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GENERAL INFORMATION

1. MISSION STATEMENT

Ordinance No. 96-50 dated 24 January 1996¹ established the Social Security Debt Repayment Fund (*Caisse d'Amortissement de la Dette Sociale - CADES*) on 1 January 1996. CADES is an administrative public agency (*Etablissement Public à Caractère Administratif - EPA*) supervised by the French Minister of the Economy and Finance and the Minister in charge of Social Security.

CADES' mission is to:

- Amortize the social security debt transferred to it, i.e. the cumulative deficits of the Central Agency of Social Security Bodies (*Agence Centrale des Organismes de Sécurité Sociale - ACOSS*); and
- Make payments to various social security funds and organizations.

CADES' mandate has been extended beyond 31 January 2014 as decided initially to until such date as the social security debt transferred to it has been fully extinguished.

In the furtherance of its mission, CADES receives the proceeds of a special tax known as the social security debt repayment contribution (*Contribution pour le Remboursement de la Dette Sociale - CRDS*), introduced in Chapter 2 of the aforementioned Ordinance. It also received the proceeds from the sale of property assets owned and leased by the national agencies falling under the basic social security scheme and ACOSS.

From 2009, CADES has access to a new resource corresponding to 0.2 point of the supplementary social security contribution (*Contribution Sociale Généralisée - CSG*).

CADES is authorized to borrow funds, in particular via public offerings and the issuance of negotiable debt securities.

Moreover, CADES benefits from repayments of receivables from foreign social security agencies to the national health insurance fund for salaried workers (*Caisse Nationale d'Assurance Maladie des Travailleurs Salariés - CNAMTS*).

Lastly, in accordance with Law No. 2004-810 of 13 August 2004, any future surpluses generated by the health insurance branch of the French social security system will be allocated to CADES. The Social Security Finance Act will define the terms under which this transfer will take place.

2. ORGANIZATION OF THE AGENCY

CADES is overseen by a Board of Directors and a Supervisory Board. It is governed by the provisions of Decree No. 53-1227 dated 10 December 1953 (and amendments thereto), relating to the accounting policies applicable to French administrative public agencies, and of Decree No. 62-1587 dated 29 December 1962 (and amendments thereto), defining general public-sector accounting rules, subject to the legal provisions and regulations specific to CADES (aforementioned Ordinance of 24 January 1996, and Decree No. 96-353 dated 24 April 1996).

Pursuant to the provisions of the aforementioned Decrees, financial and accounting transactions fall under the responsibility of Mr. Patrice Ract Madoux, the Authorizing Officer of CADES and Chairman of the Board of Directors, and Mr. Frank Mordacq, its Chief Accounting Officer and Head of CBCM Finances.

- CADES' annual budget is drawn up by 30 November of the previous year by the Board of Directors and approved by the ministers who supervise the agency.
- Financing is limited to appropriated funds, excluding expenses related to the repayment of loans, financial management costs, and assessment and collection charges.
- The Board of Directors reviews and signs off the accounts drawn up by the Accounting Officer. The financial

¹ As modified by Social Security Finance Law No. 97-1164 of 19 December 1997, the 2001, 2002, and 2006 Finance Laws, the 2003, 2004, 2006 and 2008 Social Security Finance Laws, Law No. 2004-810 of 13 August 2004 relating to health insurance, Organic Law No. 2005-881 of 2 August 2005, Law No. 2008-1249 of 1 December 2008 and Ordinance No. 2009-80 of 22 January 2009.

statements are then forwarded to the General Director of the Public Finances Directorate (*Direction Générale des Finances Publiques - DGFIP*) prior to submission to the Government Audit Office (*Cour des Comptes*).

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

Accounting procedures and principles are subject to a contractual, independent audit. In addition, CADES is subject to:

- Financial audits conducted by the government, in accordance with the Order of 19 May 2009; and
- Audits carried out by the Government Audit Office.

Accounting transactions are recorded by CADES in an information system managed using software that is shared by the Authorizing Officer and the Accounting Officer. The system is networked and features a single database. Authorizations for displaying and processing data have been clearly defined so as to enable the Accounting Officer and the Authorizing Officer to exercise their respective powers.

3. GENERAL PROVISIONS FOR RECORDING ACCOUNTING AND FINANCIAL TRANSACTIONS

Accounting framework

Article 7 of Decree No. 96-353 of 24 April 1996, relating to CADES, calls for the adoption of a special chart of accounts drawn up in accordance with the standard chart of accounts for administrative public agencies (Instruction M 9-1 from the General Directorate of Public Finances).

This chart of accounts being modeled on the general chart of accounts, it was found to be poorly suited to CADES' activity. Consequently, the Board of Directors decided on 10 October 1996 to adopt the chart of accounts used by credit institutions.

Consequently, both the transactions and the annual financial statements submitted by the Accounting Officer are presented in accordance with standards specific to credit institutions. In addition, separate financial statements are drawn up in accordance with the regulatory standard set out in Instruction M 9-1, for submission to audit organizations.

This specific accounting framework was recommended by an independent consulting firm and approved by the Authorizing Officer, the Accounting Officer, the General Directorate of Public Accounting and the French Accounting Standards Board (*Conseil National de la Comptabilité - CNC*) (Opinion No. 99-04, plenary session of 18 March 1999).

Transactions executed by the Accounting Officer

Transactions executed by CADES' Accounting Officer differ from those traditionally executed by Accounting Officers at other administrative public agencies.

Due to CADES' status as a market participant, specific structures have been set up in conformity with the agency's mission. For example, financing transactions are distinguished from administrative transactions.

1. Financing transactions

The administrative workflow of financing transactions reflects the existence of Front Office, Middle Office and Back Office services.

The Front Office is responsible for transactions in the financial, interest rate and currency markets, in accordance with defined limits and procedures. These routine transactions relate to financing, investment and the management of interest rate and foreign exchange exposures.

A sequentially numbered ticket is issued for each transaction, describing its main features, and validated by the Front Office. The Back Office then verifies and validates the ticket before forwarding it to the Accounting Officer.

The Middle Office gathers information on cash positions, draws up forecasts, provides repayment schedules, and performs a first-level plausibility check of Front Office transactions.

The Back Office records and validates the transactions processed by the Front Office after verifying that formal presentation and threshold requirements are met. The Back Office monitors risk, produces reports and liaises with the Accounting Departments.

The Accounting Officer then records transaction tickets as income or expenses.

2. Administrative transactions

Performance of the administrative section of the budget is done in compliance with the provisions of the Decree of 29 December 1962, which sets forth general public-sector accounting policies. Administrative expenses are evidenced by payment orders and income by receipt orders, accompanied by the appropriate supporting vouchers and documents.

After due completion of the control procedures described in Articles 12 and 13 of the aforementioned Decree, items of expenditure and income are recognized in the accounts and the amounts are paid or collected.

3. Cash movements

CADES has opened a euro-denominated deposit account in the books of CBCM Finances that is listed in the register of government accounts.

In the books of CADES, entries to the debit of this account record expenses falling within the administrative budget. Only the Accounting Officer may authorize these payments. Entries to the credit of this account record CRDS and CSG revenue paid over by the Public Treasury network. This takes the form of daily transfers from General Treasury offices.

Since 1 September 2005, CADES has had its own account with the Banque de France that is distinct from the dedicated Treasury account. Movements to this account comprise all euro-denominated financial transactions completed by CADES and all CRDS and CSG revenue paid over by ACOSS. Once again, only the Accounting Officer may authorize expenditures.

The balance on the deposit account is transferred to CADES' own account twice weekly.

In addition, CADES has opened accounts with foreign financial institutions in New York, London and Frankfurt. These are intended to be zero-balance accounts. They record all transactions related to CADES issues in currencies other than the euro and their transformation into euro-denominated structures on the international markets.

Due to management constraints attributable primarily to the time lag between the European, Asian, American and Australian markets, CADES has been dispensed from applying the provision of the Decree of 29 December 1962, which states that only public accounting officers may authorize transactions affecting the financial accounts. Accordingly, the Back Office carries out transactions on CADES' foreign currency accounts.

FINANCIAL HIGHLIGHTS

NET DEBT AT REPAYMENT VALUE (in millions of euro) (*)

At 31 December 2010	86,299
At 31 December 2009	91,660
At 31 December 2008	79,861

(in millions of euro) (*)	31 December 2010	31 December 2009	31 December 2008
Net profit	5,135	5,260	2,885
Primarily reflecting the following items:			
CRDS and CSG net revenue	8,151	8,082	5,980
Payments to the French State	-	-	-
Payments to social security agencies	-	-	-
Interest expenses	(3,016)	(2,822)	(3,095)

(*) ² Throughout this document, the letter m is used to denote million and bn to denote billion

² ndt. abbreviations not used in document

BALANCE SHEET

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
ASSETS			
Cash in hand, balances with central banks and post office banks (Note 1)	1,200.34	983.44	2,718.64
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	12,166.95	2,284.57	678.69
Loans and advances to credit institutions (Note 1)			
- Repayable on demand	0.29	0.37	1.31
- Repayable at maturity	1,129.48	1,686.34	1,000.51
Intangible assets (Note 2)	-	-	-
Tangible assets (Note 2)	0.17	0.21	0.23
Property assets (Note 13.1)	-	-	-
Other assets (Note 3)	49.41	260.42	357.38
Prepayments and accrued income (Note 4)	2,665.73	1,751.19	1,489.99
Total assets	17,212.37	6,966.54	6,246.75
LIABILITIES			
Amounts owed to credit institutions (Note 5)			
- Payable on demand	-	-	-
- Payable at maturity	-	151.11	1,610.55
Debts evidenced by certificates (Note 6)			
- Negotiable debt instruments	8,446.45	10,587.56	14,936.49
- Bonds and similar instruments	92,798.48	86,366.93	67,739.18
- Other debts evidenced by certificates	-	-	-
Other liabilities (Note 7)	2,018.54	222.10	133.54
Accruals and deferred income (Note 8)	624.67	1,449.30	1,891.80
Sub-total - Debts	103,888.14	98,777.00	86,311.56
Provisions (Note 8.1)	0.18	0.16	5.83
Property endowment	181.22	181.22	181.22
Profit and loss account brought forward	(91,991.84)	(97,251.86)	(83,136.67)
Profit for the period	5,134.67	5,260.02	2,884.81
Sub-total - Reserves	(86,675.95)	(91,810.62)	(80,070.64)
Total liabilities	17,212.37	6,966.54	6,246.75

