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*Caisse d'Amortissement de la  
Dette Sociale (CADES)*  
**Statutory auditor's report on the financial  
statements**

For the year ended December 31<sup>st</sup>, 2021  
Caisse d'Amortissement de la Dette Sociale (CADES)  
139 rue de Bercy, 75012 Paris  
*This report contains 46 pages*  
HV 222-001

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et à la Compagnie Régionale  
des Commissaires aux Comptes  
de Versailles et du Centre

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*This is a translation into English of the statutory auditor's report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditor or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

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## **Caisse d'Amortissement de la Dette Sociale (CADES)**

Registered office: 139 rue de Bercy

### **Statutory auditor's report on the financial statements**

For the year ended December 31<sup>st</sup>, 2021

To the Board of Directors

#### **Qualified opinion**

In compliance with the engagement entrusted to us by your Board of Directors, we have audited the accompanying financial statements of Caisse d'Amortissement de la Dette Sociale (CADES) for the year ended December 31<sup>st</sup>, 2021.

In our opinion, except for the matter described in the *Basis for qualified opinion* section of our report, the financial statements give a true and fair view of the assets and liabilities and of the financial position of CADES as at December 31<sup>st</sup>, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles, which apply to CADES by reason of notice no. 99-04 of the *Conseil National de la Comptabilité* (CNC).

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### **Basis for qualified opinion**

##### ***Motivation for qualification***

Paragraph 4 of the accounting principles and methods specifies the accounting conditions of the social security debt repayment contribution (CRDS) and of the social security contribution (CSG). The CRDS revenues and CSG revenues recorded in the accounts are based on notifications sent by ACOSS and the General Directorate of Public Finance (DGFIP), which are the collecting agencies. The competence of CADES regarding revenue is limited to the formal verification of the accounting documents produced by the collecting agencies.

In May 2021, the *Cour des comptes* was unable to express an opinion on the 2020 financial statements of the ACOSS' collection activity. At the date of our report, the *Cour des comptes* has not yet issued its report on the 2021 financial statements of the ACOSS' collection activity, especially with respect to the removal of uncertainties or disagreements existing regarding the 2020 financial statements following the particular context of public health crisis. Therefore, we are

not able to conclude on the amounts recorded in the accounts regarding CRDS and CSG revenues with respect to:

- Receivables (€ 1,067M) and impairment of receivables (€ -602M),
- Deferred revenue (€ 1,738M) and taxpayer credit notes received from ACOSS (€ 174M),
- Provision for risks and revenue reductions (€ 76M).

### **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

### **Independence**

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors for the period from January 1<sup>st</sup>, 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

### **Justification of Assessments - Key Audit Matters**

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, and in addition to the matter described in the *Basis for qualified opinion* section, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

We determined that there were no key audit matters to report.

### **Specific Verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Except for the potential effects of the matter described in the *Basis for qualified opinion* section, we have no matters to report as to the fair presentation and the consistency with the financial

statements of the information given in the management report of the Board of Directors and in the documents with respect to the financial position and the financial statements provided to the Board of Directors.

### **Report on Other Legal and Regulatory Requirements**

#### ***Format of presentation of the financial statements intended to be included in the Annual Financial Report***

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Board of Directors, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

#### ***Appointment of the Statutory Auditor***

We were appointed as statutory auditor of CADES by the Board of Directors held on October 7<sup>th</sup>, 2016.

As at December 31<sup>st</sup>, 2021, KPMG S.A. was in the 6<sup>th</sup> year of total uninterrupted engagement.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, which apply to CADES by reason of notice no. 99-04 of the *Conseil National de la Comptabilité* (CNC), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

### **Statutory Auditor's Responsibilities for the Audit of the Financial Statements**

#### *Objectives and audit approach*

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

*Report to the Audit Committee*

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, April 1<sup>st</sup>, 2022

