

## CONTENTS

General Information	page 2
Financial Highlights	page 6
Balance Sheet	page 7
Profit and Loss Account	page 8
Cash Flow Statement	page 9
Off-Balance Sheet Commitments	page 10
Notes to the Financial Statements	page 11
Other Information: market and repayment value of net debt	page 42

## GENERAL INFORMATION

### 1. MISSION STATEMENT

Order No. 96-50 dated 24 January 1996<sup>1</sup> 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 organisations.

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 Order. 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.

Since 2009, a 0.2% portion of the supplementary social security contribution (*Contribution Sociale Généralisée – CSG*) had been paid to CADES. From 2011 this portion was increased to 0.48% for CSG on all taxable employment income, unemployment and similar benefits, income from property and investment proceeds; and to 0.28% for profits from gaming.

Starting in 2011, two new resources have been allocated to CADES:

- a 1.3% share of the social levies on income from property and investments;
- an annual payment of €2.1 billion from the Retirement Reserve Fund (*Fonds de Réserve pour les Retraites – FRR*) until 2024 inclusive.

CADES is authorised 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 Act 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.

The composition of the Board of Directors was altered by Decree No. 2011-458 of 26 April 2011. It now comprises a majority of representatives of social security bodies, whereas it was previously composed solely of government representatives.

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

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<sup>1</sup> As modified by Social Security Finance Act No. 97-1164 of 19 December 1997, Act No. 98-1194 of 23 December 1998, the 2001, 2002, and 2006 Finance Acts, the 2003, 2004, 2006 and 2008 Social Security Finance Acts, Act No. 2004-810 of 13 August 2004 relating to health insurance, Organic Law No. 2005-881 of 2 August 2005, Act No. 2008-1249 of 1 December 2008, Order No. 2009-80 of 22 January 2009, Act No. 2009-1646 of 24 December 2009, Act No. 2010-476 of 12 May 2010, Organic Law No. 2010-1380 of 13 November 2010, Act No. 2010-1594 of 20 December 2010, Act No. 2010-1657 of 29 December 2010, Act No. 2010-1658 of 29 December 2010 and Act No. 2011-1906 of 21 December 2011.

dated 29 December 1962 (and amendments thereto), defining general public-sector accounting rules, subject to the legal provisions and regulations specific to CADES (aforementioned Order 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 Authorising Officer of CADES and Chairman of the Board of Directors, and Mr. Frank Mordacq, its Chief Accounting Officer and Head of CBCM Finances until 31 October 2011 and Mr. Didier Maupas from 1 November 2011.

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 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 its revenue forecasts on the basis of changes in the amortisation 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 Authorising Officer and the Accounting Officer. The system is networked and features a single database. Authorisations for displaying and processing data have been clearly defined so as to enable the Accounting Officer and the Authorising 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 Public Finances Directorate).

This chart of accounts being modelled 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 organisations.

This specific accounting framework was recommended by an independent consulting firm and approved by the Authorising 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 recognised 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 SCBCM 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 revenue from CRDS, CSG and social levies on property and investment income 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 remunerated 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 (€ millions)

At 31 December 2011	<b>142,475</b>
At 31 December 2010	<b>86,299</b>
At 31 December 2009	<b>91,660</b>

	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Net profit</b>	<b>11,678</b>	<b>5,135</b>	<b>5,260</b>
Primarily reflecting the following items:			
CRDS and CSG net revenue	<b>11,796</b>	<b>8,151</b>	<b>8,082</b>
Social levies on income from property and investments net of expenses	<b>1,576</b>	-	-
Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites – FRR</i> )	<b>2,100</b>	-	-
Payments to the French State	-	-	-
Payments to social security agencies	-	-	-
Interest expenses	<b>(3,794)</b>	<b>(3,016)</b>	<b>(2,822)</b>

## BALANCE SHEET

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>ASSETS</b>			
Cash in hand, balances with central banks and post office banks (Note 1)	8,438.91	1,200.34	983.44
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	150.01	12,166.95	2,284.57
Loans and advances to credit institutions (Note 1)			
- Repayable at sight	0.75	0.29	0.37
- Repayable at term	5,165.53	1,129.48	1,686.34
Intangible assets (Note 2)	0.01	0.00	0.00
Tangible assets (Note 2)	0.16	0.17	0.21
Property assets (Note 13a)	0.00	0.00	0.00
Other assets (Note 3)	179.12	49.41	260.42
Prepayments and accrued income (Note 4)	5,463.10	2,665.73	1,751.19
<b>Total assets</b>	<b>19,397.59</b>	<b>17,212.37</b>	<b>6,966.54</b>
<b>LIABILITIES &amp; RESERVES</b>			
Amounts owed to credit institutions (Note 5)			
- Payable at sight	0.00	0.00	0.00
- Payable at term	1,026.47	0.00	151.11
Debts evidenced by securities (Note 6)			
- Negotiable debt instruments	42,880.68	8,446.45	10,587.56
- Bonds and similar instruments	114,046.95	92,798.48	86,366.93
- Other debts evidenced by securities	0.00	0.00	0.00
Other liabilities (Note 7)	3,418.79	2,018.54	222.10
Accruals and deferred income (Note 8)	789.23	624.67	1,449.30
<b>Sub-total – Debts</b>	<b>162,162.12</b>	<b>103,888.14</b>	<b>98,777.00</b>
Provisions (Note 8)	0.21	0.18	0.16
Property endowment	181.22	181.22	181.22
Retained earnings	(154,623.81)	(91,991.84)	(97,251.86)
Profit for the period	11,677.85	5,134.67	5,260.02
<b>Sub-total – Reserves</b>	<b>(142,764.74)</b>	<b>(86,675.95)</b>	<b>(91,810.62)</b>
<b>Total liabilities and reserves</b>	<b>19,397.59</b>	<b>17,212.37</b>	<b>6,966.54</b>

## PROFIT AND LOSS ACCOUNT

Period ended (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>Interest receivable and similar income (Note 9)</b>	<b>318.08</b>	<b>350.79</b>	<b>279.63</b>
- From transactions with credit institutions	77.84	29.51	44.70
- From bonds and other fixed income securities	10.83	12.28	1.97
- Other interest receivable and similar income	229.41	309.00	232.96
<b>Interest payable and similar charges (Note 10)</b>	<b>(4,049.59)</b>	<b>(3,347.19)</b>	<b>(3,050.50)</b>
- On transactions with credit institutions	(152.85)	(11.04)	(46.15)
- On bonds and other fixed income securities	(3,896.74)	(3,336.15)	(3,004.35)
<b>Fees payable (Note 10)</b>	<b>(60.09)</b>	<b>(17.37)</b>	<b>(48.41)</b>
<b>Gains and losses on trading securities (Note 11)</b>	<b>(0.29)</b>	<b>(0.28)</b>	<b>(0.30)</b>
- Net profit (loss) on foreign exchange transactions	(0.29)	(0.28)	(0.30)
<b>Gains and losses on investment securities (Note 11a)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
- Net profit (loss) on investment securities	0.00	0.00	0.00
<b>Other operating income – banking</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other operating charges – banking</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>NET BANKING INCOME</b>	<b>(3,791.91)</b>	<b>(3,014.07)</b>	<b>(2,819.60)</b>
<b>General operating charges (Note 13)</b>	<b>(2.89)</b>	<b>(2.50)</b>	<b>(2.63)</b>
- Staff costs	(1.00)	(0.89)	(0.85)
- Other administrative expenses	(1.89)	(1.61)	(1.78)
<b>Depreciation and impairment provisions - intangible and tangible assets</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>
<b>Other operating income</b>	<b>15,656.58</b>	<b>8,312.03</b>	<b>8,253.66</b>
- Income relating to CRDS and CSG (Notes 12a and 12.1a)	11,942.02	8,312.03	8,253.66
- Income relating to social levies on income from property and investments (Note 12.2a)	1,607.38	0.00	0.00
- Income from Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites – FRR</i> ) (Note 12.3)	2,100.00	0.00	0.00
- Income from property (Note 13a)	0.43	0.00	0.00
- Provisions reversed for CRDS and CSG loans (Notes 12a and 12.1a)	6.75	0.00	0.00
<b>Other operating charges</b>	<b>(184.48)</b>	<b>(160.75)</b>	<b>(171.37)</b>
- Charges relating to CRDS and CSG (Notes 12a and 12.1a)	(105.11)	(86.83)	(80.78)
- Charges relating to social levies on income from property and investments (Note 12.2a)	(31.47)	0.00	0.00
- Payments to the State (Note 14)	0.00	0.00	0.00
- Payments to social security agencies (Note 14)	0.00	0.00	0.00
- Provision for doubtful debts relating to CRDS and CSG (Notes 12a and 12.1a)	(47.89)	(73.92)	(90.58)
- Charges related to property (Note 13a)	(0.01)	0.00	(0.01)
<b>GROSS OPERATING PROFIT</b>	<b>11,677.26</b>	<b>5,134.67</b>	<b>5,260.02</b>
<b>OPERATING PROFIT</b>	<b>11,677.26</b>	<b>5,134.67</b>	<b>5,260.02</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>11,677.26</b>	<b>5,134.67</b>	<b>5,260.02</b>
- Exceptional income (Note 15)	0.59	0.00	0.00
<b>NET PROFIT FOR THE PERIOD</b>	<b>11,677.85</b>	<b>5,134.67</b>	<b>5,260.02</b>