PROFIT AND LOSS ACCOUNT

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
<i>Interest receivable and similar income (Note 9)</i>	350.79	279.63	320.66
- From transactions with credit institutions	29.51	44.70	284.51
- From bonds and other fixed income securities	12.28	1.97	3.05
- Other interest receivable and similar income	309.00	232.96	33.10
<i>Interest payable and similar charges (Note 10)</i>	(3,347.19)	(3,050.50)	(3,403.95)
- On transactions with credit institutions	(11.04)	(46.15)	(189.80)
- On bonds and other fixed income securities	(3,336.15)	(3,004.35)	(3,214.15)
<i>Fees payable (Note 10)</i>	(17.37)	(48.41)	(9.33)
<i>Gains and losses on trading securities (Note 11)</i>	(0.28)	(0.30)	(0.37)
- Net profit (loss) on foreign exchange transactions	(0.28)	(0.30)	(0.37)
<i>Gains and losses on investment securities (Note 11.1)</i>	-	-	-
- Net profit (loss) on investment securities	-	-	-
<i>Other operating income - banking</i>	-	-	-
<i>Other operating charges - banking</i>	(0.02)	(0.02)	(0.01)
NET BANKING INCOME	(3,014.07)	(2,819.60)	(3,093.00)
<i>General operating charges (Note 13)</i>	(2.50)	(2.63)	(2.40)
- Staff costs	(0.89)	(0.85)	(0.78)
- Other administrative expenses	(1.61)	(1.78)	(1.63)
<i>Depreciation and provisions - intangible and tangible assets</i>	(0.04)	(0.04)	(0.03)
<i>Other operating income</i>	8,312.03	8,253.66	6,059.86
- Income related to CRDS and CSG (Notes 12 and 12.1)	8,312.03	8,253.66	6,059.67
- Income from property (Note 13.1)	-	-	0.19
<i>Other operating charges</i>	(160.75)	(171.37)	(79.62)
- Charges related to CRDS and CSG (Notes 12 and 12.1)	(86.83)	(80.78)	(76.26)
- Payments to the State (Note 14)	-	-	-
- Payments to social security agencies (Note 14)	-	-	-
- Provision for doubtful debts relating to CRDS and CSG (Notes 12 and 12.1)	(73.92)	(90.58)	(3.46)
- Charges related to property (Note 13.1)	-	(0.01)	0.10
GROSS OPERATING PROFIT	5,134.67	5,260.02	2,884.81
OPERATING PROFIT	5,134.67	5,260.02	2,884.81
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5,134.67	5,260.02	2,884.81
- Exceptional income (Note 15)	-	-	-
NET PROFIT FOR THE PERIOD	5,134.67	5,260.02	2,884.81

CASH FLOW STATEMENT

Cash flow (in millions of euro)	Period ended	31 December 2010	31 December 2009	31 December 2008
Net banking income		(3,014)	(2,820)	(3,093)
Inflation premiums		(170)	(18)	271
Provisions for financial instruments		-	(6)	6
Amortization of premiums and balancing payments		(15)	(32)	16
Accrued interest		88	152	(3)
<i>Net cash from (used in) banking activities</i>	<i>(A)</i>	<i>(3,111)</i>	<i>(2,724)</i>	<i>(2,803)</i>
Net operating income		8,151	8,082	5,978
(Increase) decrease in accrued income from CRDS and CSG		88	(284)	15
(Increase) decrease in other accrued income		(2)	36	(5)
<i>Net cash from (used in) operating activities</i>	<i>(B)</i>	<i>8,237</i>	<i>7,835</i>	<i>5,988</i>
<i>Net cash from (used in) banking and operating activities</i>	<i>(C=A+B)</i>	<i>5,126</i>	<i>5,111</i>	<i>3,185</i>
<i>Net cash from (used in) financing activities</i>	<i>(D)</i>	<i>4,417</i>	<i>12,445</i>	<i>9,508</i>
<i>Debt assumed</i>	<i>(E)</i>	<i>-</i>	<i>(17,000)</i>	<i>(10,000)</i>
<i>Net cash flow for the year</i>	<i>(C+D+E)</i>	<i>9,543</i>	<i>557</i>	<i>2,693</i>
<i>Cash and cash equivalents at 31 December Y-1</i>		<i>4,955</i>	<i>4,398</i>	<i>1,711</i>
<i>Cash and cash equivalents at 31 December Y</i>		<i>14,497</i>	<i>4,955</i>	<i>4,398</i>
Net increase (decrease) in cash and cash equivalents		9,543	557	2,687

The cash flow statement takes into account the following items:

A - net cash from (used in) banking activities

This is net banking income (debts plus income from derivatives and cash instruments) less income and expenses with no effect on the cash position (provisions, amortization of issuance and redemption premiums, accrued interest, revaluation of index-linked bonds, etc.).

B - net cash from (used in) operating activities

This is the operating profit or loss (mainly CRDS and CSG income) less income and expenses with no effect on the cash position (accrued income or deferred expenses).

C - net cash from (used in) banking and operating activities

This consists of net cash from (used in) banking and operating activities (C = A + B).

D - net cash from (used in) financing activities

These are the cash flows resulting from debt issuance and debt repayment during the year.

E - social security debt assumed

Social security debt assumed represents the disbursements made during the period by CADES in respect of debt assumed from social security funding organizations.

The net change in cash and cash equivalents reflects the following cash flows:

- net cash from (used in) banking and operating activities (C),
- net cash from (used in) financing activities (D), and
- social security debt assumed (E).

OFF-BALANCE SHEET COMMITMENTS

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
FINANCING COMMITMENTS			
Commitments received			
<i>From credit institutions</i>			
- Backup credit lines	700.00	700.00	700.00
- Multi-currency credit lines	-	-	-
- Other credit lines	-	-	2,500.00
<i>Other</i>			
- Retirement reserve fund (<i>Fonds de Réserve des Retraites</i>)	29,400.00	-	-
Commitments given			
- Payment to the State	-	-	-
- Payments to social security funding organizations	130,000.00	-	17,000.00

NOTES TO THE FINANCIAL STATEMENTS

HIGHLIGHTS OF THE YEAR

◆ Social security debts assumed

Under the 2011 Social Security Funding Act (*Loi de Financement de la Sécurité Sociale - LFSS*) 2010-1594 of 20 December 2010, CADES is required to take on the following debts:

- The deficits of 2009 and 2010 and the forecast deficit for 2011 for the health, maternity, incapacity and death insurance branch, the senior citizens, widows and widowers insurance branch and the family insurance branch of the French social security system, up to a maximum of €68 billion, by 31 December 2011 at the latest. The dates and amounts to be paid will be set by decree subsequently.

Decree 2011-20 of 5 January 2011 stipulating the dates and amounts to be paid sets the provisional transfer amount at €65.3 billion.

- The deficits of 2011 to 2018 for the senior citizens, widows and widowers insurance branch of the French social security system, subject to an overall maximum of €62 billion and a yearly maximum of €10 billion. These payments are to be made by 30 June each year as from 2012. The dates and amounts to be paid will be set by decree subsequently.

At 31 December 2010, in accordance with the accounting policies CADES applies, all future deficits to be assumed have been recognized in off-balance sheet items as commitments given, in the amount of €130 billion.

◆ New resources allocated to debt coverage

Act 2010-1594 of 20 December 2010 provides for the allocation of the following additional resources to CADES as from 2011:

- A larger share of the supplementary social security contribution (*Contribution Sociale Généralisée - CSG*), which will increase from 0.2% to 0.48%;

- A 1.3% share of the social security contributions mentioned in Articles L.245-14 and L.245-15, for which the rate is set at 2.2%;

- Every year with effect from 1 January 2011 until 2024, no later than 31 October, the Retirement reserve fund will pay CADES €2.1 billion as a contribution towards the deficits of 2011 to 2018 for the senior citizens, widows and widowers insurance branch of the French social security system. The two institutions concerned will draw up an agreement setting out the timing and terms and conditions governing these payments.

◆ Financing transactions

Issues

CADES borrowed €10.72 billion via the following issues made under the French program:

- 11 new issues (3 in EUR, 5 in USD, 2 in GBP and 1 in AUD) for a total amount of €8.68 billion;
- 3 tap issues (2 in EUR and 1 in GBP) for a total amount of €2.04 billion.

Redemptions

CADES reimbursed the following for a total amount of €6.91 billion:

- 8 issues made under the UK program for a total of €1.84 billion, including one early redemption;
- 1 issue made under the French program for a total of €0.69 billion;
- 2 issues made under the stand-alone program for a total of €4.23 billion;
- 2 matured private placements for a total of €0.15 billion.

Pre-hedging swaps

Three pre-hedging swaps maturing on 26 April 2021, with a total nominal value of €500 million and designated as isolated open positions in accordance with the regulations issued by the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière - CRBF*) (category a of Regulation 90-15) were entered into on 24 May, 27 May and 3 June 2010 and rescinded on 23 June 2010 following the issue of €25 billion of 3.375% bonds maturing on 25 April 2021.

Balances on termination of these swaps for an immaterial amount were recognized in profit and loss according to the relevant accounting policies.

◆ Credit lines

Commitments received in 2010 comprise four back-up credit lines totaling €700 million that are cancellable by the counterparty at 30 days' notice.

ACCOUNTING POLICIES AND METHODS

1. Basis of valuation and presentation

The accounting policies adopted by CADES meet two requirements.

Given that the activity of CADES is essentially financial, the financial statements are prepared in accordance with accounting regulations applicable to credit institutions and financial institutions as well as with generally accepted accounting principles in France. In particular, CADES has applied the accrual concept and the prudence concept.