The statutory auditor

French original signed by

Hubert de Vaumas  
*Partner*

## BALANCE SHEET

At (€ millions)	31 December 2021	31 December 2020	31 December 2019
<b>ASSETS</b>			
Cash in hand, balances with central banks and post office banks (Note 1)	7,038.12	9,910.82	3,056.63
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	-	-	-
Loans and advances to credit institutions (Note 1)			
- Repayable at sight	0.09	0.09	0.03
- Repayable at term	-	-	-
Intangible assets (Note 2)	-	-	-
Tangible assets (Note 2)	-	-	-
Other assets (Note 3)	641.71	1,866.50	312.21
Prepayments and accrued income (Note 4)	4,051.94	2,067.64	2,703.07
<b>TOTAL ASSETS</b>	<b>11,731.86</b>	<b>13,845.05</b>	<b>6,071.94</b>
<b>LIABILITIES &amp; RESERVES</b>			
Amounts owed to credit institutions (Note 5)			
- Payable at sight	-	-	-
- Payable at term	1,003.37	1,003.37	1,003.37
Debts evidenced by securities (Note 6)			
- Negotiable debt instruments	9,301.80	10,489.27	398.90
- Bonds and similar instruments	114,053.90	92,545.62	91,646.61
- Other debts evidenced by securities	-	-	-
Other liabilities (Note 7)	1,508.65	354.75	1,214.55
Accruals and deferred income (Note 8)	978.05	2,381.14	814.28
<b>Sub-total – Liabilities</b>	<b>126,845.77</b>	<b>106,774.15</b>	<b>95,077.71</b>
Provisions (Note 8a)	76.85	75.02	87.01
Property endowment	181.22	181.22	181.22
Retained earnings	(133,185.36)	(109,274.01)	(105,527.00)
Profit for the period	17,813.38	16,088.65	16,252.99
<b>Sub-total – Reserves</b>	<b>(115,190.76)</b>	<b>(93,004.14)</b>	<b>(89,092.79)</b>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>11,731.86</b>	<b>13,845.05</b>	<b>6,071.94</b>

## PROFIT AND LOSS ACCOUNT

Period ended (€ millions)	31 December 2021	31 December 2020	31 December 2019
<b>Interest receivable and similar income (Note 9)</b>	<b>725.82</b>	<b>555.40</b>	<b>613.69</b>
- From transactions with credit institutions	85.79	78.86	28.28
- From bonds and other fixed income securities	-	-	-
- Other interest receivable and similar income	640.03	476.54	585.41
<b>Interest payable and similar charges (Note 10)</b>	<b>(1,848.76)</b>	<b>(2,067.08)</b>	<b>(2,607.54)</b>
- On transactions with credit institutions	(44.14)	(43.77)	(41.30)
- On bonds and other fixed income securities	(1,804.62)	(2,023.31)	(2,566.24)
<b>Fees payable (Note 10)</b>	<b>(42.50)</b>	<b>(27.01)</b>	<b>(7.97)</b>
<b>Gains and losses on trading securities (Note 11)</b>	<b>0.01</b>	-	-
- Net profit (loss) on foreign exchange transactions	0.01	-	-
<b>Gains and losses on investment securities (Note 11a)</b>	-	-	-
- Net profit (loss) on investment securities	-	-	-
<b>Exchange rate gains and losses on management operations (Note 11b)</b>	-	-	-
<b>Other operating income – banking</b>	-	<b>0.01</b>	<b>0.28</b>
<b>Other operating charges – banking</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>NET BANKING INCOME</b>	<b>(1,165.45)</b>	<b>(1,538.69)</b>	<b>(2,001.55)</b>
<b>General operating charges (Note 13)</b>	<b>(2.30)</b>	<b>(1.73)</b>	<b>(3.33)</b>
- Staff costs	(0.87)	(0.95)	(0.98)
- Other administrative charges	(1.43)	(0.78)	(2.35)
<b>Depreciation and impairment provisions on intangible and tangible assets</b>	-	-	-
<b>Other operating income</b>	<b>19,139.14</b>	<b>17,994.39</b>	<b>18,442.96</b>
- Income relating to CRDS and CSG (Notes 12a and 12.1a)	16,969.97	15,882.52	16,340.37
- Income relating to social levies on income from property and investments (Note 12.2a)	(0.19)	(0.97)	(0.80)
- Income from the Retirement Reserve Fund (Fonds de Réserve pour les Retraites – FRR) (Note 12.3)	2,100.00	2,100.00	2,100.00
- Income from property (Note 13a)	-	-	0.13
- Provisions reversed for receivables (Notes 12a, 12.1a and 12.2a)	65.96	9.87	0.09
- Other provisions reversed for receivables (Note 14a)	3.40	2.97	3.17
<b>Other operating charges</b>	<b>(158.01)</b>	<b>(365.35)</b>	<b>(185.10)</b>
- Charges relating to CRDS and CSG (Notes 12a and 12.1a)	(150.52)	(143.49)	(159.85)
- Charges relating to social levies on income from property and investments (Note 12.2a)	-	-	-
- Payments to the State (Note 14)	-	-	-
- Provision for sundry liabilities (Note 14)	-	-	(2.30)
- Provision for receivables (Notes 12a, 12.1a and 12.2a)	(7.49)	(221.86)	(22.95)
- Charges related to property (Note 13a)	-	-	-
<b>GROSS OPERATING PROFIT</b>	<b>17,813.38</b>	<b>16,088.61</b>	<b>16,252.98</b>
<b>OPERATING PROFIT</b>	<b>17,813.38</b>	<b>16,088.61</b>	<b>16,252.98</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>17,813.38</b>	<b>16,088.61</b>	<b>16,252.98</b>
- Exceptional income (Note 15)	-	<b>0.04</b>	0.01
<b>NET PROFIT FOR THE PERIOD</b>	<b>17,813.38</b>	<b>16,088.65</b>	<b>16,252.99</b>