## CASH FLOW STATEMENT

<b>Cash flow (€ millions)</b>	<b>Period ended</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Net banking income</b>		<b>(3,792)</b>	<b>(3,014)</b>	<b>(2,820)</b>
Inflation premiums		287	170	(18)
Provisions for financial instruments		0	0	(6)
Amortisation of premiums and balancing payments		(31)	(15)	(32)
Change in accrued interest		266	98	152
<b>Net cash from (used in) banking activities</b>	<b>(A)</b>	<b>(3,270)</b>	<b>(2,760)</b>	<b>(2,724)</b>
<b>Net operating income</b>		<b>15,469</b>	<b>8,151</b>	<b>8,082</b>
(Increase) decrease in accrued income from CRDS and CSG		(447)	88	(284)
(Increase)/decrease in accruals on social levies set at 2.2%		(76)	0	0
(Increase)/decrease in other accrued income		7	(2)	36
Unearned income (FRR)		0	0	0
<b>Net cash from (used in) operating activities</b>	<b>(B)</b>	<b>14,953</b>	<b>8,237</b>	<b>7,835</b>
<b>Net cash from (used in) banking and operating activities</b>	<b>(C=A+B)</b>	<b>11,683</b>	<b>5,477</b>	<b>5,111</b>
<b>Net cash from (used in) financing activities</b>	<b>(D)</b>	<b>55,341</b>	<b>4,066</b>	<b>12,445</b>
<b>Debt assumed</b>	<b>(E)</b>	<b>(67,767)</b>	<b>0.00</b>	<b>(17,000)</b>
<b>Net cash flow for the year</b>	<b>(C+D+E)</b>	<b>(742)</b>	<b>9,543</b>	<b>557</b>
Cash and cash equivalents at 31 December Y-1		14,497	4,955	4,398
Cash and cash equivalents at 31 December Y		13,755	14,497	4,955
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(742)</b>	<b>9,543</b>	<b>557</b>

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, amortisation 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 income from CRDS and CSG, social levies on income from property and investments and from the FRR) 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 organisations.

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 (€ millions) (notes 16-18)	31 December 2011	31 December 2010	31 December 2009
<b>COMMITMENTS GIVEN (note 18)</b>			
<b>Financing commitments</b>			
Annual payment to the State (Article 4.IV of Order 96-50 of 24 January 1996)	-	-	-
Payments to various social security bodies (Article 4.IV of Order 96-50 of 24 January 1996)	-	-	-
- First assumption of debt provided for by the 2011 Social Security Finance Act	2,700.00	68,000.00	-
- Second assumption of debt provided for by the 2011 Social Security Finance Act	62,000.00	62,000.00	-
Financing commitments given: acquired under repurchase agreements	69.04	-	-
<b>COMMITMENTS RECEIVED (note 18)</b>			
- From credit institutions: credit lines	9,700.00	700.00	700.00
- From credit institutions: credit lines in treasury bills	5,000.00	-	-
- Financing commitments received: borrowings	-	-	-
- Financing commitments received: commercial paper and lent under repurchase agreements	81.98	-	-
- Financing commitments received: payment from the Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )	27,300.00	29,400.00	-

## 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 was required to take on the following new debts:

Firstly, up to a maximum of €68 billion and by 31 December 2011 at the latest:

- the 2009 and 2010 deficits for the three branches Sickness, Maternity, Incapacity and Death; Senior Citizens, Widows and Widowers; and Family.
- the provisional 2011 deficit for the two branches Sickness, Maternity, Incapacity and Death; and Family.

Decree 2011-20 of 5 January 2011 stipulated the dates and amounts to be paid in a total amount of €653 billion.

Secondly, the 2011 to 2018 deficits for the Senior Citizens, Widows and Widowers branch, 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, and the details of these payments for 2012 were established by Decree 2012-329 of 7 March 2012.

This decree takes into account an adjustment of €3080,545,413.15 in favour of CADES, arising from the difference between on the one hand the cumulative amount of the deficits recorded for 2009 and 2010 plus the provisional deficit for 2011 and, on the other hand, the amount of the payments made by CADES in 2011 under this heading.

The provisional amount of the transfers that CADES must make to ACOSS in 2012, initially set at €9,728,600,000, has been reduced by the amount of this adjustment and stands at €6,648,054,586.85.

Since the amount of the deficits for 2011 is still provisional and not approved, this adjustment has not been taken into account in the year ended 31 December 2011.

In accordance with the accounting policies which CADES applies, future deficits remaining to be assumed at 31 December 2011 have been recognised off-balance sheet as commitments given, in the amount of €64.7 billion.

- **Other assumption of debts**

The 2012 Social Security Financing Act No. 2011-1906 of 21 December 2011 established a new assumption of debt by CADES from the Caisse Centrale de la Mutualité Sociale Agricole (CMSA) for an amount of €2,466,641,896.19, which was disbursed on 31 December 2011.

- **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% on all taxable employment income, unemployment and similar benefits, and income from property and investment proceeds; and to 0.28% on profits from gaming;
- a 1.3% share of the social levies on income from property and investments, for which the rate was set at 2.2% until 30 September 2011, then 3.4% from 1 October 2011 until 31 December 2011;
- an annual payment of €2.1 billion from the Retirement Reserve Fund (FRR) until 2024 inclusive, in accordance with the calendar established by the agreement entered into between the two institutions. The first payment was made on 26 April 2011.

- **Financing transactions**

## Issues

CADES borrowed €35.22 billion:

- four new issues under the UK programme (two in USD and two in EUR) for an amount of €4.99 billion;
- eighteen new issues under the French programme (one in AUD, six in EUR, three in USD, three in GBP, two in CHF and three in NOK) for a total amount of €14.61 billion;
- twenty-seven tap issues under the French programme (twenty-three in EUR and four in GBP) for a total of €10.82 billion;
- three private placements under the German programme for a total of €1 billion;
- three issues of negotiable medium-term notes for a total of €3.8 billion.

## Redemptions

CADES reimbursed €10.32 billion:

- six issues made under the French programme (one in EUR and five in USD) for a total of €6.23 billion;
- six issues made under the UK programme (one in EUR and five in USD) for a total of €1.24 billion;
- one issue made under the Australian programme in AUD for an amount of €0.3 billion;
- one issue made under the stand-alone programme for an amount of €2.55 billion.

## Inflation swaps

Twelve inflation swaps matured in 2011 for a total of €485 million.

### • Credit lines

Commitments received in 2011 comprise:

- four back-up credit lines totalling €700 million which are cancellable by the counterparty at 30 days' notice.
- four bilateral lines for the purchase of commercial paper issued by CADES for a total amount of €5 billion (€2 billion maturing on 23 August 2012, €1 billion on 17 January 2012, €1 billion on 9 March 2012 and €1 billion on 14 April 2012) ;
- a credit line of €9 billion due on 14 December 2012

## 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 as amended, 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 individual accounts of credit institutions. In its opinion CNC 99-04, the French National Accounting Board (*Conseil National de la Comptabilité – CNC*) decided that CADES could present certain transactions in a manner specific to it. 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 organisations.

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 2011.

### **4. Debts assumed from social security funding organisations**

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

When CADES' payments to the social security bodies as determined on the basis of the provisional deficits are greater than the deficits subsequently established, an adjustment may be made in CADES' favour. These adjustments are recognised against the profit and loss account brought forward at the time of the payment.

Debts assumed in accordance with legal stipulations but for which payments have not yet been made to the organisations 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 Order No. 96-50 of 24 January 1996 was explicitly created to provide resources to CADES. Article 6 of said Order states that "the proceeds of the contributions created in respect of Chapter 2 of said Order 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 unemployment and similar benefits: 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, income 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 centralised 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 Order 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 income from property entered in the tax assessment register by the offices of the DGFIP (*Direction Générale des Finances Publiques* or Public Finances Directorate) 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, note 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 offices of the DGFIP (*Direction Générale des Finances Publiques* or Public Finances Directorate).

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

## **5.2 Supplementary social security contribution**

Act 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 a portion of the supplementary social security contribution (*Contribution Sociale Généralisée – CSG*). Since 2009, this has been paid to CADES at the rate of 0.2%. From 2011 it was increased to 0.48% for CSG on all taxable employment income, unemployment and similar benefits, and income from property and investment proceeds; and to 0.28% on profits from gaming.

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

The difference in tax base between the CRDS and CSG mainly concerns revenue from the sale of precious metals and gems, from gaming and from family benefits.

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

## **5.3 Social levies on income from property and investments**

Act No. 2010-1594 of 20 December 2010 allocates to CADES, starting in 2011, a 1.3% share of the social levies on the income from property and investments referred to in Article 241-14 of the Social Security Code. The rate for these charges was set at 2.2% until 30 September 2011, then 3.4% from 1 October 2011 until 31 December 2011.

## **5.4 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 instalments 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 recognised under income for the period. It is paid in April of each year.

As at 30 June the income recognised in profit and loss corresponded to half the annual payment, or €105 billion.

FRR's commitment to pay amounts for subsequent years is recognised 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 Order 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.