The presentation of the financial statements complies with Regulation 91-01 of 16 January 1991 issued by the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière - CRBF*) relating to the preparation and publication of the annual individual accounts of credit institutions, as modified by Regulation 2000-03 of 4 July 2000 issued by the French Accounting Standards Committee (*Comité de la Réglementation Comptable - CRC*), itself modified by Regulations 2005-04 of 3 November 2005 and 2007-05 of 14 December 2007. With respect to the last regulation, the French National Accounting Board (*Conseil National de la Comptabilité - CNC*) decided that CADES could continue to use the adaptations set forth in Opinion 99-04 relating to the presentation of those transactions specific to CADES. Accordingly, in its profit and loss account, CADES records operating income and expenses, which are mainly composed of the revenue drawn from the CRDS and CSG and from property transactions, and payments to the State and social security funding organizations.

These accounts are then aggregated to comply with the chart of accounts applicable to administrative public undertakings in accordance with the requirements of Instruction M9-1, before being submitted to the Government Audit Office.

2. Specific characteristics of CADES

CADES has been tasked with paying down the debt transferred to it. The profit or loss therefore measures its capacity to reduce its own debt, and corresponds to the resources allocated to it less the financial costs relating to its debt with third parties.

The profit and loss account should be interpreted in light of the specific mission entrusted to CADES, the sole purpose of which is to extinguish a debt over its scheduled term.

3. Changes in accounting policies and methods compared with previous years

No changes were made to accounting principles and methods in 2010.

4. Debts assumed from social security funding organizations

The payments CADES makes in respect of debts assumed from social security funding organizations in accordance with the social security deficit funding acts are recognized against the profit and loss account brought forward.

Debts assumed in accordance with legal stipulations but for which payments have not yet been made to the organizations are recorded as off-balance sheet commitments (see Note 18).

5. CADES' resources

5.1 Contribution to the repayment of the social security debt

▪ Revenue explicitly allocated to CADES

The social security debt repayment contribution (CRDS) defined by Ordinance No. 96-50 of 24 January 1996 was explicitly created to provide resources to CADES. Article 6 of said Ordinance states that “the proceeds of the contributions created in respect of Chapter 2 of said Ordinance on repayment of the social security debt shall be allocated to Caisse d’Amortissement de la Dette Sociale”.

▪ A broad-based tax

The tax is levied on multiple sources of income. One can distinguish:

- On the one hand, employment income and employment income replacements: salaried income, redundancy payments and retirement indemnities (under certain conditions), retirement and disability pensions, sickness and maternity benefits, housing benefits, family allowances, and child-minding benefits, etc., and
- On the other hand, revenue from property, from investments, from the sale of precious metals and gems, and from gaming.

Contributions assessed on employment income and employment income replacements are paid over daily by ACOSS to CADES as and when they are collected by the central agency.

Contributions assessed on other revenues are centralized by the State's financial agencies (tax collection offices, treasuries and customs and excise agencies) before being paid over to CADES.

▪ Collection costs borne by CADES

Article 8 of the Ordinance of 24 January 1996 stipulates that CADES shall bear assessment and collection costs. These costs consist of a flat amount defined jointly by the Minister of the Economy and Finance and the Minister in charge of Social Security.

Collection agencies deduct a 0.5% withholding from the contribution paid over to CADES.

CRDS contributions levied on revenue from property entered in the tax assessment register by the Treasury offices are paid over to CADES on the basis of register entries and not the amounts actually collected. In return, a 4.1% withholding is applied to the sums paid over to CADES to cover assessment and collection costs (0.5%) and the cost of tax reductions and bad debts (3.6%), as provided for by Article 1641 of France's General Tax Code (*Code Général des Impôts*).

Amounts collected by CADES in respect of the CRDS are reported under "Other operating income" in the profit and loss account. Assessment and collection costs are recorded under "Other operating charges".

▪ Accrual basis accounting

CADES applies the accruals principle in accordance with accounting standards applicable to credit institutions and Articles L114-5 and D-114-4-4 of the Social Security Code establishing the principle whereby social security agencies shall maintain accounting records on a receivable-payable basis.

Accordingly, CRDS contributions paid to collecting agencies are included in the accounts for the period regardless of the date on which these amounts were actually collected. So as to be able to recognize this income at the balance sheet date, CADES accrues this income on the basis of a notification provided by the collecting agencies indicating amounts assessed for the period not collected at the balance sheet date and CRDS contributions not yet collected by ACOSS. For the six-monthly closing at 30 June, as CADES receives no notification from the collecting agencies it estimates accrued income based on payments received in July.

Provisions against outstanding CRDS contributions are notified to CADES by ACOSS. These provisions are calculated on a statistical basis applying an annual rate determined by reference to an ageing analysis of the receivables. They are deducted from gross amounts receivable as reported in the balance sheet. As CADES receives no notification from ACOSS for the position as at 30 June, it determines provisions against outstanding contributions on the same basis as at the previous year end.

Regarding the collection of the CRDS contributions, it will be recalled that at no time does CADES act as primary collector; all the resources to which it is entitled are remitted by third parties, first and foremost ACOSS, followed by the French Treasury.

CADES's responsibility is confined to verifying that the sums transferred agree to the accounting vouchers raised. The primary collecting agencies are responsible for transferring the funds, for verifying the tax base, for adjusting tax bases when applicable and for recovering past dues, in return for which these agencies receive a remuneration equivalent to 0.5% of the sums collected.

Accordingly, CADES's responsibility at revenue level is limited to substantive verifications of the accounting vouchers produced by the collecting agencies.

5.2 Supplementary social security contribution

Law No. 2008-1330 on the funding of the social security system for 2009 extended the mission of CADES by entrusting to it a further €27 billion of debt in respect of the health insurance deficit (€14.1 billion), old age pension deficit (€8.8 billion) and old age solidarity fund (€4 billion).

In accordance with the Organic Law of 2 August 2005, the French Parliament voted an increase in resources so as not to extend the life of CADES. This new resource corresponds to 0.2 point of the supplementary social security contribution (*Contribution Sociale Généralisée - CSG*).

This is a broad-based tax levied on employment income and employment income replacements as well as revenue from property, investments and gaming.

The difference in tax base between the CRDS and CSG is that in the latter case it does not include revenue from the sale of precious metals and gems.

The payment circuits and methods of accounting for the CSG are the same as for the CRDS.

5.3 Resources from the Retirement reserve fund

Under the 2011 Social Security Funding Act (*Loi de Financement de la Sécurité Sociale - LFSS*) 2010-1594 of 20 December 2010, the Retirement reserve fund (*Fonds de réserve pour les retraites - FRR*) is required to pay CADES a total of €29.4 billion in yearly installments of €2.1 billion no later than 31 October each year, with effect from 1 January 2011 until 2024. The two institutions concerned will draw up an agreement setting out the timing and terms and conditions governing these payments.

The annual income of €2.1 billion to be paid by the FRR as from 2011 is recognized under income for the period. FRR's commitment to pay amounts for subsequent years is recognized in off-balance sheet items under Other commitments received – Retirement reserve fund.

6. Private rental property

CADES has sold all the property transferred on 1 January 2000 to CADES in application of Article 9 of Ordinance No. 96-50 of 24 January 1996 and recorded under "Property endowment" as a component of reserves.

Acting on behalf of CADES, CNAVTS managed the residual rights and obligations related to this property until the expiration of the agreement between the two parties on 31 December 2006. Signed in December 1999, this agreement empowered CNAVTS to do all that was necessary in connection with the administration of the properties.

Since 1 January 2007, disputes and claims have been managed internally by CADES, to which end it has entered into an agreement with the lawyer responsible for handling these cases.

CADES' Accounting Officer records expenses and revenue on the basis of the supporting documents submitted by the Authorizing Officer.

7. Transactions denominated in foreign currencies

Foreign currency transactions are recorded on a multi-currency basis and are measured in accordance with the following principles:

- Foreign currency transactions involving balance sheet and off-balance sheet items are measured in euro at the rate of exchange ruling on the balance sheet date.

The rates used at 31 December 2010, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.3362	JPY:	108.65
GBP:	0.86075	HKD:	10.3856
CHF:	1.2504	NZD:	1.7200
AUD:	1.3136	TRY:	2.0694
ZAR:	8.8625	CAD:	1.3322
MXN:	16.5475	SEK:	8.9655

- Foreign currency income and charges are translated into euro at the exchange rate ruling on the date when they were recognized in the profit and loss account.
- Realized and unrealized foreign exchange gains and losses are recognized in the profit and loss account as operating income from banking transactions or operating charges on banking transactions.

8. Repurchase agreements with securities delivered

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

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

9. Tangible and intangible fixed assets

Fixed assets are accounted for under the historical cost convention. Tangible fixed assets are depreciated and intangible fixed assets amortized over their estimated useful life.

Tangible fixed assets consist mainly of office equipment and computer equipment.

Intangible fixed assets include software.

10. Bonds

Bonds issued by CADES are reported as a liability in the balance sheet at their nominal value (if redeemed at par) plus accrued interest. Foreign currency bonds are translated into euro at the exchange rate prevailing on the balance sheet date.

Bonds indexed to inflation (French consumer price index excluding tobacco for all households in Metropolitan France) are measured by reference to a predefined inflation benchmark on the balance sheet date, resulting in the recognition of a redemption premium that is reported as a liability.

Inflation benchmarks:

Consumer price index on 31 December 2010:	120.02516
Cadesi 2011 index:	1.14035
Cadesi 2013 index:	1.19817
Cadesi 2017 index:	1.05836
Cadesi 2019 index:	1.09803

When bonds are issued at a premium, this premium is accounted for as deferred charges and is therefore reported under prepayments and accrued income in the balance sheet. These charges are recognized to the profit and loss account over the life of the bonds under banking operating charges.

When bonds are issued at a discount, this discount is accounted for as deferred income. This income is recognized to the profit and loss account over the life of the bonds under banking operating income.

All costs relating to bond issues are charged to the profit and loss account on the date of issue and reported under fees payable.

11. Interest rate and currency swaps

Transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, are recognized in accordance with the regulations issued by the French Banking and Financial Regulatory Committee. Commitments in respect of these transactions are reported as off-balance sheet commitments at the contract's nominal value. Accounting principles applied differ according to the nature of these instruments and management intention at inception.

