Press release **10 September 2020**

CADES COMES BACK AS A MAJOR BOND ISSUER IN EUROPE

- Historical transfer of €136 billion of social debt
- Extension of CADES' term from 2024 to 2033
- Social bond program launched in the second half of 2020
- Target program of additional €20 billion bond issues before the end of 2020 and €40 billion considered for 2021

The Caisse d'Amortissement de la Dette Sociale (CADES), in charge of financing and amortizing social debt in France, reviews the recent laws voted by French Parliament and presents its financing program for the second half of 2020 and the following years.

On this occasion, Jean-Louis Rey, Chairman of CADES' Board of Directors declared: *"Since the start of 2020, the health crisis linked to the Covid-19 epidemic has weighed heavily on social finances. In this context, on the strength of the proven effectiveness of our amortization mechanisms, CADES will be a decisive asset in the absorption of these social deficits and in the sustainability of our social system."*

Two laws voted by French Parliament transfer €136 billion of social debt to CADES and extend its lifespan to 2033

At the end of July, as part of an accelerated legislative procedure, an organic law and an ordinary law were voted allowing CADES to take over social debt of €136 billion euros and extended its lifespan with a social debt repayment end date postponed from 2024 to 2033.

The vote on these laws comes in a context of a health crisis linked to the Covid-19 epidemic which has caused a spectacular rise in unemployment and a fall in growth, amplified the already existing deficits of social security systems, and weakened the French social protection system as a whole.

The purpose of the transfer is to unload the balance sheet of ACOSS and to secure the financial situation of social security:

- by clearing 31 billion euros of accumulated deficits as of 31 December 2019 of the illness branch of the general scheme, of the elderly solidarity fund, of the elderly branch of the self-employed agricultural scheme and of the CNRACL;
- by refinancing up to 92 billion euros in respect of future 2020-2023 deficits of the health, elderly and family branches of the general scheme, the elderly solidarity fund and the elderly branch of the self-employed agricultural scheme;
- by including a 13 billion euros takeover of a third of the hospital debt, as announced in November 2019 as part of the emergency plan for the hospital.

This transfer will be financed by an extension of the social debt amortization horizon, which is extended from 2024 to 2033 and based on the allocation of existing resources.

A financing plan sequenced in two steps

- In the second half of 2020, launch of a medium and long-term program of €20 billion

After a medium and long-term program of €4 billion successfully carried out in the first half of the year, CADES launched an additional medium and long-term program amounting to €20 billion which will be implemented in the second half of 2020. In accordance with the decree published on August 20, a first payment of €4 billion was made to ACOSS.

- A targeted program of €40 billion of bond issues considered for 2021

In 2021, the planned indicative global funding program could amount up to €40 billion per year. Between 2021 and 2023, CADES will transfer to ACOSS a maximum amount of €116 billion, the payment terms of which will be set by decree.

CADES comes back as a major bond issuer in Europe

A very active issuer on the international scene since its inception, CADES has always benefited from the confidence of investors around the world, further illustrated during the last dollar benchmark closed in May and which attracted 122 investors for a total order book of over $ 8 billion.

The significant financing programs planned for the next years should strengthen the interest shown by international investors, allowing it to offer them more issues, in more varied currencies, on a wider range of maturities of up to 10 years.

A social bond program

The financing program for the second half of 2020 will mostly be implemented through Social Bonds framework. CADES has selected Vigéo Eiris as a Second Party Opinion provider to assess the transparency, governance and compliance of this social bond framework with the 2020 ICMA Social Bond Principles. The results of this evaluation are available from the CADES website. Any material changes to this document will be subject to the consideration of the provider of the Second Party Opinion.

The implementation of this social bonds program responds to the strong demand from investors seeking to strengthen their social investments and, thus, participating in absorbing the effects of the health crisis. Moreover, due to its key role in the crisis by guaranteeing the operational continuity of the social security system and amortizing the social debt quickly enough so that it does not weigh down on future generations, CADES positioned itself as a natural issuer of social bonds.

Illustrating the strong interest shown by investors in these social bonds, CADES has successfully launched an inaugural €5 billion benchmark social bond with a 10-year maturity and 0% annual coupon, closed yesterday under the social issuance framework format, bringing together 270 investors for an order book of close to €16 billion.

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, Finance and the Recovery and by the Minister for Solidarity and Health, 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 1 October 2017, teams from CADES and AFT, the French state debt management office, have merged to create a centre of excellence for issuing French public debt. In this regard, CADES has transferred operational responsibility for all of its funding activities to AFT. CADES is maintained as an independent entity guaranteeing the effectiveness of the principle of confinement and amortization of social debt, retaining the prerogatives of its executive chairman, the board of directors and its supervisory committee. AFT 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 Administration department
+33 1 40 04 15 41
genevieve.gauthey@cades.fr

Press relations
Isabelle Dray
+33 1 56 88 11 29
idray@actifin.fr

Investor relations
Alexandre Commerot
+33 1 56 88 11 11
acommerot@actifin.fr