CADES' Accounting Officer records expenses and revenue on the basis of the supporting documents submitted by the Authorising 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 2011, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.2939	SEK:	8.9120	GBP:	0.8353
AUD:	1.2723	NOK:	7.7540	MXN:	18.0512
CHF:	1.2156	NZD:	1.6737	HKD:	10.0510
CAD:	1.3215	TRY:	2.4432	JPY:	100.2000
ZAR:	10.483				

- Foreign currency income and charges are translated into euro at the exchange rate ruling on the date when they were recognised in the profit and loss account.
- Realised and unrealised foreign exchange gains and losses are recognised 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 amortised 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:



CPI as at 31 December 2011:	122.72226
Cadesi 2013 index:	1.22509
Cadesi 2017 index:	1.08214
Cadesi 2019 index:	1.12270
Cadesi 2021 index:	1.02261

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 recognised 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 recognised 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 paid”.

## **11. Interest rate and currency swaps**

Transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, are recognised 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 recognised 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 recognised 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 recognised. 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 recognised to profit and loss *pro rata temporis*.

## **12. Interest rate futures**

Firm macro hedging transactions on organised markets (German Bund and Bobl) are recognised 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 recognised as off-balance sheet items for their nominal value. Margin calls are recognised 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 recognised directly to profit or loss.

## **13. Provisions**

No general provisions for liabilities and charges are recognised 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 modelled 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.

Unrealised 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 2011, the balance sheet showed total assets of €19.40 billion for total debt of €162.16 billion resulting in negative reserves of €142.76 billion.

#### ASSETS

##### Note 1: Treasury and interbank transactions

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>CENTRAL BANKS</b>	<b>8,438.91</b>	<b>1,200.34</b>	<b>983.44</b>
Central banks	8,438.91	1,200.34	983.44
<b>TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS</b>	<b>150.01</b>	<b>12,166.95</b>	<b>2,284.57</b>
Government securities with a maturity of less than 3 months	150.00	12,157.00	2,284.10
Accrued interest	0.01	9.95	0.47
<b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>5,166.28</b>	<b>1,129.77</b>	<b>1,686.71</b>
<b>Repayable at sight</b>	<b>0.75</b>	<b>0.29</b>	<b>0.37</b>
Debit balances on ordinary accounts	0.75	0.29	0.37
Securities received under open repurchase agreements	0.00	0.00	0.00
Accrued interest	0.00	0.00	0.00
<b>Repayable at term</b>	<b>5,165.53</b>	<b>1,129.48</b>	<b>1,686.34</b>
Securities received under term repurchase agreements with a maturity of less than 3 months	5,164.82	1,129.34	1,686.16
Of which: Treasury bills	0.00	0.00	442.67
Bonds	1,500.00	403.41	1,163.74
Own securities	3,664.82	725.93	79.75
Accrued interest	0.71	0.14	0.18
<b>Total</b>	<b>13,755.20</b>	<b>14,497.06</b>	<b>4,954.72</b>

Balances with central banks correspond to the euro-denominated account held by CADES with Banque de France.

##### Note 2: Intangible and tangible fixed assets

At (€ millions)	Gross value at 1 January 2011	Acquisitions	Disposals	Gross value at 31 December 2011	Amortisation and depreciation	31 December 2011 Net book value	31 December 2010 Net book value	31 December 2009 Net book value
<b>Intangible assets</b>	<b>0.22</b>	<b>0.01</b>	<b>0.00</b>	<b>0.23</b>	<b>0.22</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>
Software	0.22	0.00	0.00	0.22	0.22	0.00	0.00	0.00
Other	0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.00
<b>Tangible assets</b>	<b>0.69</b>	<b>0.03</b>	<b>0.00</b>	<b>0.72</b>	<b>0.56</b>	<b>0.16</b>	<b>0.17</b>	<b>0.21</b>
Sundry equipment	0.69	0.03	0.00	0.72	0.56	0.16	0.17	0.21
<b>Total</b>	<b>0.91</b>	<b>0.04</b>	<b>0.00</b>	<b>0.95</b>	<b>0.78</b>	<b>0.17</b>	<b>0.17</b>	<b>0.21</b>

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

**Note 3: Other assets**

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>SUNDRY DEBTORS</b>	<b>179.12</b>	<b>49.41</b>	<b>260.42</b>
Deposits paid by way of initial margins	113.72	0.00	213.22
- <i>Deposits</i>	113.54	0.00	212.99
- <i>Accrued interest</i>	0.18	0.00	0.23
Outstanding CRDS and CSG contributions to be collected by ACOSS	65.40	49.41	47.20
- <i>Gross amounts receivable</i>	449.77	392.65	316.52
- <i>Provisions</i>	(384.37)	(343.24)	(269.32)
Other debtors in respect of financial transactions	0.00	0.00	0.00
Other debtors in respect of operating charges	0.00	0.00	0.00
Other sundry debtors – CNAV	0.00	0.00	0.00
- <i>Gross amounts receivable</i>	1.18	1.61	1.61
- <i>Provisions</i>	(1.18)	(1.61)	(1.61)
<b>Total</b>	<b>179.12</b>	<b>49.41</b>	<b>260.42</b>

Other assets comprise:

- Deposits paid by way of initial margins in connection with forward contracts entered into to hedge counterparty risk amounting to €113.72 million.
- Outstanding CRDS and CSG contributions to be collected by ACOSS amounting to €65.40 million. Provisions totalling €384.37 million have been deducted from the gross amounts receivable of €449.77 million.
- A receivable of €1.18 million, consisting of the balance of damages and interest amounting to €1.04 million claimed from a buyer who reneged on a commitment to purchase a group of buildings and sundry debtor balances totalling €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 2011.

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 (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>Provisions brought forward</b>	<b>344.85</b>	<b>270.93</b>	<b>180.77</b>
Provisions set aside – property	0.00	0.00	0.00
Provisions set aside – CRDS and CSG	47.89	73.92	90.58
Provisions reversed – property	(0.43)	0.00	0.00
Provisions reversed – CRDS and CSG	(6.75)	0.00	(0.42)
<b>Provisions carried forward</b>	<b>385.56</b>	<b>344.85</b>	<b>270.93</b>

**Note 4: Prepayments and accrued income**

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>ACCRUED INCOME</b>	<b>1,729.96</b>	<b>1,315.90</b>	<b>1,384.73</b>
On forward interest rate instruments	158.52	225.09	221.39
On forward currency instruments	275.06	320.30	305.04
On CRDS and CSG revenues	1,217.68	770.51	858.30
On revenue from social levies on income from property and investment	76.27	0.00	0.00
On property sales	0.00	0.00	0.00
Other accrued income	2.43	0.00	0.00
<b>CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>22.63</b>	<b>13.34</b>	<b>19.22</b>
<b>DEFERRED CHARGES</b>	<b>249.94</b>	<b>237.74</b>	<b>268.51</b>
Issuance premiums on bonds and EMTN	294.94	237.74	268.51
Other deferred charges	0.00	0.00	0.00
<b>PREPAYMENTS</b>	<b>42.52</b>	<b>12.01</b>	<b>8.16</b>
Prepaid administrative expenses	0.06	0.01	0.05
Prepaid interest on negotiable debt instruments	42.46	12.00	8.11
Other prepayments	0.00	0.00	0.00
<b>OTHER</b>	<b>3,373.05</b>	<b>1,086.74</b>	<b>70.57</b>
Currency adjustment accounts	3,373.05	1,086.54	70.40
Property rental adjustment account	0.00	0.00	0.00
Sundry	0.00	0.20	0.17
<b>Total</b>	<b>5,463.10</b>	<b>2,665.73</b>	<b>1,751.19</b>

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 €1,217.68 million, social levies for €76.27 million, financial (interest rate) instruments for €158.52 million, currency instruments for €275.06 million and interest on the account with Banque de France for €2.43 million.
- issuance premiums on bonds and EMTN amounting to €294.94 million to be recognised in profit and loss over time.
- prepayments amounting to €42.52 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments.
- currency adjustment accounts amounting to €3,373.05 million, being technical accounts used to recognize to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

## LIABILITIES AND RESERVES

Reserves consist of the profit and loss account brought forward, the profit or loss for the period and the property endowment.

At 31 December 2011, CADES had negative reserves of €142,764.74 million. These negative reserves correspond to the debt transferred to CADES amounting to €34,148.5 million, €47,310 million pursuant to the Act of 13 August 2004, €27,000 million pursuant to the Act of 17 December 2008, €65,300 million pursuant to the Act of 20 December 2010 and €2,466.65 million pursuant to the Act of 21 December 2011, less amounts that have been credited to reserves and which are composed of the accumulated profits generated by CADES since 1996 amounting to €33,214.49 million, of which €11,677.8 in 2011, 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 €162,162.12 million at 31 December 2011, consist mainly of debts to credit institutions amounting to €1,026.47 million, debts evidenced by securities totalling €156,927.63, deposits in guarantee received and others totalling €3,418.79 million and accruals and deferred income totalling €789.23 million.