Transactions consist mainly of interest rate swaps and currency swaps entered into for hedging purposes. Interest rate swaps are entered into in compliance with the risk management policy defined by the Board of Directors. Currency swaps are entered into only for the purpose of hedging CADES' foreign exchange exposures.

Income and charges arising on forward financial instruments entered into for the purpose of hedging or managing the global interest rate exposure are recognized to profit or loss *pro rata temporis*.

Gains and losses on hedging designed to reduce the risk resulting from a particular asset or liability are taken to profit or loss and included under interest receivable and similar income or interest payable and similar charges to match income or charges recognized in respect of the hedged item.

As regards balancing cash payments arising from swaps entered into to hedge a debt instrument on inception, the portion covering issuance costs in respect of the underlying instrument is taken to profit and loss when the cash payment is recognized. This accounting method fairly reflects the asset value of issues transformed by entering into swaps involving cash payments and results in the amount equivalent to the issuance costs being recognized to profit and loss *pro rata temporis*.

12. Interest rate futures

Firm macro hedging transactions on organized markets (German Bund and Bobl) are recognized in accordance with the regulations issued by the French Banking and Financial Regulatory Committee. Sales of financial futures (Euro Bund and Euro Bobl futures) are recognized as off-balance sheet items for their nominal value.

Margin calls are recognized directly to profit or loss. Initial margins are accounted for as deposits paid and reported as assets in the balance sheet. Finally, brokerage fees - which represent trading fees on the sale or purchase of Bunds or Bobls - are recognized directly to profit or loss.

13. Provisions

No general provisions for liabilities and charges are recognized by CADES. When appropriate, provisions in respect of identified risks are set aside in accordance with applicable accounting principles.

14. Taxation

CADES is not assessed to business taxes (corporation tax, value added tax and local business tax) or to apprenticeship tax. The only tax it pays is the payroll tax.

Note that profits on the sale of property transferred by the social security agencies did not give rise to the payment of corporation tax.

15. Counterparty risk

CADES' exposure to counterparty risk is limited to two types of transactions: investment transactions and off-balance sheet transactions.

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

1. Investment transactions

CADES invests cash balances mainly in securities delivered under repurchase agreements but may also buy

government securities outright. In exchange for the loan extended to a counterparty, CADES receives full ownership of a government security (OAT, BTAN, BTF) or government-guaranteed security over the term of the repurchase agreement. Most repurchase agreements are negotiated with French Treasury bond dealers (*Spécialiste en Valeurs du Trésor - SVT*) or with counterparties with a double-A rating.

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

2. Off-balance sheet transactions

To manage its interest rate risk and eliminate the currency risk, CADES enters into transactions in the derivatives markets involving instruments such as interest rate swaps, currency swaps and asset swaps. By using triggers set by reference to each counterparty's rating and by carrying out weekly margin calls, CADES significantly reduces the residual risk of default on these instruments.

16. Transactions involving investment securities

The portfolio of investment securities is valued in accordance with Regulation 90-01 (as amended) issued by the French Banking and Financial Regulatory Committee. This portfolio, which consists of fixed income government securities, is reported in the balance sheet under treasury bills and other bills eligible for refinancing with central banks.

Securities are reported in the balance sheet at their acquisition cost. Interest income is reported under interest receivable and similar income from bonds and other fixed income securities.

Unrealized losses give rise to a provision for impairment determined by reference to the most recent quoted price. These provisions are determined individually.

Provisions for impairment set aside and reversed and gains and losses on the sale of investment securities are reported in the profit and loss account under gains and losses on investment securities.

NOTES

BALANCE SHEET

At 31 December 2010, the balance sheet showed total assets of €17.21 billion for total debt of €103.89 billion resulting in negative reserves of €86.68 billion.

ASSETS

Note 1: Treasury and interbank transactions

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
CENTRAL BANKS AND POST OFFICE BANKS	1,200.34	983.44	2,718.64
Central banks	1,200.34	983.44	2,718.64
TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	12,166.95	2,284.57	678.69
Government securities with a maturity of less than 3 months	12,157.00	2,284.10	677.84
Accrued interest	9.95	0.47	0.85
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	1,129.77	1,686.71	1,001.82
Repayable on demand	0.29	0.37	1.31
Debit balances on ordinary accounts	0.29	0.37	1.31
Securities received under open repurchase agreements	-	-	-
Accrued interest	-	-	-
Repayable at maturity	1,129.48	1,686.34	1,000.51
Securities received under term repurchase agreements with a maturity of less than 3 months	1,129.34	1,686.16	1,000.00
Of which: Treasury bills	-	442.67	-
Bonds	403.41	1,163.74	1,000.00
Own securities	725.93	79.75	-
Accrued interest	0.14	0.18	0.51
Total	14,497.06	4,954.72	4,399.15

Balances with central banks correspond to the euro-denominated account opened by CADES at Banque de France. The Government securities line consists of treasury bills issued by ACOSS with a maturity of less than one month at 31 December 2010.

Note 2: Intangible and tangible fixed assets

At (in millions of euro)	Gross value at 1 January 2010	Increase	Decrease	Gross value at 31 December 2010	Amortization and depreciation	31 December 2010 Net book value	31 December 2009 Net book value	31 December 2008 Net book value
Intangible assets	0.22	-	-	0.22	(0.22)	-	-	-
Software	0.22	-	-	0.22	(0.22)	-	-	-
Tangible assets	0.69	-	-	0.69	(0.52)	0.17	0.21	0.23
Sundry equipment	0.69	-	-	0.69	(0.52)	0.17	0.21	0.23
Total	0.91	-	-	0.91	(0.74)	0.17	0.21	0.23

Intangible and tangible assets reflect the value of the software and equipment acquired by CADES, net of related amortization and depreciation.

Note 3: Other assets

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
SUNDRY DEBTORS	49.41	260.42	357.38
Deposits paid by way of initial margins	-	213.22	310.46
- <i>Deposits</i>	-	212.99	310.38
- <i>Accrued interest</i>	-	0.23	0.08
Outstanding CRDS and CSG contributions to be collected by ACOSS	49.41	47.20	46.92
- <i>Gross amounts receivable</i>	392.65	316.52	226.08
- <i>Provisions</i>	(343.24)	(269.32)	(179.16)
Other debtors in respect of financial transactions	-	-	-
Other debtors in respect of operating charges	-	-	-
Other sundry debtors - CNAV	-	-	-
- <i>Gross amounts receivable</i>	1.61	1.61	1.62
- <i>Provisions</i>	(1.61)	(1.61)	(1.62)
Total	49.41	260.42	357.38

Other assets include:

- Deposits paid by way of initial margins in connection with forward contracts entered into to hedge counterparty risk amounting to €1,324.81 million.
- Outstanding CRDS and CSG contributions to be collected by ACOSS amounting to €49.41 million. Provisions totaling €343.24 million have been deducted from the gross amounts receivable of €392.65 million.
- A receivable of €1.61 million, consisting of damages amounting to €1.47 million claimed from a buyer who reneged on a commitment to purchase a group of buildings and sundry debtor balances totaling €0.14 million due from tenants and buyers for which legal proceedings are being managed by CNAVTS. These amounts were provisioned in full at 31 December 2010.

Movements in provisions against outstanding CRDS and CSG contributions to be collected by ACOSS and in respect of sundry debtors are detailed in the table below:

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
Provisions brought forward	270.93	180.77	178.37
Provisions set aside - property	-	-	-
Provisions set aside - CRDS and CSG	73.92	90.58	3.45
Provisions reversed - property	-	-	(0.48)
Provisions reversed - CRDS and CSG	-	(0.42)	(0.57)
Provisions carried forward	344.85	270.93	180.77

Note 4: Prepayments and accrued income

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
ACCRUED INCOME	1,315.90	1,384.73	1,189.10
On forward interest rate instruments	225.09	221.39	330.78
On forward currency instruments	320.30	305.04	283.78
On CRDS and CSG revenues	770.51	858.30	574.54
On property sales	-	-	-
Other accrued income	-	-	-
CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	13.34	19.22	0.04
DEFERRED CHARGES	237.74	268.51	189.62
Issuance premiums on bonds and EMTN	237.74	268.51	189.62
Other deferred charges	-	-	-
PREPAYMENTS	12.01	8.16	85.48
Prepaid administrative expenses	0.01	0.05	0.01
Prepaid interest on negotiable debt instruments	12.00	8.11	85.47
Other prepayments	-	-	-
OTHER	1,086.74	70.57	25.75
Currency adjustment accounts	1,086.54	70.40	15.03
Property rental adjustment account	-	-	-
Sundry	0.20	0.17	10.72
Total	2,665.73	1,751.19	1,489.99

Prepayments and accrued income consist of transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected. They include:

- accrued income relating to CRDS and CSG contributions for €770.51 million and to financial instruments amounting to €225.09 million for interest rate instruments and €320.30 million for currency instruments.
- issuance premiums on bonds and EMTN amounting to €237.74 million to be recognized to profit and loss over time.
- prepayments amounting to €12.01 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments.
- currency adjustment accounts amounting to €1,086.54million, being technical accounts used to recognize to profit and loss adjustments arising on the measurement of off-balance sheet commitments. The increase in these accounts is attributable to the euro's significant depreciation against other currencies.

LIABILITIES

Liabilities draw a distinction between the reserves and the other liabilities of CADES.

Reserves consist of the profit and loss account brought forward, the profit or loss for the period and the property endowment. At 31 December 2010, CADES had negative reserves of €86,675.95 million. These negative reserves correspond to the debt transferred to CADES amounting to €34,148.5 million, €47,310 million pursuant to the Law of 13 August 2004 and €27,000 million pursuant to the Law of 17 December 2008, less amounts that have been credited to reserves and which are composed of the accumulated profits generated by CADES since 1996 amounting to €21,536.63 million, the property endowment on 1 January 2000 amounting to €181.22 million and the payment received from ACOSS amounting to €64.7 million by way of an adjustment of the deficits assumed by CADES from 1999 to 2006.

