>

## Note 15 : Forex transactions

	As at 31/12/1999		As at 31/12/1998			
	in euros		in French francs		in French francs	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
<b>FORWARD TRANSACTIONS</b>	<b>7 767 597 293,96</b>	<b>725 343 468,05</b>	<b>50 952 098 151,55</b>	<b>4 757 941 252,72</b>	<b>120 660 593 901,78</b>	<b>4 096 712 097,86</b>
<b>OTC hedging transactions</b>						
Forward exchange against FRF or EUR	1 752 960 910,14	725 343 468,05	11 498 669 797,33	4 757 941 252,72	53 023 458 317,50	4 096 712 097,86
< 1 yr.	1 752 960 910,14	725 343 468,05	11 498 669 797,33	4 757 941 252,72	37 212 333 860,00	0,00
1 to 5 yrs.	0,00	0,00	0,00	0,00	11 345 906 857,50	4 096 712 098,00
> 5 yrs.	0,00	0,00	0,00	0,00	4 465 217 600,00	0,00
Currency swaps against FRF or EUR	5 289 292 915,77		34 695 487 131,50		63 540 423 486,42	
< 1 yr.	0,00		0,00		4 824 870 000,00	
1 to 5 yrs.	4 392 282 942,06		28 811 487 418,25		20 506 425 000,00	
> 5 yrs.	897 009 973,71		5 883 999 713,25		38 209 128 486,42	
Forex transactions against currencies	725 343 468,05		4 757 941 252,72		4 096 712 097,86	
< 1 yr.	725 343 468,05		4 757 941 252,72		0,00	
1 to 5 yrs.	0,00		0,00		4 096 712 098,00	
> 5 yrs.	0,00		0,00		0,00	
<b>Other OTC transactions</b>						
Forward exchange transactions						
<b>SPOT TRANSACTIONS</b>		<b>0,00</b>		<b>0,00</b>		<b>0,00</b>
OTC transactions		0,00		0,00		0,00

## Note 16 : Financial futures markets

	As at 31/12/1999	As at 31/12/1998	
	in euros	in French francs	in French francs
<b>INTEREST RATE INSTRUMENTS</b>			
<b>Regulated and similar markets</b>			
Firm hedging transactions			
Other firm transactions			
Optional hedging transactions			
Other optional transactions			
<b>OTC transactions</b>	<b>7 143 827 690,00</b>	<b>46 860 437 800,49</b>	<b>40 281 010 171,00</b>
Firm hedging transactions			
. Interest rate swaps in FRF or EUR	6 832 102 564,00	44 815 655 015,73	38 239 632 206,00
. Micro-hedging	4 913 006 388,00	32 227 209 312,53	22 455 068 256,00
< 1 yr.	647 428 926,00	4 246 855 360,12	3 675 000 000,00
1 to 5 yrs.	3 632 910 602,00	23 830 331 397,56	15 280 068 256,00
> 5 yrs.	632 666 860,00	4 150 022 554,85	3 500 000 000,00
. Macro-hedging (*)	1 919 096 176,00	12 588 445 703,20	15 784 563 950,00
< 1 yr.			
1 to 5 yrs.	150 000 000,00	983 935 500,00	
> 5 yrs.	1 769 096 176,00	11 604 510 203,20	15 784 563 950,00
. Interest rate swaps in foreign currencies	311 725 126,00	2 044 782 784,76	2 041 377 965,00
< 1 yr.			
1 to 5 yrs.	311 725 126,00	2 044 782 784,76	2 041 377 965,00
> 5 yrs.			
. FRA			
. Others			
Other firm transactions			
Optional hedging transactions			
Other optional transactions			
<b>OTHER INSTRUMENTS</b>			
Exchange rate instruments			
. Regulated and similar markets			
. OTC markets			
Other instruments			
. Regulated and similar markets			
. OTC markets			

(\*) including interest rate swaps indexed on inflation for a nominal amount of EUR 318,381 millions in 1999 and 43,381 millions in 1998

## Note 17 : Other off-balance sheet commitments

	As at 31/12/1999		As at 31/12/1998
	in euros	in French francs	in French francs
	euros	FRF	FRF
<b>FINANCING COMMITMENTS</b>			
<b>Commitments received</b>			
From credit institutions :			
. Multicurrency syndicated loan	686 020 577,57	4 500 000 000,00	16 000 000 000,00
. Bridging loan			
. Other financing commitments			
From clients			
<b>Commitments given</b>			
In favour of credit institutions			
In favour of clients			
Payment to the State	17 150 514 439,21	112 500 000 000,00	125 000 000 000,00
<b>GUARANTEES</b>			
<b>Commitments given</b>			
In favour of credit institutions			
In favour of clients			
<b>Commitments received</b>			
In favour of credit institutions			
In favour of clients			
<b>COMMITMENTS ON SECURITIES</b>			
Securities to be received			
Securities to be delivered			
<b>OTHER COMMITMENTS</b>			
<b>Commitments given</b>			
Securities pledged as guarantees for transactions on futures markets			
Obligations relating to retirement pensions			
Others			
<b>Commitments received</b>			
Securities received as guarantees for transactions on futures markets			
Others			