### Note 5: Treasury and interbank transactions

At	31 December 2011				31 December 2011	31 December 2010	31 December 2009
(€ millions)	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
<b>AMOUNTS OWED TO CENTRAL BANKS</b>							
Amounts owed to credit institutions	26.56	999.91	0.00	0.00	1,026.47	0.00	151.11
At sight	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Credit balances on ordinary accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At term	26.56	999.91	0.00	0.00	1,026.47	0.00	151.11
Securities given under repurchase agreements	26.00	0.00	0.00	0.00	26.00	0.00	0.00
Accounts and deposits	0.00	998.00	0.00	0.00	998.00	0.00	151.11
Of which: Euro	0.00	998.00	0.00	0.00	998.00	0.00	50.00
Other currencies	0.00	0.00	0.00	0.00	0.00	0.00	101.11
Accrued interest	0.56	1.91	0.00	0.00	2.47	0.00	0.00
<b>Total</b>	<b>26.56</b>	<b>999.91</b>	<b>0.00</b>	<b>0.00</b>	<b>1,026.47</b>	<b>0.00</b>	<b>151.11</b>

### Note 6: Debts evidenced by securities

At	31 December 2011				31 December 2011	31 December 2010	31 December 2009
(€ millions)	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
<b>NEGOTIABLE DEBT INSTRUMENTS</b>							
Treasury bills denominated in euro	31,166.08	11,714.60	0.00	0.00	42,880.68	8,446.45	10,587.56
Treasury bills denominated in other currencies	7,892.50	2,273.00	0.00	0.00	10,165.50	10.00	100.00
MTN denominated in euro	186.96	164.78	0.00	0.00	351.74	0.00	348.98
Commercial paper denominated in euro	3,806.00	0.00	0.00	0.00	3,806.00	11.00	11.00
Commercial paper denominated in other currencies	2,489.55	1,970.50	0.00	0.00	4,460.05	0.00	1,279.30
Other negotiable debt instruments denominated in foreign currencies	16,790.35	7,302.04	0.00	0.00	24,092.39	8,425.45	8,848.28
Accrued interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.72	4.28	0.00	0.00	5.00	0.00	0.00
<b>BONDS</b>	<b>1,580.14</b>	<b>10,627.52</b>	<b>55,941.93</b>	<b>45,897.36</b>	<b>114,046.95</b>	<b>92,798.48</b>	<b>86,366.93</b>
Bonds and EMTN denominated in	0.00	6,500.00	32,922.78	43,633.86	83,056.64	65,656.21	64,764.41

euro							
Bonds and EMTN denominated in other currencies	154.57	3,890.23	23,019.15	2,263.50	29,327.45	25,773.15	20,346.85
Accrued interest	1,425.57	237.29	0.00	0.00	1,662.86	1,369.12	1,255.67
<b>Total</b>	<b>32,746.22</b>	<b>22,342.12</b>	<b>55,941.93</b>	<b>45,897.36</b>	<b>156,927.63</b>	<b>101,244.93</b>	<b>96,954.49</b>

One of the euro issues, for €200 million with a €10 million tap maturing in 2025, is subject to early redemption at the counterparty's option from 2021. The four medium-term negotiable notes totalling €3,806 million are subject to optional partial or total early redemption on each coupon date.

#### **Debts evidenced by certificates are analyzed below:**

They comprise negotiable debt instruments totalling €42,880.68 million, and bonds and similar instruments totalling €114,046.95 million.

Bonds and similar instruments are issued under:

- a French issuance programme for which the limit is €75 billion;
- a UK issuance programme for which the limit is €6 billion;
- an Australian issuance programme for which the limit is AUD 6 billion;
- a stand-alone programme consisting of bond issues, private placements and MTN issues.

All in all, debts evidenced by securities maturing within one year totalled €55,088.34 million and by those maturing at over five years €45,897.36 million, compared with €20,819.31 million and €38,386.29 million respectively at 31 December 2010. Debt due to mature between at between one and five years went from €42,039.33 million at 31 December 2010 to €55,941.93 million at 31 December 2011.

The tables below detail borrowings by programme.

€ millions

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Type	Nominal interest rate	ISIN code
Australia	10/12/2009	10/12/2012	500	AUD	EMTN	BBSW + 0.4%	AU3FN0009650
	28/02/2008	28/02/2013	1,000	AUD	EMTN	7.50%	AU3CB0058196
Stand-alone	27/03/1998	25/10/2012	3,000	EUR	bond	5.25%	FR0000571366
	21/11/2011	22/11/2012	1,860	EUR	BMTN	3-month Euribor-margin	FR0120251238
	28/11/2011	28/11/2012	1,340	EUR	BMTN	3-month Euribor-margin	XS0710324186
	28/11/2011	28/05/2013	595	EUR	BMTN	3-month Euribor-margin	FR0120251253
	01/04/1999	25/07/2013	3,100	EUR	bond	CADESI 3.15%	FR0000492308
	11/10/2004	25/10/2014	4,400	EUR	bond	4.00%	FR0010120410
	09/02/2005	25/04/2015	3,000	EUR	bond	3.625%	FR0010163329
	09/12/2004	25/07/2019	2,400	EUR	bond	CADESI 1.85%	FR0010137554
	21/12/2004	25/10/2019	5,000	EUR	bond	4.00%	FR0010143743
	27/05/2005	25/10/2020	4,000	EUR	bond	3.75%	FR0010198036
	19/07/2004	30/12/2013	11	EUR	BMTN	3-month Euribor-0.17%	FR0107096036
Germany	28/11/2011	25/04/2022	151	EUR	Private Plct	4%	
	29/07/2011	19/12/2025	615	EUR	Private Plct	3.91%	
	25/11/2011	19/12/2025	232	EUR	Private Plct	4.50%	
UK	27/01/2009	27/01/2012	200	USD	EMTN	1.97%	XS0410258916
	13/04/2004	13/04/2012	100	USD	EMTN	3.72%	XS01899224003
	16/04/2004	16/04/2012	100	USD	EMTN	3.80%	XS0190054618

€ millions

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Type	Nominal interest rate	ISIN code
UK	23/12/2002	20/12/2012	26	USD	EMTN	0.50%	XS0159498640
	06/08/2007	06/03/2013	50	EUR	EMTN	4.442%	XS0314647149
	25/11/2008	25/10/2013	200	USD	EMTN	3.40%	XS0400917349
	15/12/2004	16/12/2013	100	USD	EMTN	4.51%	XS0207591271
	15/12/2008	16/12/2013	250	USD	EMTN	2.66%	XS040503800
	17/03/2011	17/03/2014	500	EUR	bond	1.09%	XS0605979870
	11/07/2011	11/07/2014	2,500	USD	bond	1.25%	US12802NAB01
	30/06/2005	30/06/2015	25	AUD	EMTN	5.64%	XS0222727058
	31/03/2011	31/03/2016	2,500	USD	bond	2.375%	US12802DAA46
	07/03/2011	07/03/2018	1,000	EUR	bond	3.25%	XS0599789343
	27/06/2007	27/06/2020	10	EUR	EMTN	Formula-based variable rate	XS0306775528
	27/06/2007	27/12/2021	20	EUR	EMTN	Formula-based variable rate	XS0307053271
France	29/01/2009	25/04/2012	3,500	EUR	bond	2.625%	FR0010718338
	22/06/2009	22/06/2012	2,000	HKD	EMTN	3-month Hibor + 0.05%	FR0010772442
	23/06/2009	25/06/2012	1,000	HKD	EMTN	3-month Hibor + 0.05%	FR0010772459
	06/07/2009	06/07/2012	1,000	USD	EMTN	2.25%	FR0010776674
	17/07/2007	17/07/2012	1,000	USD	EMTN	5.375%	FR0010500843
	25/02/2009	25/07/2012	200	CHF	bond	1.50%	CH0012600398
	27/10/2009	26/10/2012	700	USD	EMTN	3-month USD LIBOR	FR0010816264
	27/11/2009	27/11/2012	1,000	USD	EMTN	1.625%	FR0010827246
	23/03/2006	15/01/2013	1,000	USD	EMTN	5%	FR0010306340
	21/01/2010	21/03/2013	500	EUR	EMTN	2.125%	FR0010844563
	04/11/2005	25/04/2013	3,000	EUR	bond	3.25%	FR0010249763
	17/06/2011	17/06/2013	600	GBP	bond	3-month GBP Libor + 0.15%	FR0011062504
	08/04/2008	15/07/2013	1,000	USD	EMTN	3.25%	FR0010606442
	28/07/2010	29/07/2013	2,000	USD	bond	1.375%	FR0010925446
	04/09/2008	04/09/2013	3,000	EUR	bond	4.500%	FR0010660100
	15/10/2010	15/10/2013	1,500	USD	bond	0.875%	FR0010950675
	18/11/2011	18/11/2013	2,000	EUR	bond	1.750%	FR0011147701
	25/01/2011	27/01/2014	2,500	USD	bond	1.375%	FR0010998104
	12/03/2009	12/03/2014	12,000	JPY	EMTN	3-month JPY LIBOR + 0.45%	FR0010734327
	25/02/2011	17/03/2014	1,500	USD	bond	1.625%	FR0011012731
	18/03/2011	18/03/2014	1,000	USD	bond	3-month USD LIBOR + 0.125%	FR0011023126
	08/04/2009	08/04/2014	34,000	JPY	EMTN	3-month JPY LIBOR + 0.55%	FR0010745299
	30/06/2011	30/06/2014	400	GBP	bond	3-month GBP LIBOR + 0.25%	FR0011071323
	01/07/2009	01/07/2014	1,000	USD	EMTN	3.50%	FR0010775239
	02/07/2009	02/07/2014	1,200	USD	EMTN	3-month USD LIBOR + 0.4%	FR0010776054
	18/06/2009	08/09/2014	525	GBP	EMTN	3.750%	FR0010770511
	22/10/2009	22/10/2014	1,250	USD	EMTN	2.875%	FR0010815332
	13/09/2011	24/11/2014	200	AUD	bond	3-month AUD Libor + 0.4%	FR0011113307
	08/12/2009	15/01/2015	3,375	EUR	bond	2.625%	FR0010831669