Liabilities, which amounted to €103,888.14 million at 31 December 2010, consist mainly of debts evidenced by certificates totaling €101,244.93 million and accruals and deferred income totaling €2,643.21 million.

Note 5: Treasury and interbank transactions

At	31 December 2010				31 December 2010	31 December 2009	31 December 2008
(in millions of euro)	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Total	Total
AMOUNTS OWED TO CENTRAL BANKS							
Amounts owed to credit institutions	-	-	-	-	-	151.11	1,610.55
Repayable on demand	-	-	-	-	-	-	-
Credit balances on ordinary accounts	-	-	-	-	-	-	-
Repayable at maturity	-	-	-	-	-	151.11	1,610.55
Securities given under repurchase agreements	-	-	-	-	-	-	-
Accounts and deposits	-	-	-	-	-	151.11	1,531.50
Of which: Euro	-	-	-	-	-	50.00	1,430.49
Other currencies	-	-	-	-	-	101.11	101.01
Accrued interest	-	-	-	-	-	-	79.05
Total	-	-	-	-	-	151.11	1,610.55

Note 6: Debts evidenced by certificates

At 31 December 2010						31 December 2009	31 December 2008
(in millions of euro)	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Total	Total
NEGOTIABLE DEBT INSTRUMENTS							
Treasury bills denominated in euro	4,387.00	4,048.45	11.00	-	8,446.45	10,587.56	14,936.49
Treasury bills denominated in other currencies	10.00	-	-	-	10.00	100.00	603.00
MTN denominated in euro	-	-	11.00	-	11.00	348.98	-
Commercial paper denominated in euro	-	-	-	-	-	11.00	11.00
Commercial paper denominated in other currencies	-	-	-	-	-	1,279.30	7,196.50
Other negotiable debt instruments denominated in foreign currencies	4,377.00	4,048.45	-	-	8,425.45	8,848.28	7,125.99
Accrued interest	-	-	-	-	-	-	-
BONDS	3,559.02	8,824.84	42,028.33	38,386.29	92,798.48	86,366.93	67,739.18
Bonds and EMTN denominated in euro	-	3,059.89	26,764.33	35,831.99	65,656.21	64,764.41	52,648.96
Bonds and EMTN denominated in other currencies	2,432.27	5,522.58	15,264.00	2,554.30	25,773.15	20,346.85	14,052.89
Accrued interest	1,126.75	242.37	-	-	1,369.12	1,255.67	1,037.33
Total	7,946.02	12,873.29	42,039.33	38,386.29	101,244.93	96,954.49	82,675.67

Debts evidenced by certificates are analyzed below:

They comprise negotiable debt instruments totaling €8,446.45 million, and bonds and similar instruments totaling €92,798.48 million.

Bonds and similar instruments are issued under:

- a French issuance program for which the ceiling was raised to €75 billion in the first half of 2010;
- a UK issuance program for which the ceiling was €25 billion at 30 June 2010. This ceiling was raised to €65 billion in July 2010;
- an Australian issuance program for which the ceiling was AUD6 billion at 31 December 2010;
- a stand-alone program consisting of private placements and MTN issues.

All in all, debts evidenced by certificates maturing within one year totaled €20,819.31 million while those evidenced by certificates maturing in more than five years totaled €38,386.29 million, compared with €18,384.14 million and €39,056.97 million respectively at 31 December 2009. As at 31 December 2010, €42,039.33 million were due to mature between one and five years (€39,513.38 million at 31 December 2009).

The tables below detail borrowings by program.

In millions of euro

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Nominal interest rate	ISIN code
Australia	28/07/2006	28/07/2011	500	AUD	6.25%	AU300CADE012
	10/12/2009	10/12/2012	500	AUD	BBSW+0.4%	AU3FN0009650
	28/02/2008	28/02/2013	1,000	AUD	7.50%	AU3CB0058196
Stand-alone and MTN	20/06/2002	25/07/2011	2,555	EUR	CADESI 3.4%	FR0000489734
	27/03/1998	25/10/2012	3,000	EUR	5.25%	FR0000571366
	01/04/1999	25/07/2013	3,100	EUR	CADESI 3.15%	FR0000492308
	11/10/2004	25/10/2014	4,000	EUR	4.00%	FR0010120410
	09/02/2005	25/04/2015	3,000	EUR	3.625%	FR0010163329
	09/12/2004	25/07/2019	2,400	EUR	CADESI 1.85%	FR0010137554
	21/12/2004	25/10/2019	5,000	EUR	4.00%	FR0010143743
	27/05/2005	25/10/2020	4,000	EUR	3.75%	FR0010198036
	19/07/2004	30/12/2013	11	EUR	3 month Euribor – 0.17%	FR0107096036
UK	06/09/2006	06/09/2011	19	USD	2.55%	XS0266174050
	18/09/2003	19/09/2011	17	EUR	Formula-based variable rate	XS0176319696
	14/10/2008	14/10/2011	300	USD	3 month USD Libor + 0.01%	XS0392950670
	17/10/2008	17/10/2011	200	USD	3.70%	XS0391762548
	22/11/2004	22/11/2011	100	USD	4.13%	XS0205620056
	09/12/2004	09/12/2011	1,000	USD	4.125%	XS0206819269
	27/01/2009	27/01/2012	200	USD	1.97%	XS0410258916
	13/04/2004	13/04/2012	100	USD	3.72%	XS01899224003
	16/04/2004	16/04/2012	100	USD	3.80%	XS0190054618
	23/12/2002	20/12/2012	26	USD	0.50%	XS0159498640
	06/08/2007	06/03/2013	50	EUR	4.442%	XS0314647149
	25/11/2008	25/10/2013	200	USD	3.40%	XS0400917349
	15/12/2004	16/12/2013	100	USD	4.51%	XS0207591271
	15/12/2008	16/12/2013	250	USD	2.66%	XS040503800
	30/06/2005	30/06/2015	25	AUD	5.64%	XS0222727058
	27/06/2007	27/06/2020	10	EUR	Formula-based variable rate	XS0306775528
	27/06/2007	27/12/2021	20	EUR	Formula-based variable rate	XS0307053271

In millions of euro

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Nominal interest rate	ISIN code
France	11/02/2009	14/02/2011	1,250	USD	1.875%	FR0010722017
	21/02/2008	21/02/2011	2,000	USD	2.625%	FR0010585992
	09/04/2009	14/04/2011	2,250	USD	1.75%	FR0010746313
	23/06/2008	15/07/2011	2,000	USD	4%	FR0010634410
	25/07/2006	01/08/2011	1,000	USD	5.50%	FR0010348094
	02/08/2006	02/08/2011	135	EUR	4.07%	FR0010359695
	29/01/2009	25/04/2012	3,500	EUR	2.625%	FR0010718338
	22/06/2009	22/06/2012	2,000	HKD	3 month Hibor + 0.05%	FR0010772442
	23/06/2009	25/06/2012	1,000	HKD	3 month Hibor + 0.05%	FR0010772459
	06/07/2009	06/07/2012	1,000	USD	2.25%	FR0010776674
	17/07/2007	17/07/2012	1,000	USD	5.375%	FR0010500843
	25/02/2009	25/07/2012	200	CHF	1.50%	CH0012600398
	27/10/2009	26/10/2012	700	USD	3 month USD Libor	FR0010816264
	27/11/2009	27/11/2012	1,000	USD	1.625%	FR0010827246
	23/03/2006	15/01/2013	1,000	USD	5%	FR0010306340
	21/01/2010	21/03/2013	500	EUR	2.125%	FR0010844563
	04/11/2005	25/04/2013	3,000	EUR	3.25%	FR0010249763
	08/04/2008	15/07/2013	1,000	USD	3.25%	FR0010606442
	28/07/2010	29/07/2013	2,000	USD	1.375%	FR0010925446
	04/09/2008	04/09/2013	3,000	EUR	4.500%	FR0010660100
	15/10/2010	15/10/2013	1,500	USD	0.875%	FR0010950675
	12/03/2009	12/03/2014	12,000	JPY	3 month JPY Libor + 0.45%	FR0010734327
	08/04/2009	08/04/2014	34,000	JPY	3 month JPY Libor + 0.55%	FR0010745299
	01/07/2009	01/07/2014	1,000	USD	3.50%	FR0010775239
	02/07/2009	02/07/2014	1,200	USD	3 month USD Libor + 0.4%	FR0010776054
	18/06/2009	08/09/2014	200	GBP	3.750%	FR0010770511
	22/10/2009	22/10/2014	1,250	USD	2.875%	FR0010815332
	08/12/2009	15/01/2015	3,000	EUR	2.625%	FR0010831669
	26/01/2010	26/01/2015	95	GBP	3 month GBP Libor + 0.02%	FR0010850156
	25/02/2009	25/02/2015	150	CHF	2.125%	CH0012601446
	02/03/2010	02/03/2015	1,000	USD	2.875%	FR0010862581
	22/04/2010	22/04/2015	156	AUD	BBSW + 0.28%	FR0010889725
	15/09/2010	15/09/2015	1,500	USD	1.875%	FR0010941732
	16/09/2010	07/12/2015	500	GBP	2.250%	FR0010942086
	08/04/2009	08/04/2016	25,000	JPY	3 month JPY Libor + 0.65%	FR0010745307
	08/03/2006	25/04/2016	4,500	EUR	3.625%	FR0010301747
	02/11/2006	02/11/2016	1,250	USD	5.25%	FR0010394452
	14/12/2009	14/12/2016	150	USD	3 month USD Libor + 55bp	FR0010831891
	20/03/2007	20/03/2017	450	MXN	7.93%	FR0010449355
	12/04/2007	25/04/2017	3,600	EUR	4.125%	FR0010456434
	28/07/2006	25/07/2017	2,000	EUR	CADESI 1.85%	FR0010359679
	07/03/2008	20/12/2017	35	GBP	3 month GBP Libor - 0.3705%	FR0010594366
	26/10/2006	26/10/2018	400	CAD	4.45%	FR0010386110
	10/06/2009	25/04/2020	4,250	EUR	4.250%	FR0010767566
	02/07/2010	02/07/2020	200	EUR	3 month Euribor + 0.23%	FR0010917534
	25/10/2004	25/07/2020	1,000	EUR	Max. $[0; ((1 + \text{TEC}100 - 1\%)^0.25) - 1]$	FR0010120436
	26/10/2010	26/10/2020	1,000	USD	3.00%	FR0010956565
	21/04/2009	21/04/2021	200	CHF	3.00%	CH0100525382
	29/06/2010	25/04/2021	4,250	EUR	3.375%	FR0010915660
	25/07/2006	25/10/2021	4,250	EUR	4.375%	FR0010347989

Note 6.1: Analysis of transactions in euro and foreign currencies before and after hedging

This note analyzes the effect of hedging transactions on the initial debt and breaks down interest rates before and after hedging. It provides both accounting and financial information related to the value and hedging of instruments at maturity.

