

Press release

December 12, 2017



**AT THE END OF 2017,
MORE THAN HALF OF THE FRENCH SOCIAL DEBT WILL HAVE BEEN AMORTISED**

€139.5 billion of social debt amortised since 1996,
of which €14.8 billion was in 2017

€15.2 billion of French social debt to be amortised in 2018

The Caisse d'Amortissement de la Dette Sociale (CADES), the French state-backed agency in charge of financing and amortising French social debt, takes stock of its activity in 2017 and announces its funding programme for 2018.

"In 2017, we achieved a major step in the mission entrusted to us by the French Parliament. At the end of this year, we will have amortised more than half of the social debt assumed since 1996. This represents over 21 years a reduction in French public debt of more than 6 GDP points. Since our merger with AFT, we have strengthened our operational skills to ensure continuity of our mission until the probable end of our mandate in 2024", commented Jean-Louis Rey, Chairman of CADES' Board.

2017: A €16.0 BILLION FUNDING PROGRAMME

A sound and diversified funding programme

2017 was marked by the success of the funding programme, which enabled CADES to raise a total of €16.0 billion.

In the mid- and long-term markets, CADES raised €8.7 billion from international financial markets. During the year, it issued several benchmark bonds including one denominated in euros for a total amount of €4 billion and two denominated in dollars for an equivalent total amount of €4.7 billion. The dollar denominated bonds were issued in accordance with rule 144A/3C7 of the U.S. Securities Act of 1933 of the United States.

A major player on the international monetary markets, CADES has also issued, since the beginning of the year, €37.0 billion of short-term debt, leaving €7.3 billion outstanding (as at 31/12/2017).

Favourable market conditions

One of the underlying reasons that CADES successfully completes its funding programme each year is the trust placed in it by international investors since the organisation was founded.

Every bond receives strong interest from international investors, which allows CADES typically to build an order book in a short period of a few hours, and to gather up to more than 60 institutional investors from all geographic regions, with particular interest from Asia-Pacific, Europe and Americas.

Investors are attracted by the wide variety of financial instruments offered, in euros and other currencies, across a broad range of maturities from 2 to 6 years.

In 2017, CADES paid its investors €2.2 billion in interest.

Efficient mechanisms for financing and amortisation

During the year, CADES amortised an additional €14.8 billion, bringing the total to €139.5 billion of amortised social debt since the organisation was founded in 1996. This represents more than half (53.5%) out of the €260 billion of social debt assumed.

At the end of 2017, CADES will have contributed to reducing French public debt by more than 6 GDP points. The amount of debt still to amortise – €128.6 billion at the end of 2017 – represents 5.8% of all French public debt.

Sustained source of income

To maintain this performance, we rely on taxes paid by the French population (CRDS, CSG). These provide a particularly resilient source of funding because they are linked to aggregate payroll evolution, and because income from payroll is less cyclical than financial income.

In addition, since 2011 CADES has received annual income of €2.1 billion from the Fonds de Réserve des Retraites (FRR – reserve funds for French retirement), according to the Social Security Financial Act for 2011, which aims to achieve a satisfactory balance in French retirement plan financing.

In total, CADES received €17.0 billion of income in 2017.

ONGOING MERGER OF CADES AND AGENCE FRANCE TRESOR (AFT) OPERATIONAL TEAMS

Since 1st October 2017, CADES has been operating in accordance with agreements that ensures AFT responsibility for CADES' funding programme and makes staff at CADES available to work for AFT, the French state debt management body.

The new conventions will be implemented through a three-phase process:

- The combination of administrative and HR functions has already been achieved, with the transfer of operational responsibility for all of CADES' funding activities and execution of its issuance programme to AFT. As such, AFT now operates on behalf of and for CADES, using the organisations joint resources to fulfil the mission;
- In the H1 of 2018, both AFT and CADES teams will start to operate from the same location;
- From H2 2018, the AFT and CADES teams will integrate and engage in a mutual exchange of expertise and experience.

Upon completion of these three steps, operational skills from both teams will be combined to build a centre of excellence for issuing French public debt.

2018: SECURE CADES' VISIBILITY

In 2018 CADES will continue to carry its mission to amortise French social debt.

The Social Security Financing Act voted by French Parliament has fixed CADES amortisation objective for 2018 to €15.2 billion (vs. €14.8 billion in 2017 and €14.4 billion in 2016).

Without any new social debt transfer next year, CADES' funding programme will amount to €4 billion in 2018. Despite this programme being lower than in 2017, it will still allow CADES to remain visible among international investors and to offer them exposure to the mid- and long-term market, through the issue of several benchmark bonds in various currencies and with various maturities.

In the short-term, CADES aims to remain very active in 2018 by issuing €26.0 billion in commercial paper denominated in euros (ECP) and in dollars (USCP), and anticipates having zero outstanding by the end of 2018.

About CADES

In 1996 the French government set up the Caisse d'Amortissement de la Dette Sociale with a mission to amortise French social debt by issuing debt securities on international financial markets in a diverse range of currencies.

To enable CADES to carry out its mission, the French population pays regular taxes which contribute to the payment of interest and amortisation of social debt.

Supervised jointly by the Minister of The Economy and Finance and by the Ministers in charge of social security, CADES operates under the control of the French Parliament and the Constitutional Council.

CADES is well integrated into the French social system having strong joint governance, co-chaired by a Board of Directors and a Supervisory Committee, which includes four members of French Parliament.

Backed by the French Parliament, CADES is one of the most significant institutions involved in the control and reduction of French social debt by using efficient and proven amortization and financing mechanisms.

Since October 1st, 2017, teams from CADES and AFT, the French state debt management body, have merged to create a centre of excellence for issuing French public debt. In this context, CADES has transferred operational responsibility for all of its funding activities to AFT. As such, AFT now operates on behalf of and for CADES, making its staff available when appropriate.

All information regarding CADES and its bond issues is available on www.cades.fr.

CADES LIGHTEN THE DEBT – BRIGHTEN THE FUTURE



Geneviève Gauthey

Head of Communication
+33 1 55 78 58 07
genevieve.gauthey@cades.fr



Press relations – Paris

Isabelle Dray
+33 1 56 88 11 11
idray@actifin.fr



Press relations – London

Jeremy Carey/James Verstringhe
+44 207 920 3150
jcarey/jverstringhe@tavistock.co.uk

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