€ millions

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Type	Nominal interest rate	ISIN code
	26/01/2010	26/01/2015	95	GBP	EMTN	3-month GBP LIBOR + 0.02%	FR0010850156
	25/02/2009	25/02/2015	150	CHF	bond	2.125%	CH0012601446
	02/03/2010	02/03/2015	1,000	USD	bond	2.875%	FR0010862581
	22/04/2010	22/04/2015	156	AUD	EMTN	BBSW + 0.28%	FR0010889725
	15/09/2010	15/09/2015	1,500	USD	EMTN	1.875%	FR0010941732
	16/09/2010	07/12/2015	700	GBP	EMTN	2.250%	FR0010942086
	08/04/2009	08/04/2016	25,000	JPY	EMTN	3-month JPY LIBOR + 0.65%	FR0010745307
	16/02/2011	25/02/2016	4,000	EUR	bond	3%	FR0011008366
	08/03/2006	25/04/2016	5,300	EUR	bond	3.625%	FR0010301747
	02/11/2006	02/11/2016	1,250	USD	EMTN	5.25%	FR0010394452
	14/12/2009	14/12/2016	150	USD	EMTN	3-month USD LIBOR + 55bp	FR0010831891
	20/03/2007	20/03/2017	450	MXN	EMTN	7.93%	FR0010449355
	12/04/2007	25/04/2017	3,800	EUR	bond	4.125%	FR0010456434
France	28/07/2006	25/07/2017	2,000	EUR	bond	CADESI 1.85%	FR0010359679
	07/03/2008	20/12/2017	35	GBP	EMTN	3-month GBP LIBOR - 0.3705%	FR0010594366
	20/01/2011	15/10/2018	300	GBP	bond	3.75%	FR0010994376
	26/10/2006	26/10/2018	400	CAD	EMTN	4.45%	FR0010386110
	10/06/2009	25/04/2020	4,250	EUR	bond	4.250%	FR0010767566
	02/07/2010	02/07/2020	200	EUR	EMTN	3-month Euribor + 0.23%	FR0010917534
	25/10/2004	25/07/2020	1,000	EUR	EMTN	$\text{Max}[0; ((1 + \text{TEC}100 - 1\%)^0.25) - 1]$	FR0010120436
	26/10/2010	26/10/2020	1,000	USD	bond	3.00%	FR0010956565
	21/04/2009	21/04/2021	200	CHF	bond	3.00%	CH0100525382
	29/06/2010	25/04/2021	5,750	EUR	bond	3.375%	FR0010915660
	10/02/2011	25/07/2021	3,255	EUR	bond	CADESI	FR0011003672
	25/07/2006	25/10/2021	5,430	EUR	bond	4.375%	FR0010347989
	19/04/2011	19/04/2023	200	CHF	bond	2.375%	CH0127860192
	18/04/2011	25/04/2023	4,424	EUR	bond	4.125%	FR0011037001
	01/12/2011	01/12/2025	800	NOK	bond	5.120%	FR0011153097
	18/08/2011	18/08/2025	262.5	EUR	bond	3.625%	FR0011092261
	15/11/2011	15/11/2025	800	NOK	bond	4.700%	FR0011142215
	09/03/2011	09/12/2025	150	CHF	bond	2.50%	CH0124739902
	12/07/2011	19/12/2025	800	NOK	bond	4.80%	FR0011074178
	01/04/2011	20/12/2025	300	EUR	bond	3.80%	FR0011027929

#### **Note 6a: 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.

€ millions	Initial debt		Hedging transactions		Final debt	
	Foreign currencies	Euros	Foreign currencies	Euros	Foreign currencies	Euros
<b>Euro-denominated debt</b>		<b>102,486</b>		<b>50,480</b>		<b>152,966</b>
<b>Foreign currency denominated debt</b>		<b>€ equiv. at 31 Dec. 2011</b>		<b>€ equiv. at 31 Dec. 2011</b>		
CHF	1,765	1,452	-1,765	-1,452	0	0
GBP	6,922	8,287	-6,922	-8,287	0	0
JPY	80,620	805	-80,620	-805	0	0
USD	51,862	40,082	-51,862	-40,082	0	0
HKD	3,404	339	-3,404	-339	0	0
SEK	70	8	-70	-8	0	0
AUD	2,495	1,961	-2,495	-1,961	0	0
NOK	2,400	310	-2,400	-310	0	0
NZD	203	121	-203	-121	0	0
SGD	20	12	-20	-12	0	0
CAD	490	371	-490	-371	0	0
MXN	450	25	-450	-25	0	0
<b>Sub-total foreign currencies</b>		<b>53,772</b>		<b>-53,772</b>		<b>0</b>
<b>Total</b>		<b>156,258</b>		<b>-3,292</b>		<b>152,966</b>

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, 51%(1) of the debt bears fixed rates, 41% floating rates and 8% rates indexed to inflation.

**Breakdown of debt in euro and foreign currencies before and after hedging**

Breakdown of debt in euro and foreign currencies before and after hedging										
(€ millions)	Initial debt				Hedging transactions			Final debt		
	Foreign currencies	Euros	Total	%	Foreign currencies	Euros	Foreign currencies	Euros	Total	%
<b>Fixed rates</b>										
Negotiable debt instruments	0		0		0	0	0	0	0	
Bonds, EMTN and MTN	23,698	69,342	93,040		-23,698	8,757	0	78,099	78,099	
Private placements	0		0		0	0	0	0	0	
Macro hedging swaps	0		0		0	0	0	0	0	
<b>Total fixed rates</b>	<b>23,698</b>	<b>69,341</b>	<b>93,040</b>	<b>59</b>	<b>-23,698</b>	<b>8,757</b>	<b>0</b>	<b>78,099</b>	<b>78,099</b>	<b>51</b>
<b>Floating rates</b>										
Negotiable debt instruments	24,444	14,626	39,070		-24,444	23,172	0	37,797	37,797	
Bonds, EMTN and MTN	5,629	5,536	11,165		-5,629	18,550	0	24,086	24,086	
Private placements		998	998		0	0	0	998	998	
Macro hedging swaps	0	0	0		0	0	0	0	0	
<b>Total floating rates</b>	<b>30,073</b>	<b>21,160</b>	<b>51,233</b>	<b>33</b>	<b>-30,073</b>	<b>41,722</b>	<b>0</b>	<b>62,882</b>	<b>62,882</b>	<b>41</b>
<b>Indexed rates</b>										
Bonds	0	11,985	11,985		0	0	0	11,985	11,985	
Macro hedging swaps	0	0	0		0	0	0	0	0	
<b>Total indexed rates</b>	<b>0</b>	<b>11,985</b>	<b>11,985</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,985</b>	<b>11,985</b>	<b>8</b>
<b>Total</b>	<b>53,772</b>	<b>102,486</b>	<b>156,258</b>	<b>100</b>	<b>0</b>	<b>-3,292</b>	<b>0</b>	<b>152,966</b>	<b>152,966</b>	<b>100</b>

- (1) Includes €3,061 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 2011, 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.

**Note 7: Other liabilities**

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS</b>	<b>3,352.60</b>	<b>1,971.38</b>	<b>173.16</b>
- Deposits	3,351.43	1,970.82	173.14
- Accrued interest	1.17	0.56	0.02
<b>OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS</b>	<b>3.09</b>	<b>2.24</b>	<b>1.67</b>
<b>OTHER CREDITORS IN RESPECT OF OPERATING CHARGES</b>	<b>63.10</b>	<b>44.92</b>	<b>47.27</b>
Payments to the State	0.00	0.00	0.00
Tax	0.02	0.02	0.02
Social security	0.00	0.07	0.07
Trade creditors	0.01	0.00	0.01
Sundry creditors – ACOSS	63.07	44.83	47.17
Other sundry creditors	0.00	0.00	0.00
<b>Total</b>	<b>3,418.79</b>	<b>2,018.54</b>	<b>222.10</b>

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 €3,351.43 million at 31 December 2011;
- Accrued interest on margin calls amounting to €1.17million;
- Commission payable on commercial paper amounting to €3.09 million;
- Credit balance with ACOSS amounting to €63.07 million, consisting of taxpayer credit notes received from ACOSS;
- Tax payable amounting to €0.02 million;
- Trade creditors in the amount of €0.01 million.