(in millions of euro)	Initial debt		Hedging transactions		Final debt	
	Foreign currencies	Euro	Foreign currencies	Euro	Foreign currencies	Euro
Euro-denominated debt		65,677		33,138		98,815
Foreign currency-denominated debt		Value in euro at 31 December 2010		Value in euro at 31 December 2010		
CHF	550	440	(550)	(440)	-	-
GBP	869	1,010	(869)	(1,010)	-	-
JPY	71,000	653	(71,000)	(653)	-	-
USD	39,710	29,719	(39,710)	(29,719)	-	-
HKD	3,000	289	(3,000)	(289)	-	-
SEK	500	56	(500)	(56)	-	-
AUD	2,205	1,679	(2,205)	(1,679)	-	-
NZD	-	-	-	-	-	-
ZAR	-	-	-	-	-	-
CAD	435	327	(435)	(327)	-	-
MXN	450	27	(450)	(27)	-	-
Sub-total foreign currencies		34,199		(34,199)		-
Total		99,876		(1,061)		98,815

The table above provides a breakdown of the initial nominal debt by issuance currency. Since all transactions in foreign currencies have been hedged, the debt of CADES is effectively entirely in euro. Hedging transactions have enabled CADES to eliminate the impact of exchange rate fluctuations on its debt.

The table below shows the breakdown of debt by interest rate type. Hedging impacts the initial breakdown, such that in the final analysis, 69% of the debt bears fixed rates, 20% floating rates and 11% rates indexed to inflation.

Breakdown of debt in euro and foreign currencies before and after hedging³⁴

(in millions of euro)	Initial debt				Hedging transactions		Final debt			
	Foreign currencies	Euro	Total	%	Foreign currencies	Euro	Foreign currencies	Euro	Total	%
Fixed rates										
Negotiable debt instruments	-	-	-	-	-	-	-	-	-	-
Bonds and EMTN	22,422	53,035	75,457		(22,422)	14,795	-	67,830	67,830	
Private placements	-	-	-	-	-	-	-	-	-	-
Macro hedging swaps	-	-	-	-	-	-	-	-	-	-
Total fixed rates	22,422	53,035	75,457	76	(22,422)	14,795	-	67,830	67,830	69
Floating rates										
Negotiable debt instruments	8,426	21	8,447		(8,426)	8,446	-	8,467	8,467	
Bonds and EMTN	3,351	1,247	4,598		-	6,546	-	11,144	11,144	
Private placements	-	-	-	-	-	-	-	-	-	-
Macro hedging swaps	-	-	-	-	-	-	-	-	-	-
Total floating rates	11,777	1,268	13,045	13	(8,426)	14,992	-	19,611	19,611	20
Indexed rates										
Bonds	-	11,374	11,374		-	-	-	11,374	11,374	
Macro hedging swaps	-	-	-	-	-	-	-	-	-	-
Total indexed rates	-	11,374	11,374	11	-	-	-	11,374	11,374	11
Total	34,199	65,677	99,876	100		(1,061)	-	98,815	98,815	100

(1) Includes €7,940 million that corresponds to the hedging of swaps cancellable at the initiative of the counterparties. If the swap is cancelled by the counterparty, the hedged position reverts to a variable rate. Based on market rates at 31 December 2010, the swap cancellation options held by counterparties were significantly out of the money, making the likelihood of a reversion to a variable rate virtually nil.

³ ndt : problem with total in columns 5 & 6

⁴ ndt : note (1) root missing

Note 7: Other liabilities

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS	1,971.38	173.16	119.23
- Deposits	1,970.82	173.14	116.66
- Accrued interest	0.56	0.02	2.57
OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS	2.24	1.67	2.27
OTHER CREDITORS IN RESPECT OF OPERATING CHARGES	44.92	47.27	12.04
Payments to the State	-	-	-
Tax	0.02	0.02	0.02
Social security	0.07	0.07	0.06
Trade creditors	-	0.01	-
Sundry creditors - ACOSS	44.83	47.17	11.96
Other sundry creditors	-	-	-
Total	2,018.54	222.10	133.54

Other liabilities correspond to:

- Deposits received by way of initial margins in respect of contracts on forward markets and repurchase agreements put in place to hedge counterparty risk, amounting to €1,970.82 million at 31 December 2010
- Accrued interest on margin calls amounting to €0.56 million;
- Commission payable on commercial paper amounting to €2.24 million;
- Credit balance with ACOSS amounting to €44.83 million, consisting of taxpayer credit notes received from ACOSS;
- Social security payable amounting to €0.07 million;
- Tax payable amounting to €0.02 million.

Note 8: Accruals, deferred income and provisions

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
ACCRUALS	354.06	351.57	441.70
Accruals on forward interest rate instruments	286.57	297.82	320.20
Accruals on forward currency instruments	59.70	46.02	107.94
Fees payable in respect of market transactions	0.01	0.01	-
Accruals in respect of operating charges	0.24	0.14	0.20
Accruals in respect of CRDS and CSG collection costs	4.53	4.90	3.37
Other accruals	3.01	2.68	9.98
CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	34.21	33.25	54.52
DEFERRED INCOME	214.61	190.40	124.62
Issuance premiums on bonds	201.65	189.61	123.01
Issuance premiums on government securities	12.96	0.79	1.61
Other deferred income	-	-	-
OTHER	21.79	874.08	1,270.96
Currency adjustment accounts	21.71	874.04	1,270.93
Sundry	0.08	0.04	0.03
Total	624.67	1,449.30	1,891.80

Accruals and deferred income consist of transactions affecting the profit and loss account independently of the date on which the corresponding income is paid or collected. They include notably:

- Accrued expenses in respect of interest rate swaps amounting to €286.57 million and on the euro leg of currency swaps amounting to €59.70 million, commission payable in respect of commercial paper amounting to €3.25 million and accruals in respect of CRDS and CSG collection costs amounting to €4.53 million.
- Balancing cash payments on currency swaps amounting to €34.21 million that are to be spread.
- Deferred income amounting to €214.61 million, corresponding to premiums on bond issues and on government securities.
- Currency adjustment accounts amounting to €21.71 million, being technical accounts used to recognize to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

Provisions for liabilities and charges include a provision for redundancy indemnities. The provision in respect of unrealized losses on swaps designated as isolated open positions was reversed after the swaps in question were rescinded.

At (in millions of euro)	31 December 2009	Set aside	Reversed	31 December 2010
Provisions	0.16	0.02	-	0.18
Provision for redundancy indemnities	0.16	0.02	-	0.18
Provision for liabilities	-	-	-	-
Total	0.16	0.02	-	0.18

PROFIT AND LOSS ACCOUNT

In arriving at the profit for the period, net banking income is reported separately from other operating income and charges.

(in millions of euro)

Net banking income:	(3,014.07)
Other operating income and charges:	<u>8,148.74</u>
Gross operating profit and net profit for the period:	<u>5,134.67</u>

A specific mission has been entrusted to CADES, which is to extinguish a debt over its scheduled term. The profit for the year measures its capacity to reduce its own debt.

Net banking income

Net banking income consists of the cost of debt, the income generated from cash positions and the net profit or loss on financial transactions.

Note 9: Banking income

Period ended	31 December 2010	31 December 2009	31 December 2008
(in millions of euro)			
INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS	29.51	44.70	284.51
Interest receivable - Demand loans and advances and open repurchase agreements	4.71	5.22	28.53
Interest from ordinary accounts in debit	4.43	5.09	28.24
Interest from loans	-	-	-
Interest from securities delivered under repurchase agreements	0.28	0.13	0.29
Interest receivable - Term loans, advances and repurchase agreements	14.48	33.55	225.47
Interest from loans denominated in euro	-	-	-
Interest from loans denominated in other currencies	-	-	-
Interest from securities delivered under repurchase agreements	14.48	33.55	225.47
Other interest receivable	10.32	5.93	30.51
INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES	12.28	1.97	3.05
Interest from fixed income securities	-	-	2.20
Interest from government securities	12.28	1.97	0.85
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	309.00	232.96	33.10
Amortization of premiums on issue	51.56	39.89	33.10
Net profit on hedging transactions	257.44	193.07	-
Profit on repurchase of own securities	-	-	-
Total	350.79	279.63	320.66

Banking income, which amounted to €350.79 million, includes:

- Net profit on hedging transactions amounting to €257.44 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €29.51 million, of which €14.48 million from investing surplus cash balances via repurchase agreements with delivery of the securities;
- Interest from fixed income securities amounting to €12.28 million; and
- The amortization of bond premiums on issue amounting to €51.56 million.