## CADES - NOTES TO THE ACCOUNTS FOR 1999

### *I – 1999 highlights*

1. As the only French issuer authorized to redenominate its domestic debt in euros, according to the terms and schedule set by the Treasury, CADES redenominated an important part of its debt (FRF 105 bn i.e. about EUR 16 bn) on 4 January 1999. Three quarters or so of CADES bonds are denominated in euros, which confirms its position as a benchmark operator in this market.

This strong commitment in the euro market is confirmed by book-keeping in euros since 1 January 1999.

2. The deeds establishing CADES provide that part of the private rental housing assets of the general scheme social security funds and of ACOSS, (the Central agency of social security bodies) not sold on 31 December 1999 will be transferred to CADES free of charge on 1 January 2000. A management agreement was signed with CNAVTS (see II.2)

### *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 16 January 1991, governing the preparation and publication of the annual individual accounts of credit institutions. This regulation incorporated into French law the European Directive of 8 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*<sup>1</sup>.

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<sup>1</sup> The Government Audit Office

By opinion n° 99-04, the *Conseil National de la Comptabilité* (National Accounting Board) meeting in a plenary session held on 18 March 1999, approved CADES' chart of accounts.

It is important to underline that the **profit and loss account of CADES needs to be interpreted in relation to its mission** the sole purpose of which is 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), 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 allocated to CADES*

Contributions for the Repayment of the Social Debt (CRDS) defined by Ordinance No. 96-50 of 24 January 1996 were explicitly created to provide CADES with resources: "The revenue from the contributions enacted by Chapter II of this Ordinance on repayment 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. 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 offices) 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 article 8 of Ordinance of 24 January 1996, assessment and collection costs are borne by CADES. They consist of a flat amount defined in a joint decree issued by the Minister of the Economy and Finance 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 contributions on capital income assessed by the Public Treasury services 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 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".

### ***Accrual principle***

CADES applies the accrual accounting method in accordance with accounting standards for credit institutions and the Decree of 23 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 scheme.

Consequently, the accounts for the year ended 31 December 1999 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 that have not yet been collected.

For the first time in 1999, ACOSS supplied information which allowed CADES to enter into its accounts claims relating to outstanding amounts due by contributors for previous years and for the current year. In order to cover the bad debt risk on these claims, a provision has been entered based on information communicated by ACOSS on the collection rate and on priority of claim. A provision is also constituted for collection costs of 0.5% on the claim (after provisioning).

## **2 - Proceeds from the sale of private rental housing assets**

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

“That portion of property not sold by 31 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 31 December 2008.” (section 9).

Pursuant to an Order of 27 December 1999, unsold property assets will be transferred to CADES free of charge on 1 January 2000. Property assets earmarked for sale will be booked on the debit side of a «Property to be sold» account by crediting a «Real Estate» sub-division of the capital account.

Pending sale by CADES, a management agreement was signed with CNAVTS (*Caisse nationale d'assurance vieillesse des travailleurs salariés*, national old-age insurance fund for salaried workers).

## **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 redenominated into euros at the exchange rate prevailing at year-end;

- income and charges denominated in foreign currencies are redenominated into euros 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 and debenture loans**

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 redenominated into euros 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”.

For the inflation-indexed bond (CADESi), a redemption premium is entered at year-end based on the inflation rate. Accrued interest is entered based on the expected inflation rate at the nearest coupon date.

## **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.

## **10 – The management of counterparty risk**

CADES is exposed to counterparty risk in only two types of transaction: investments and transactions in off-balance sheet instruments.

In both these cases, CADES has signed market agreements with all its counterparties, which stipulate that margin calls will be required.

CADES places its cash in repurchase agreements (repos) with securities delivered. In exchange for extending a loan to a counterparty, CADES receives for the lifetime of the repo a wholly owned French government security (OAT, BTAN, BTF) or

guaranteed security. Repos are signed exclusively with primary dealers (SVTs), reporting dealers in government securities (CVTs) or counterparties rated at least AA.

Moreover, CADES has set up daily margin calls, which ensure greater security in case of sharp changes in the prices of the securities received as collateral.

In order to manage its interest rate and foreign exchange exposure, CADES trades in a number of financial instruments, such as forward foreign exchange purchases, interest rate swaps and currency swaps. No transaction may be completed until the counterparty involved has signed a futures market agreement. Such agreements require weekly margin calls when signed with lower-rated counterparties, and monthly margin calls in other cases.

Thanks to lower margin call thresholds for lower-rated counterparties, CADES has always been completely hedged against the risk of counterparty failures.