**Note 8: Accruals, deferred income and provisions**

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>ACCRUALS</b>	<b>340.49</b>	<b>354.06</b>	<b>351.57</b>
Accruals on forward interest rate instruments	192.48	286.57	297.82
Accruals on forward currency instruments	139.27	59.70	46.02
Fees payable in respect of market transactions	0.00	0.01	0.01
Accruals in respect of operating charges	0.15	0.24	0.14
Accruals in respect of CRDS and CSG collection costs	6.82	4.53	4.90
Accruals in respect of revenue from social levies on income from property and investments	1.36	0.00	0.00
Other accruals	0.41	3.01	2.68
<b>CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>45.53</b>	<b>34.21</b>	<b>33.25</b>
<b>UNEARNED INCOME</b>	<b>397.40</b>	<b>214.61</b>	<b>190.40</b>
Issuance premiums on bonds	397.39	201.65	189.61
Issuance premiums on government securities	0.01	12.96	0.79
Other unearned income	0.00	0.00	0.00
<b>OTHER</b>	<b>5.81</b>	<b>21.79</b>	<b>874.08</b>
Currency adjustment accounts	5.73	21.71	874.04
Sundry	0.08	0.08	0.04
<b>Total</b>	<b>789.23</b>	<b>624.67</b>	<b>1,449.30</b>

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 €192.48 million, forward currency transactions for €139.27 million, CRDS and CSG for €6.82 million and social levies on income from property and investment for €1.36 million.
- Balancing cash payments on currency swaps amounting to €45.53 million that are to be spread.
- Unearned income amounting to €397.40 million, corresponding to premiums on bond issues and on government securities.
- Currency adjustment accounts amounting to €5.73 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 unrealised losses on swaps designated as isolated open positions was reversed after the swaps in question were rescinded.

<b>At (€ millions)</b>	<b>31 December 2010</b>	<b>Set aside</b>	<b>Reversed</b>	<b>31 December 2011</b>
<b>Provisions</b>	<b>0.18</b>	<b>0.03</b>	<b>0.00</b>	<b>0.21</b>
Provision for redundancy indemnities	0.18	0.03	0.00	0.21
Provision for liabilities	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.18</b>	<b>0.03</b>	<b>0.00</b>	<b>0.21</b>

## PROFIT AND LOSS ACCOUNT

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

(€ millions)

Net banking income:	(3,791.91)
Exceptional income items:	0.59
Other operating income and charges:	<u>15,469.17</u>
Gross operating profit and net profit for the period:	11,677.85

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 (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>77.84</b>	<b>29.51</b>	<b>44.70</b>
<b>Interest receivable – Demand loans and advances and open repurchase agreements</b>	<b>10.33</b>	<b>4.71</b>	<b>5.22</b>
Interest from ordinary accounts in debit	8.69	4.43	5.09
Interest from loans	0.00	0.00	0.00
Interest from securities delivered under open repurchase agreements	1.64	0.28	0.13
<b>Interest receivable – Term loans, advances and repurchase agreements</b>	<b>47.75</b>	<b>14.48</b>	<b>33.55</b>
Interest from loans denominated in euro	0.00	0.00	0.00
Interest from loans denominated in other currencies	0.00	0.00	0.00
Interest from securities delivered under repurchase agreements	47.75	14.48	33.55
<b>Other interest receivable</b>	<b>19.76</b>	<b>10.32</b>	<b>5.93</b>
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES</b>	<b>10.83</b>	<b>12.28</b>	<b>1.97</b>
Interest from fixed income securities	0.00	0.00	0.00
Interest from government securities	10.83	12.28	1.97
<b>OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>229.41</b>	<b>309.00</b>	<b>232.96</b>
Amortisation of premiums on issue	64.03	51.56	39.89
Net profit on hedging transactions	165.38	257.44	193.07
Profit on repurchase of own securities	0.00	0.00	0.00
<b>Total</b>	<b>318.08</b>	<b>350.79</b>	<b>279.63</b>

Banking income, which amounted to €318.08 million, consists of:

- Net profit on hedging transactions amounting to €165.38 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €77.84 million, of which €47.75 million from investing surplus cash balances via repurchase agreements with delivery of the securities;
- Interest from fixed income securities amounting to €10.83 million; and
- The amortisation of bond premiums on issue amounting to €64.03 million.

**Note 10: Cost of debt**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>152.85</b>	<b>11.04</b>	<b>46.15</b>
<b>Interest payable - Demand loans and open repurchase agreements</b>	<b>0.06</b>	<b>0.04</b>	<b>0.05</b>
Interest on ordinary accounts in credit	0.05	0.03	0.03
Interest on overnight loans	0.00	0.00	0.00
Interest on securities delivered under open repurchase agreements	0.01	0.01	0.02
<b>Interest payable – Term loans and repurchase agreements</b>	<b>12.30</b>	<b>0.22</b>	<b>1.95</b>
Interest on CDC loan (transfer of debt)	0.00	0.00	0.00
Interest on multi-currency credit	0.00	0.00	0.00
Interest on securities delivered under repurchase agreements	0.40	0.17	0.35
Interest on private placements	11.90	0.05	1.60
<b>Other interest payable and similar charges</b>	<b>140.49</b>	<b>10.78</b>	<b>44.15</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES</b>	<b>3,896.74</b>	<b>3,336.15</b>	<b>3,004.35</b>
<b>Interest on debts evidenced by certificates</b>	<b>3,896.74</b>	<b>3,336.15</b>	<b>3,004.35</b>
Interest on negotiable debt instruments denominated in euros	50.63	2.94	86.65
Interest on negotiable debt instruments denominated in other currencies	1,05.11	24.85	115.45
Interest on bonds and equivalents denominated in euros	2,665.72	2,334.51	2,126.42
Interest on bonds and equivalents denominated in other currencies	730.94	753.05	648.98
Other charges on debt evidenced by securities	344.34	220.80	26.85
<b>Other interest payable and similar charges</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FEES PAYABLE</b>	<b>60.09</b>	<b>17.37</b>	<b>48.41</b>
Fees on term loans with credit institutions	6.49	0.00	4.67
Fees on negotiable debt instruments issued	11.18	2.75	6.35
Fees on bonds	42.12	14.49	37.21
Other fees on securities transactions	0.30	0.13	0.18
Other fees	0.00	0.00	0.00
<b>Total</b>	<b>4,109.68</b>	<b>3,364.56</b>	<b>3,098.91</b>

Interest payable and similar charges on CADES' debt, which amounted to €4,109.68 million, increased by 22.14% from 31 December 2010 and consists of:

- Charges amounting to €3,896.74 million in respect of debts;
- Interest amounting to €152.85 million on transactions with credit institutions, consisting of interest on private placements, securities delivered under repurchase agreements and margin calls; and
- Fees amounting to €60.09 million.

The increase in interest and similar charges payable compared with 31 December 2010 was due partly to the effects of inflation and partly to new bond issues.

**Note 11: Gains and losses on trading securities**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>NET GAIN (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS</b>	<b>(0.29)</b>	<b>(0.28)</b>	<b>(0.30)</b>
Other foreign exchange transactions	(0.29)	(0.28)	(0.30)
<b>Total</b>	<b>(0.29)</b>	<b>(0.28)</b>	<b>(0.30)</b>

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 11a: Gains and losses on investment securities**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>Gains (losses) on investment securities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Net gain (loss) on investment securities	0.00	0.00	0.00

## Other operating income and charges

Other operating income and charges consist mainly of specific income and charges dealt with by Order No. 96-50 of 24 January 1996 (CRDS contributions, CSG, social levies on income from property and investments, payments from the Retirement Reserve Fund, property asset sales and payments to the State and social security funding organisations), general operating charges and depreciation, amortisation and impairment charges on non-current assets.

### **Note 12: CRDS revenues**

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

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>NET CRDS REVENUES (Article 6)</b>	<b>6,290.29</b>	<b>5,962.56</b>	<b>5,950.94</b>
CRDS contributions levied on wages and salaries (ACOSS)	5,577.75	5,278.07	5,276.78
CRDS contributions levied on property assets	242.13	230.95	251.82
CRDS contributions levied on investment income	326.96	321.86	298.12
CRDS contributions levied on sales of precious metals and gems	5.22	4.04	2.68
CRDS contributions on gaming proceeds	138.19	127.11	121.47
CRDS exemption offsets (travel vouchers and voluntary community services)	0.04	0.53	0.07

CRDS revenues, net of collection costs, amounted to €6,290.29 million.

CRDS levied on wages and salaries (which is collected by ACOSS) represents 88.67% of the total. The remaining CRDS proceeds (which are collected by the offices of the Public Finances Directorate) are levied mainly on capital (property and investment income, 9.05%) and on gambling (2.20%).

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 2011, the €216.77 million recovered during this period was not paid over to CADES.