Note 10: Cost of debt

Period ended	31 December 2010	31 December 2009	31 December 2008
(in millions of euro)			
INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS	11.04	46.15	189.80
Interest payable - Demand loans and open repurchase agreements	0.04	0.05	0.10
Interest on ordinary accounts in credit	0.03	0.03	0.01
Interest on overnight loans	-	-	0.03
Interest on securities delivered under repurchase agreements	0.01	0.02	0.06
Interest payable - Term loans and repurchase agreements	0.22	1.95	116.90
Interest on CDC loan (transfer of debt)	-	-	-
Interest on multi-currency credit	-	-	-
Interest on securities delivered under repurchase agreements	0.17	0.35	2.80
Interest on private placements	0.05	1.60	114.10
Other interest payable	10.78	44.15	72.80
INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES	3,336.15	3,004.35	3,214.15
Interest on debts evidenced by certificates	3,336.15	3,004.35	3,173.58
Interest on negotiable debt instruments denominated in euro	2.94	86.65	64.88
Interest on negotiable debt instruments denominated in other currencies	24.85	115.45	127.64
Interest on bonds and equivalents denominated in euro	2,334.51	2,126.42	2,045.54
Interest on bonds and equivalents denominated in other currencies	753.05	648.98	626.73
Other charges on debt instruments evidenced by certificates	220.80	26.85	308.79
Other interest payable and similar charges	-	-	40.57
FEES PAYABLE	17.37	48.41	9.33
Fees on term loans with credit institutions	-	4.67	0.10
Fees on negotiable debt instruments issued	2.75	6.35	3.32
Fees on bonds	14.49	37.21	5.75
Other fees on securities transactions	0.13	0.18	0.16
Other fees	-	-	-
Total	3,364.56	3,098.91	3,413.28

Interest payable and similar charges on CADES's debt, which amounted to €3,364.56 million, increased by 8.57% from 31 December 2009⁵ and consists of:

- Charges amounting to €3,336.15 million in respect of debts;
- Interest amounting to €11.04 million on transactions with credit institutions, consisting of interest on private placements, securities delivered under repurchase agreements and margin calls; and
- Fees amounting to €17.37 million.

The increase in interest and similar charges payable compared with 2009 was due partly to inflation and partly to new bond issues.

⁵ ndt : date wrong in source text

Note 11: Gains and losses on trading securities

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
NET PROFIT ON FOREIGN EXCHANGE TRANSACTIONS	(0.28)	(0.30)	(0.37)
Other foreign exchange transactions	(0.28)	(0.30)	(0.37)
Total	(0.28)	(0.30)	(0.37)

In accordance with the requirements of Regulation 2000-03 on the presentation of financial statements issued by the French Accounting Standards Committee, gains and losses on instruments used to hedge interest rate and currency risks are reported under interest receivable and similar income or interest payable and similar charges (see Note 9). The net profit on foreign exchange transactions comprises solely gains and losses determined on the periodic measurement of foreign currency accounts that have not been hedged.

Note 11.1: Gains and losses on investment securities

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
Gains (losses) on investment securities	-	-	-
Net profit on investment securities	-	-	-

Other operating income and charges

Other operating income and charges consist mainly of specific income and charges dealt with by Ordinance No. 96-50 of 24 January 1996 (CRDS contributions, property asset sales, and payments to the State and social security funding organizations), of general operating charges, and of fixed asset amortization and depreciation charges.

Note 12: CRDS revenues

The table below details revenue allocated to CADES under Article 6 of Ordinance No. 96-50 of 24 January 1996 after deducting assessment and collection costs and losses on outstanding CRDS contributions (write-offs, waivers, cancellation and forgiveness of debt).

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
NET CRDS REVENUES (Article 6)	5,962.56	5,950.94	5,982.85
CRDS contributions levied on wages and salaries (ACOSS)	5,278.07	5,276.78	5,135.55
CRDS contributions levied on property assets	230.95	251.82	363.22
CRDS contributions levied on investment income	321.86	298.12	360.39
CRDS contributions levied on sales of precious metals and gems	4.04	2.68	2.74
CRDS contributions on gaming proceeds	127.11	121.47	120.95
CRDS exemption offsets (travel vouchers and voluntary community services)	0.53	0.07	-

CRDS revenues, net of collection costs, amounted to €5,962.56 million.

CRDS levied on wages and salaries (which is collected by ACOSS) represents 88.52% of the total. The remaining CRDS proceeds (which are collected by the Treasury offices) are levied mainly on capital (property and investment income) and on gambling.

Repayments relating to amounts written off prior to 31 December 1999 (pursuant to EC regulations and bilateral social security agreements) received from foreign countries have been paid over by CNAMTS to CADES since 31 December 1997 to the extent this does not create a new deficit or increase an existing deficit in the books of CNAMTS. Given that CNAMTS has been in deficit from 1998 to 2010, the €216.77 million recovered during this period was not paid over to CADES.

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

The table below provides a breakdown of income and charges relating to the CRDS.

CRDS REVENUES (in millions of euro)	(a)	CRDS COSTS	(b)	Net revenues (a-b)
CRDS levied on wages and salaries (ACOSS)	5,335.79	Write-offs, waivers, cancellation and forgiveness of debt	31.40	5,278.07
		Assessment and collection costs	26.32	
CRDS levied on property assets	240.83	Assessment and collection costs	9.87	230.96
CRDS levied on investment income	323.47	Assessment and collection costs	1.62	321.85
CRDS levied on sale of precious metals and gems	4.06	Assessment and collection costs	0.02	4.04
CRDS levied on gaming proceeds	127.75	Assessment and collection costs	0.64	127.11
CRDS exemption offsets (travel vouchers and voluntary community services)	0.53		-	0.53
Reversal of provisions on outstanding CRDS	-	Provisions on outstanding CRDS	45.23	(45.23)
Total	6,032.43	Total	115.10	5,917.33

Note 12.1: CSG revenues

Supplementary social security contributions (*Contribution Sociale Généralisée - CSG*) are a new resource allocated to CADES starting in 2009. They correspond to 0.2 point of the tax base.

The tax base is the same as for the CRDS, with the exception that no contributions are levied on the sale of precious metals and gems.

Period ended (in millions of euro)	31 December 2010	30 December 2009	31 December 2008
NET CSG REVENUES (Article 6)	2,262.64	2,221.52	-
CSG contributions levied on wages and salaries (ACOSS)	2,035.38	1,987.67	-
CSG contributions levied on property assets	91.70	99.24	-
CSG contributions levied on investment income	131.15	123.74	-
CSG contributions on gaming proceeds	4.20	10.84	-
CSG exemption offsets	0.21	0.03	-

CSG revenues, net of collection costs, amounted to €2,262.64 million.

CSG levied on wages and salaries (which is collected by ACOSS) represents 89.96% of the total. The remaining CSG (which is collected by the Treasury offices) is levied mainly on investment income and gaming income, this income representing respectively 5.79% and 0.18% of the total.

The table below provides a breakdown of income and charges relating to the CSG.

CSG REVENUES (in millions of euro)	(a)	CSG COSTS	(b)	Net revenues (a-b)
CSG levied on wages and salaries (ACOSS)	2,047.74	Write-offs, waivers, cancellation and forgiveness of debt	2.32	2,035.38
		Assessment and collection costs	10.04	
CSG levied on property assets	95.62	Assessment and collection costs	3.92	91.70
CSG levied on investment income	131.81	Assessment and collection costs	0.66	131.15
CSG levied on gaming proceeds	4.22	Assessment and collection costs	0.02	4.20
CSG exemption offsets	0.21		-	0.21
Reversal of provisions on outstanding CSG	-	Provisions on outstanding CSG	28.69	(28.69)
Total	2,279.60	Total	45.65	2,233.95

Note 13: General operating charges

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
STAFF COSTS	0.89	0.85	0.78
Wages and salaries	0.64	0.61	0.56
Social security charges	0.25	0.24	0.22
OTHER ADMINISTRATIVE EXPENSES	1.61	1.78	1.63
Taxes and duties	0.08	0.07	0.07
External services	1.53	1.71	1.56
Total	2.50	2.63	2.41

General operating charges correspond to expenditure falling within the scope of the administrative budget. They do not include the acquisition and the amortization and depreciation of fixed assets (see Note 2). They decreased by 4.94% compared with 2009.

List of staff positions at 31 December 2010

Non-civil servant employees:

- 1 senior front office manager (grade A)
- 3 assistant front office managers (grade A)
- 1 senior back office manager (grade A)
- 1 assistant back office manager (grade A)
- 1 bilingual executive secretary (grade C)

Civil servants:

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

Note 13.1: Property assets and property management

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
REVENUES FROM PROPERTY ASSETS	-	-	0.19
Property sales	-	-	-
Rental income	-	-	0.19
Exceptional income	-	-	-
CHARGES ON PROPERTY ASSETS	-	0.01	(0.10)
Expenses on property sales	-	-	-
Change in unsold inventory	-	-	-
Staff costs	-	-	-
External services	-	0.01	0.01
Taxes	-	-	-
Exceptional charges	-	-	0.37
Provisions set aside	-	-	-
Provisions reversed	-	-	(0.48)

All the properties transferred to CADES on 1 January 2000 were sold over the next three years. Since 2007, CADES has managed the run-off of the last properties and of disputes.

Note 14: Other non-banking operating charges

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
Payments to the State	-	-	-
Payments to social security agencies	-	-	-
Total	-	-	-

Note 15: Exceptional income

Period ended (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
Statutory limitation of debt - administrative budget	-	-	-
Statutory limitation of debt - financing budget	-	-	-
Other exceptional income	-	-	-
Total	-	-	-

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments, as reported, distinguish between commitments given and commitments received and are analyzed between loan commitments, guarantee obligations and guarantees on securities. Certain commitments are not recorded on the face of the accounts, being commitments in respect of currency transactions and forward financial instruments. Information regarding these commitments is provided in Notes 16 and 17 below.

Note 16: Currency transactions

At (in millions of euro)	31 December 2010		31 December 2009		31 December 2008	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
FORWARD						
TRANSACTIONS	34,197.24	-	29,644.04	-	21,279.89	-
Hedging transactions						
over the counter	-	-	-	-	-	-
Forward exchange						
against euro	8,425.44		9,196.08		7,125.99	-
Up to 1 year	8,425.44		9,196.08		7,125.99	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Currency swaps against						
euro	25,771.80	-	20,447.96	-	14,153.90	-
Up to 1 year	7,953.50	-	2,424.34	-	2,337.77	-
From 1 to 5 years	15,264.00	-	16,277.42	-	10,414.17	-
Over 5 years	2,554.30	-	1,746.20	-	1,401.96	-

Forward exchange contracts against euro correspond to forward purchases entered into for the purpose of hedging commercial paper denominated in foreign currencies, which decreased in 2010.

