CADES

Caisse d'Amortissement de la Dette Sociale

The Letter

N°27 MARCH 2010

Patrice Ract Madoux
Chairman of the Board

In 2009, CADES (Caisse d'Amortissement de la Dette Sociale), the state agency charged with funding France's social security debt, reached once again the mission which was defined by the French Parliament, assuming €27 billion new social debt. Social Security Financing Act (SSFA) for 2009 endowed CADES with an additional income, CSG levy of 0.2% (Contribution Sociale Généralisée), resulting to 2009 total revenues of €8 billion. In line with its annual target, CADES amortized €5.2 billion making total debt amortized to December 31, 2009 of €42.7 billion. With total debt assumed of €134.6 billion, the residual year end deficit was €91.9 billion.

Year 2009 was an active and very successful one for CADES. A total €35.7 billion was raised, the highest annual amount carried out in one year, of which €25.8 billion were mid- and long-term issues. They included €8 billion of Euro-bonds, €7.6 billion of taps of existing bonds, €5.56 billion of US dollar denominated bonds ($7.75 billion) and €1.5 billion other currency bonds. Other issues were a €0.9 billion 10-year inflation-linked bond and €2.16 billion of private placements (various currencies).

This success confirms CADES as one of the top-ranked bond European Sovereign issuers on the international markets.

In 2010, the funding programme should reach €15 billion and will aim to continue to attract a diversified investor breakdown and geographical distribution. (See graphs overleaf).

After much debate in the French Parliament on the necessity of raising social taxes to transfer debt to CADES and prevent an extension of CADES' life span in accordance with 2005 organic law, a key decision was made by the French government in December 2009, confirming that it would neither raise taxes nor transfer debt to CADES this year. In addition, in order to finance social security debt in the short-term, the 2010 Social Security Finance Act increased the overdraft ceiling for ACOSS (Agence Centrale des Organismes de Sécurité Sociale) to €65bn for 2010.

During a debt conference held on 28th January, it was confirmed that the terms and conditions of social debt and its funding will be discussed in Spring by a newly created parliamentary commission including the Public Accounts Minister.

AAA/A1+
Aaa/P1
AAA/F1+
0 %

An issuer of quality
Cades is awarded triple-A rating and a 0% basel ratio weighting.

Assumed debt
€134.6 bn

A sought-after, rare and liquid issuer
As of December 31, 2009, total assumed deb twas €134.6bn.

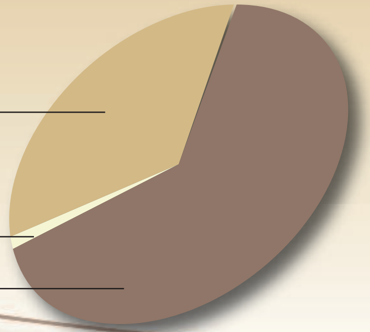
Aggregate amortized debt
€42.7 bn

As of December 31, 2009, CADES had amortized €42.7bn.

Still to amortize
€91.9 bn

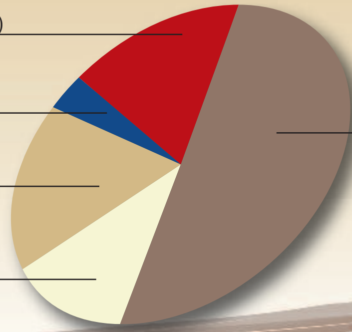
ANALYSIS OF THE DEBT BY CURRENCY

As of 31 December 2009

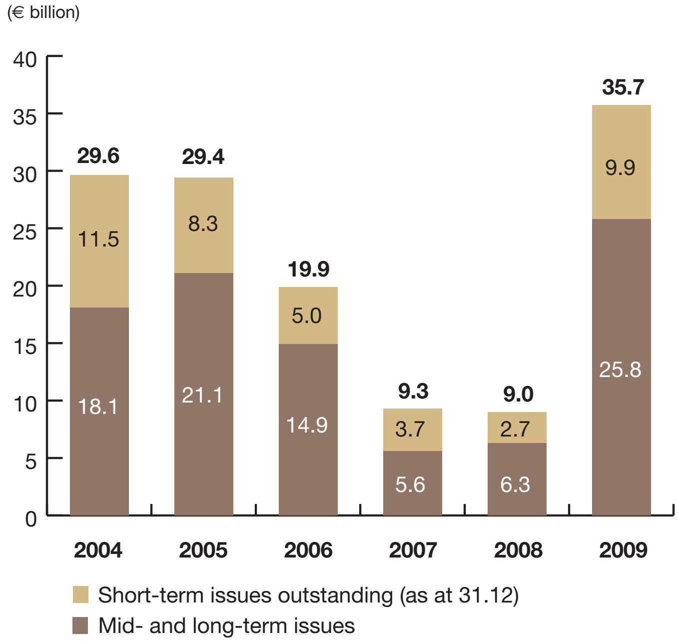


ANALYSIS OF THE DEBT BY INSTRUMENT

As of 31 December 2009



CADES TOTAL ISSUE YEAR EVOLUTION



For CADES, 2009 was a record year:

- In total funding with €35.7 billion of which €25.8 billion of mid- and long-term issues, i.e. 20% additional issue volume compare to 2004 and 2005
- In the number of operations which doubled compare to 2004 and 2005

INDICATIVE FUNDING PROGRAMME FOR 2010

In € billion	Estimated number of issues	Estimated number of operations
Euro benchmarks (2 new issues)	6	2
Tap of existing issues	2	3
Inflation-linked bonds	0.5	1
USD benchmarks	2	4
Other currencies benchmarks	0.5	2/3
Private and structured issues	1	2/3
Short-term funding (as at 31/12/2010)	3	
Total volume of issues	**15**	**14/16**

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