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



**Note 12a**

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

<b>CRDS REVENUES</b> <b>(€ millions)</b>	<b>(I)</b>	<b>CRDS COSTS</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
CRDS levied on wages and salaries (ACOSS)	5,628.92	Write-offs, waivers, cancellation and debt forgiveness	23.17	<b>5,577.75</b>
		Assessment and collection costs	28.00	
CRDS levied on property assets	252.48	Assessment and collection costs	10.35	<b>242.13</b>
CRDS levied on investment income	328.60	Assessment and collection costs	1.64	<b>326.96</b>
CRDS levied on sale of precious metals and gems	5.25	Assessment and collection costs	0.03	<b>5.22</b>
CRDS levied on gaming proceeds	138.88	Assessment and collection costs	0.69	<b>138.19</b>
CRDS exemption offsets (travel vouchers and voluntary community services)	0.04		0.00	<b>0.04</b>
Reversal of provisions on outstanding CRDS	6.62	Provisions on outstanding CRDS	0.04	<b>6.58</b>
<b>Total</b>	<b>6,360.79</b>	<b>Total</b>	<b>63.92</b>	<b>6,296.87</b>

**Note 12.1: CSG revenues**

Supplementary social security contributions (*Contribution Sociale Généralisée – CSG*) are a resource allocated to CADES at the rate of 0.48% for CSG on income from employment, unemployment and other similar benefits and on taxable income from property and investments, and at 0.28% for CSG on profits from gaming since 1 January 2011.

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.

<b>Period ended</b> <b>(€ millions)</b>	<b>31 December 2011</b>	<b>30 December 2010</b>	<b>31 December 2009</b>
<b>NET CSG REVENUES (Article 6)</b>	<b>5,546.62</b>	<b>2,262.64</b>	<b>2,221.52</b>
CSG contributions levied on wages and salaries (ACOSS)	4,956.38	2,035.38	1,987.67
CSG contributions levied on property assets	230.48	91.70	99.24
CSG contributions levied on investment income	352.54	131.15	123.74
CSG contributions on gaming proceeds	7.19	4.20	10.84
CSG exemption offsets	0.03	0.21	0.03

CSG revenues, net of collection costs, amounted to €5,546.62 million.

CSG levied on wages and salaries (which is collected by ACOSS) represents 89.36% of the total. The remaining CSG (which is collected by the offices of the Public Finances Directorate) is levied mainly on income from investment (6.36%) and property (4.16%).

**Note 12.1a**

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

<b>CSG REVENUES</b> <b>(€ millions)</b>	<b>(I)</b>	<b>CSG COSTS</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
CSG levied on wages and salaries (ACOSS)	4,985.97	Write-offs, waivers, cancellation and debt forgiveness	4.83	<b>4,956.38</b>
CSG levied on property assets	240.33	Assessment and collection costs	24.76	
CSG levied on investment income	354.31	Assessment and collection costs	9.85	<b>230.48</b>
CSG levied on gaming proceeds	7.23	Assessment and collection costs	1.77	<b>352.54</b>
CSG exemption offsets	0.03	Assessment and collection costs	0.04	<b>7.19</b>
Reversal of provisions on outstanding CSG	0.13	Provisions on outstanding CSG	0.00	<b>0.03</b>
<b>Total</b>	<b>5,588.00</b>	<b>Total</b>	<b>89.10</b>	<b>5,498.90</b>

**Note 12.2: Social levies on income from property and investment**

Social levies on income from property and investment established are a new source of revenue allocated to CADES with effect from 1 January 2011. CADES receives a 1.3% portion of these levies, the rate of which was set at 2.2% until 30 September 2011, then at 3.4% from 1 October 2011 to 31 December 2011.

<b>Period ended</b> <b>(€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>NET REVENUE FROM SOCIAL LEVIES</b>	<b>1,575.91</b>	<b>0.00</b>	<b>0.00</b>
On income from property	624.26	0.00	0.00
On income from investment	951.65	0.00	0.00

**Note 12.2a**

The following table shows the breakdown of revenue and costs associated with social levies on income from property and investment.

<b>REVENUES FROM SOCIAL LEVIES</b> <b>(€ millions)</b>	<b>(I)</b>	<b>COSTS RELATING TO SOCIAL LEVIES</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
Social levies on income from property	650.95	Assessment and collection costs	3.26	<b>624.26</b>
		Write-offs, waivers, cancellation and debt forgiveness	23.43	
Social levies on income from investment	956.43	Assessment and collection costs	4.78	<b>951.65</b>
<b>Total</b>	<b>1,607.38</b>	<b>Total</b>	<b>31.47</b>	<b>1,575.91</b>

**Note 12.3: payments by the Retirement Reserve Fund (FRR)**

The Retirement Reserve Fund paid €2.10 billion on 26 April 2011 in respect of the year 2011.

<b>Period ended</b> <b>(€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>REVENUE FROM THE RETIREMENT</b>	<b>2,100.00</b>	<b>0.00</b>	<b>0.00</b>

**RESERVE FUND**

Revenue for the year	2,100.00	0.00	0.00
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**Note 13: General operating charges**

Period ended (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>STAFF COSTS</b>	<b>1.00</b>	<b>0.89</b>	<b>0.85</b>
Wages and salaries	0.72	0.64	0.61
Social security charges	0.28	0.25	0.24
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>1.89</b>	<b>1.61</b>	<b>1.78</b>
Taxes and duties	0.09	0.08	0.07
External services	1.80	1.53	1.71
<b>Total</b>	<b>2.89</b>	<b>2.50</b>	<b>2.63</b>

General operating charges correspond to expenditure falling within the scope of the administrative budget. They do not include the acquisition and the amortisation and depreciation of fixed assets (see Note 2). They increased by 15.60% compared with 2010.

**List of staff positions at 31 December 2011**Non-civil servant employees:

- 1 senior front office manager (grade A)
- 1 assistant front office manager (grade A)
- 2 market operators (grade A)
- 1 asset and liabilities matching strategist (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 13a: Property assets and property management**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>REVENUES FROM PROPERTY ASSETS</b>	<b>0.43</b>	-	-
Property sales	-	-	-
Rental income	-	-	-
Exceptional income	-	-	-
Provisions reversed	0.43	-	-
<b>CHARGES ON PROPERTY ASSETS</b>	<b>0.01</b>	-	<b>0.01</b>
Expenses on property sales	-	-	-
Change in unsold inventory	-	-	-
Staff costs	-	-	-
External services	0.01	-	0.01
Taxes	-	-	-
Exceptional charges	-	-	-
Provisions set aside	-	-	-

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.

The reversal of provisions was a result of two payments collected in respect of the Saint-Pray lawsuit, for a total amount of €0.43 million.

**Note 14: Other non-banking operating charges**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Payments to the State	-	-	-
Payments to social security agencies	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 15: Exceptional income**

<b>Period ended (€ millions)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Statutory limitation of debt – administrative budget	0.13	-	-
Statutory limitation of debt – financing budget	0.46	-	-
Other exceptional income	-	-	-
<b>Total</b>	<b>0.59</b>	<b>-</b>	<b>-</b>

The exceptional income corresponds to the statutory limitation on charges payable on the administrative and financing budgets (essentially commissions on commercial paper).

## 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 (€ millions)	31 December 2011		31 December 2010		31 December 2009	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
<b>FORWARD TRANSACTIONS</b>	<b>53,772.58</b>	<b>-</b>	<b>34,197.24</b>	<b>-</b>	<b>29,644.04</b>	<b>-</b>
Financing in foreign currency						
<b>Hedging transactions over the counter</b>						
<b>Forward exchange against euros</b>	<b>20,887.66</b>		<b>8,425.44</b>		<b>9,196.08</b>	<b>-</b>
Up to 1 year	20,887.66		8,425.44		9,196.08	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Currency swaps against euros</b>	<b>32,884.92</b>	<b>-</b>	<b>25,771.80</b>	<b>-</b>	<b>20,447.96</b>	<b>-</b>
Up to 1 year	7,602.27	-	7,953.50	-	2,424.34	-
From 1 to 5 years	23,019.15	-	15,264.00	-	16,277.42	-
Over 5 years	2,263.50	-	2,554.30	-	1,746.20	-
<b>FORWARD TRANSACTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Foreign currency financing commitments received						
<b>Hedging transactions over the counter</b>						
<b>Forward exchange against euros</b>						<b>-</b>
Up to 1 year	-	-	-	-	-	-
From 1 to 5 years	-	-	-	-	-	-
<b>Currency swaps against euros</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Up to 1 year	-	-	-	-	-	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-

Forward exchange contracts against euro correspond to forward purchases entered into for the purpose of hedging commercial paper denominated in foreign currencies. The increase of 147.91% in outstandings as at 31 December 2011 compared with 31 December 2010 is due to increased borrowing (from taking on ACOSS debts). The increase in currency swaps against euro is attributable to the increase in foreign currency EMTN issues.

## Note 17: Forward financial instruments

At (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>INTEREST RATE INSTRUMENTS</b>			
<b>Organised markets and equivalents</b>	-	-	-
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	-	-	-
<b>Over the counter</b>	<b>12,926.38</b>	<b>17,496.71</b>	<b>17,910.30</b>
Firm transactions entered into for hedging purposes			
Interest rate swaps in euro	<b>12,823.42</b>	<b>17,496.71</b>	<b>17,910.30</b>
Micro hedging	<b>12,161.66</b>	<b>16,306.57</b>	<b>16,546.77</b>
- Up to 1 year	4,280.86	6,708.91	2,500.87
- From 1 to 5 years	6,325.26	8,042.12	12,690.36
- Over 5 years	1,555.54	1,555.54	1,355.54
Macro hedging	<b>661.76</b>	<b>1,190.14</b>	<b>1,363.53</b>
- Up to 1 year	50.00	435.00	130.00
- From 1 to 5 years	611.76	755.14	1,233.53
- Over 5 years	-	-	-
Isolated positions	-	-	-
- Up to 1 year	-	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-
Currency swaps	<b>102.96</b>	-	-
Micro hedging	102.96	-	-
- Up to 1 year	102.96	-	-
- From 1 to 5 years	-	-	-
- Over 5 years	-	-	-

Interest rate instruments entered into by CADES as at 31 December 2011 comprise:

- Swaps entered into for macro hedging purposes, consisting of inflation swaps amounting to €661.76 million, 12 having matured;
- Swaps amounting to €12,161.66 million entered into for micro hedging purposes, including swaps cancellable by counterparties of €3,060.60 million and
- €102.96 million in interest rate swaps in GBP.