The increase in currency swaps against euro is attributable to the increase in foreign currency EMTN issues.

Note 17: Forward financial instruments

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
INTEREST RATE INSTRUMENTS			
Organized markets and equivalents	-	-	-
Firm transactions entered into for hedging purposes	-	-	-
Euro Bobl futures contracts (5 years)	-	-	-
Euro Bund futures contracts (10 years)	-	-	-
Other firm transactions	-	-	-
Options entered into for hedging purposes	-	-	-
Other options	-	-	-
Over the counter	17,496.71	17,910.30	14,014.44
Firm transactions entered into for hedging purposes			
Interest rate swaps in euro	17,496.71	17,910.30	14,014.44
Micro hedging	16,306.57	16,546.77	12,107.53
- Up to 1 year	6,708.91	2,500.87	175.00
- From 1 to 5 years	8,042.12	12,690.36	10,316.99
- Over 5 years	1,555.54	1,355.54	1,615.54
Macro hedging	1,190.14	1,363.53	1,906.91
- Up to 1 year	435.00	130.00	500.00
- From 1 to 5 years	755.14	1,233.53	1,406.91
- Over 5 years	-	-	-
Isolated positions	-	-	1,000.00
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	1,000.00
Currency swaps	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-

Interest rate swaps entered into by CADES as at 31 December 2010 comprise:

- Swaps entered into for macro hedging purposes, consisting of inflation swaps amounting to €1,190.14 million, two having matured; and
- Swaps amounting to €16,306.57 million entered into for micro hedging purposes, including swaps cancellable by counterparties of €7,940 million.

In 2007 and 2008, CADES entered into swaps under which it receives 3-month Euribor less a haircut and pays a fixed rate. These swaps may be rescinded by the counterparties six months after inception and then every three months.

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

These swaps were authorized by the Board of Directors on 28 November 2007. They are designated as micro hedges (Category b of Regulations No. 90-15 and 88-02) pursuant to French banking regulations (*Réglementation Bancaire*).

Note 18: Other off-balance sheet commitments

At (in millions of euro)	31 December 2010	31 December 2009	31 December 2008
FINANCING COMMITMENTS			
Commitments received			
<i>From credit institutions</i>			
- Back-up credit lines	700.00	700.00	700.00
- Multi-currency credit lines	-	-	-
- Other credit lines	-	-	2,500.00
<i>Sundry</i>			
- Retirement reserve fund (<i>Fonds de Réserve des Retraites</i>)	29,400.00	-	-
Commitments given			
Payments to the State	-	-	-
Payments to social security agencies	130,000.00	-	17,000.00

Commitments received consist of:

- four back-up credit lines totaling €700 million that are cancellable by the counterparty at 30 days' notice;
- a total of €29.4 billion in payments from the Retirement reserve fund, corresponding to annual payments of €2.1 billion for the period from 2011 to 2024, pursuant to the 2011 Social Security Funding Act 2010-1594 of 20 December 2010.

Commitments given correspond to debts assumed pursuant to the 2011 Social Security Funding Act 2010-1594 of 20 December 2010, namely:

- The deficits of 2009 and 2010 and the forecast deficit for 2011 for the health, maternity, incapacity and death insurance branch, the senior citizens, widows and widowers insurance branch and the family insurance branch of the French social security system, up to a maximum of €68 billion. Decree 2011-20 of 5 January 2011 set the following dates and amounts to be paid in respect of social security debts assumed:

Payments by CADES to ACOSS		Allocation by ACOSS of the amounts paid by CADES to the branches and funds concerned			
Date	Amount (in millions of euro)	General system			Funds mentioned in Article L.135-1 of the social security code
		Branch mentioned in paragraph 1 of Article L.200-2 of the social security code	Branch mentioned in paragraph 3 of Article L.200-2 of the social security code	Branch mentioned in paragraph 4 of Article L.200-2 of the social security code	
10/01/2011	5,000	2,217	1,594	465	724
25/01/2011	5,000	2,217	1,594	465	724
09/02/2011	5,000	2,217	1 594	465	724
25/02/2011	3,000	1,330	956	279	435
09/03/2011	5,000	2,217	1,594	465	724
25/03/2011	3,000	1,330	956	279	435
11/04/2011	5,000	2,217	1,594	465	724
21/04/2011	4,000	1,773	1,275	372	580
09/05/2011	10,000	4,433	3,188	930	1,449
27/05/2011	5,000	2,217	1,594	465	724
09/06/2011	5,000	3,621	375	832	172
09/09/2011	4,000	3,244	0	756	0
10/10/2011	4,000	3,244	0	756	0
09/12/2011	2,300	1,865	0	435	0
Total	65,300	34,142	16,314	7,429	7,415

- the deficits of 2011 to 2018 for the senior citizens, widows and widowers insurance branch (branch 3) of the French social security system, subject to an overall maximum of €62 billion and a yearly maximum of €10 billion. These payments are to be made by 30 June each year as from 2012. The dates and amounts to be paid will be set by decree.

Note 19: Abridged statements**BALANCE SHEET**

At	31 December
(in millions of euro)	2010

PROFIT AND LOSS ACCOUNT BROUGHT FORWARD AT 1 JANUARY 2010	(91,991.84)
PROFIT FOR THE YEAR ENDED 31 DECEMBER 2010	5,134.67
PROPERTY ENDOWMENT	181.22
DEBT TO BE REPAID AT 31 DECEMBER 2010	(86,675.95)

Represented by:

Liabilities towards third parties	
- Borrowings falling due within 1 year	20,819.31
- Borrowings falling due after 1 year	80,425.62
- Other creditors, accruals and deferred income	2,643.21
Less assets held by CADES	
- Financial investments	14,497.06
- Other debtors, prepayments and accrued income	2,715.13

PROFIT AND LOSS ACCOUNT

Period ended	31 December
(in millions of euro)	2010

NET CRDS AND CSG REVENUES	8,151.28
NET REVENUES FROM PROPERTY	-
Interest payable and similar charges	(3,347.19)
Fees	(17.37)
Interest receivable and similar income	350.51
NET FINANCIAL CHARGES	(3,014.05)
Operating charges	(2.57)
OPERATING PROFIT	5,134.67
Payments to the State	-
Exceptional income	-
NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2010	5,134.67

OTHER INFORMATION

The table below provides information on market value, comparing the debt at repayment value as at 31 December 2010 with the debt at market value.

Debt at repayment value as at 31 December 2010 comprises the following elements:

- (a) The nominal value of fixed rate, variable rate and adjustable rate borrowings in euro.
- (b) The nominal value of the fixed rate, variable rate and adjustable rate euro legs of basis swaps representing perfect transformation of foreign currency-denominated borrowings into euro-denominated borrowings.
- (c) The accrued nominal value of inflation indexed bonds as at 31 December 2010.

Debt at repayment value at maturity comprises the following elements:

- (a) The nominal value of fixed rate, variable rate and adjustable rate borrowings in euro.
- (b) The nominal value of the fixed rate, variable rate and adjustable rate euro legs of swaps representing perfect transformation of foreign currency-denominated borrowings into euro-denominated borrowings.
- (c) The projected nominal value at maturity of inflation indexed bonds.
- (d) The market value of swaps used for macro hedging.

Debt at market value comprises the following elements:

- (a) The value of the fixed rate bonds and inflation indexed bonds based on the average market price on 31 December 2010.
- (b) The value of unlisted securities issued by CADES obtained using the CADES zero coupon curve as at 31 December 2010. Options embedded in certain of these securities are valued using an internal model based on standard valuation software developed and marketed by an independent service provider.
- (c) The value of derivatives used to transform part of the debt through micro hedging. Options embedded in certain of these instruments are valued using the same internal model.
- (d) The value of derivatives used for macro hedging.
- (e) The present value at 31 December 2010 of collateral, repurchase agreements and bank balances.

(in millions of euro)	Debt at repayment value		Debt at market value	Market value of hedging transactions
	At maturity	At 31 December 2010	At 31 December 2010	At 31 December 2010
Up to 1 year	6,648.84	6,617.70	6,810.23	429.01
From 1 to 5 years	41,555.57	41,363.83	43,591.25	915.26
Over 5 years	39,232.81	38,317.61	40,501.10	206.94
Swaps	(28.58)	-	(28.58)	28.58
Total	87,408.64	86,299.15	90,874.00	1,579.79
Adjustable rates	7,095.17	7,004.05	7,084.28	521.39
Indexed rates	12,512.20	11,203.73	12,090.32	-
Fixed rates	67,829.85	68,091.37	71,727.99	1,029.82
Swaps	(28.58)	-	(28.58)	28.58
Total	87,408.64	86,299.15	90,874.01	1,579.79

Compared with prior years, there was a relative increase in medium-term debt at 31 December 2010, as indicated by the table below:

Debt	31 December 2010	31 December 2009	31 December 2008
Short-term (under 1 year)	7.67%	13.62%	23.89%
Medium-term	47.93%	43.61%	38.46%
Long-term (over 5 years)	44.40%	42.77%	37.65%

As regards the breakdown between issues denominated in euro and other currencies, there was a relative decrease in euro debt at 31 December 2010 compared with 31 December 2009, as indicated by the table below:

Debt	31 December 2010	31 December 2009	31 December 2008
In foreign currencies	34.24%	30.47%	25.60%
In euro	65.76%	69.53%	74.40%

Lastly, the table below shows the relative decrease in adjustable rate issues compared with fixed rate issues compared with the previous two years:

Debt	31 December 2010	31 December 2009	31 December 2008
Adjustable rate	8.12%	13.49%	21.93%
Indexed rate	12.98%	12.22%	12.84%
Fixed rate	78.90%	74.29%	65.23%

Explanation of variances between market value and repayment value of debt:

The difference between the market value of the debt and its repayment value is explained by the following factors:

- The market value of fixed rate loans increased because of the decline in interest rates;
- Market value factors in the present value of future coupons whereas the repayment value excludes coupons; and
- Gains and losses on macro hedging and inflation swaps impact market value one way or the other.

The above information covers a significant part of CADES's main activity, which is to repay in the best possible conditions the debt it raises on the financial markets.