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' 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 authorised 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 (€ millions)	31 December 2011	31 December 2010	31 December 2009
<b>FINANCING COMMITMENTS</b>			
<b>Commitments received</b>			
<i>From credit institutions</i>			
- Back-up credit lines	700.00	700.00	700.00
- Multi-currency credit lines	-	-	-
- Credit lines in treasury bills	5,000.00	-	-
- Other credit lines	9,000.00	-	-
<i>Sundry</i>			
- Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )	27,300.00	29,400.00	-
- Borrowings	-	-	-
- Commercial paper and lent under repurchase agreements	81.98	-	-
<b>Commitments given</b>			
Payments to the State	-	-	-
Payments to social security agencies	-	-	-
- First assumption of debt provided for by 2011 Social Security Finance Act	2,700.00	68,000.00	-
- Second assumption of debt provided for by 2011 Social Security Finance Act	62,000.00	62,000.00	-
Financing commitments given under repurchase agreements	69.04	-	-

Commitments received consist of:

- four back-up credit lines totalling €700 million that are cancellable by the counterparty at 30 days' notice;
- four bilateral lines for the purchase of commercial paper issued by CADES for a total amount of €5 billion (€2 billion maturing on 23 August 2012, €1 billion on 17 January 2012, €1 billion on 9 March 2012 and €1 billion on 14 April 2012) ;
- a credit line of €9 billion due 14 December 2012.
- a total of €27.3 billion in payments from the Retirement Reserve Fund, corresponding to the annual payments of €2.1 billion for the period from 2012 to 2024, pursuant to the 2011 Social Security Funding Act 2010-1594 of 20 December 2010.
- a transaction dated 29 December 2011, value 2 January 2012, under a repurchase agreement for an amount of €65.98 million, and a commercial paper issue of €16 million carried out on 30 December 2011, value 4 January 2012.

Commitments given consist of:

- the debts assumed pursuant to the 2011 Social Security Funding Act 2010-1594 of 20 December 2010, namely:
- the balance of €2.7 billion of the €68 billion deficit forecast for 2009 and 2010 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 and of the forecast 2011 deficit for the Health, Maternity, Incapacity and Death Insurance branch and the Family insurance branch;

Decree 2012-329 of 7 March 2012 stipulates that the difference between on the one hand the cumulative amount of the deficits recorded for 2009 and 2010 plus the provisional deficits for 2011 referred to in Article 4 II quater of the abovementioned Order of 24 January 1996 and, on the other hand, the amount of the payments made by CADES in 2011 under this heading, gives rise to an adjustment of €3.1 billion in its favour.

Since this adjustment has been determined on the basis of a provisional deficit for 2011, it is not shown under commitments received.

- the €62 billion forecast for 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 limit of €62 billion for the period and a yearly maximum of €10 billion. These payments are to be made by 30 June each year as from 2012.

Decree No. 2012-329 of 7 March 2012 established the following calendar for taking on the social security debt concerning the year 2012.

Payments by CADES to ACOSS		Allocation by ACOSS of the amounts paid by CADES to the branches and funds concerned			
Date	Amount (€)	General system			Funds referred to in Article L.135-1 of the Social Security Code
		Branch referred to in para. 1 of Article L.200-2 of the Social Security Code	Branch referred to in para. 3 of Article L.200-2 of the Social Security Code	Branch referred to in para. 4 of Article L.200-2 of the Social Security Code	
9 March 2012	2,000,000,000.00	(750,000,000.00)	1,750,000,000.00	(100,000,000.00)	1,100,000,000.00
23 March 2012	2,000,000,000.00	(750,000,000.00)	1,750,000,000.00	(100,000,000.00)	1,100,000,000.00
10 April 2012	1,000,000,000.00	(350,000,000.00)	850,000,000.00	(50,000,000.00)	550,000,000.00
9 May 2012	1,648,054,586.85	(589,378,596.07)	1,451,444,141.23	(57,526,219.63)	843,515,261.32
<b>Total</b>	<b>6,648,054,586.85</b>	<b>(2,439,378,596.07)</b>	<b>5,801,444,141.23</b>	<b>(307,526,219.63)</b>	<b>3,593,515,261.32</b>

- two repurchase agreements dated 29 December 2011, value 2 January 2012, for an amount of €69.04 million.



**Note 19: Abridged statements****BALANCE SHEET**

<b>At</b>	<b>31 December</b>
<b>(€ millions)</b>	<b>2011</b>
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD AT 1 JANUARY 2011</b>	<b>(154,623.81)</b>
<b>PROFIT FOR THE YEAR ENDED 31 DECEMBER 2011</b>	<b>11,677.85</b>
<b>PROPERTY ENDOWMENT</b>	<b>181.22</b>
<b>DEBT REMAINING TO BE REPAID AT 31 DECEMBER 2011</b>	<b>(142,764.74)</b>
<b>Represented by:</b>	
Liabilities towards third parties	
- Borrowings falling due within 1 year	<b>56,114.81</b>
- Borrowings falling due after 1 year	<b>101,839.28</b>
- Other creditors, accruals and unearned income	<b>4,208.03</b>
Less assets held by CADES	
- Financial investments	<b>13,755.20</b>
- Other debtors, prepayments and accrued income	<b>5,642.18</b>

**PROFIT AND LOSS ACCOUNT**

<b>Period ended</b>	<b>31 December</b>
<b>(€ millions)</b>	<b>2011</b>
<b>NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES</b>	<b>13,371.68</b>
<b>NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)</b>	<b>2,100.00</b>
<b>NET REVENUE FROM PROPERTY</b>	<b>0.42</b>
Interest payable and similar charges	<b>(4,049.59)</b>
Fees	<b>(60.09)</b>
Interest receivable and similar income	<b>317.79</b>
<b>NET FINANCIAL CHARGES</b>	<b>(3,791.89)</b>
<b>Operating charges</b>	<b>(2.95)</b>
<b>OPERATING PROFIT</b>	<b>11,677.26</b>
Payments to the State	<b>0.00</b>
Exceptional income	<b>0.59</b>
<b>NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2011</b>	<b>11,677.85</b>

## OTHER INFORMATION

The table below provides information on market value, comparing the debt at repayment value as at 31 December 2011 with the debt at market value.

Debt at repayment value as at closing date comprises the following elements:

- (a) The nominal value of fixed rate, variable rate and adjustable rate borrowings in euros;
- (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 2011.
- (d) Interest accrued but not yet due is excluded from debt at repayment value.

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 2011.
- (b) The value of unlisted securities issued by CADES obtained using the CADES zero coupon curve as at 31 December 2011. 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 2011 of collateral, repurchase agreements and bank balances.

(€ millions)	Debt at repayment value		Debt at market value	Market value of hedging transactions
	At maturity	At 31 December 2011	At 31 December 2011	At 31 December 2011
Up to 1 year	41 259,55	41 247,95	40 806,47	1 733,55
From 1 to 5 years	54 573,65	54 456,95	57 144,74	1 986,77
Over 5 years	48 371,03	46 770,38	49 243,17	315,93
Swaps	-10,39	0,00	-10,39	-10,39
<b>TOTAL</b>	144 193,84	142 475,29	147 183,98	4 025,87
Adjustable rate	51 789,31	51 925,26	51 792,84	3 207,49
Indexed rate	13 702,48	13 934,36	12 199,11	0,00
Fixed rate	78 712,44	76 615,68	83 202,42	828,77
Swaps	-10,39	0,00	-10,39	-10,39
<b>TOTAL</b>	144 193,84	142 475,29	147 183,98	4 025,87

Compared with prior years, there was a considerable increase in short-term debt at 31 December 2011, as indicated by the table below:

Debt	31 December 2011	31 December 2010	31 December 2009
Short-term (under 1 year)	28.95%	7.67%	13.62%
Medium-term	38.22%	47.93%	43.61%
Long-term (over 5 years)	32.83%	44.40%	42.77%

As regards the breakdown between issues denominated in euro and other currencies, there was a slight increase in euro debt at 31 December 2011 compared with 31 December 2010, as indicated by the table below:

Debt	31 December 2011	31 December 2010	31 December 2009
In foreign currencies	33.00%	34.24%	30.47%
In euros	67.00%	65.76%	69.53%

Lastly, the table below shows the substantial decrease in fixed rate issues compared with adjustable rate issues relative to 2010:

Debt	31 December 2011	31 December 2010	31 December 2009
Adjustable rate	36.45%	8.12%	13.49%
Indexed rate	9.78%	12.98%	12.22%
Fixed rate	53.77%	78.90%	74.29%

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' main activity, which is to repay in the best possible conditions the debt it raises on the financial markets.