## CASH FLOW STATEMENT

Cash flow (€ millions)	Period ended	31 December 2021	31 December 2020	31 December 2019
<b>Net banking income</b>		<b>(1,165)</b>	<b>(1,539)</b>	<b>(2,002)</b>
Inflation premiums		140	(16)	55
Provisions for financial instruments		-	-	-
Amortisation of premiums and balancing payments		(146)	(83)	(54)
Change in accrued interest		(207)	(219)	(30)
<b>Net cash from (used in) banking activities</b>	<b>(A)</b>	<b>(1,377)</b>	<b>(1,856)</b>	<b>(2,031)</b>
<b>Net operating income</b>		<b>18,979</b>	<b>17,627</b>	<b>18,254</b>
(Increase) decrease in accrued income from CRDS and CSG		(64)	(127)	24
(Increase)/decrease in accruals on social levies		-	-	-
(Increase)/decrease in deferred expenses		(113)	(348)	57
Unearned income		-	-	-
Provisions – sundry allocations or reversals		(62)	209	30
<b>Net cash from (used in) operating activities</b>	<b>(B)</b>	<b>18,740</b>	<b>17,362</b>	<b>18,365</b>
<b>Net cash from (used in) banking and operating activities</b>	<b>(C=A+B)</b>	<b>17,363</b>	<b>15,506</b>	<b>16,334</b>
<b>Net cash from (used in) financing activities</b>	<b>(D)</b>	<b>19,764</b>	<b>11,349</b>	<b>(15,541)</b>
<b>Debt assumed</b>	<b>(E)</b>	<b>(40,000)</b>	<b>(20,000)</b>	<b>-</b>
<b>Net cash flow for the year</b>	<b>(C+D+E)</b>	<b>(2,783)</b>	<b>6,854</b>	<b>793</b>
Cash at beginning of period		9,911	3,057	2,263
Cash at beginning of period		7,038	9,911	3,057
<b>Net cash flow for the year</b>		<b>(2,873)</b>	<b>6,854</b>	<b>793</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 period.

- E – social security debt assumed

This is the amount recognised under reserves 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 2021	31 December 2020	31 December 2019
<b>COMMITMENTS GIVEN (note 18)</b>			
<b>Financing commitments</b>			
- Payments to various social security bodies (Article 4.IV of Order No. 96-50 of 24 January 1996)	-	-	-
- Assumption of debt provided for by Social Security Funding Law No. 2020-992 of 7 August 2020	76,000.00	116,000.00	-
- Financing commitments given: acquired under repurchase agreements, currency purchases, treasury bills	-	-	-
<b>COMMITMENTS RECEIVED (note 18)</b>			
<b>Financing commitments</b>			
- From credit institutions: credit lines	1,200.00	1,200.00	1,200.00
- From credit institutions: credit lines in treasury bills	-	-	-
- Financing commitments received: borrowings	-	-	-
- Financing commitments received: commercial paper and lent under repurchase agreements	-	-	-
- Financing commitments received: payments from the Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )	19,350.00	21,450.00	10,500.00

## NOTES TO THE FINANCIAL STATEMENTS

### HIGHLIGHTS OF THE YEAR ENDED 31 DECEMBER 2021

- **Debts assumed from social security funding organisations**

In accordance with Articles 1, 2, 3 and 4 of Decree No. 2021-40 of 19 January 2021, €40 billion was paid to the social security funding organisations in respect of the 2021 financial year. These payments broke down as follows:

- €11 billion for past-year deficits,
- €5 billion for the assumption of hospitals' debt,
- €24 billion for the assumption of 2020 forecast social security deficits.

In accordance with the accounting policies and methods set out in point 3, "Debts assumed from social security funding organisations", these payments of €40 billion made in 2021 (€20 billion in respect of the first half-year and €20 billion in respect of the second) were recognised against the profit and loss account brought forward. The assumption of debts provided for by Law No. 2020-992 of 7 August 2020 on social security debt and not yet paid to the organisations, which came to €76 billion at 31 December 2021, was recognised as an off-balance sheet commitment.

- **Health crisis related to Covid-19**

The general resumption of activity in 2021 enabled CRDS and CSG revenues to exceed those of 2019, reflecting chiefly an increase in wages and salaries resulting from the improvement in unemployment numbers. Furthermore, all the repayment plans have now been put in place for beneficiaries.

Moreover, while new receivables are still increasing, the unsolicited repayment rate is also rising. Lastly, given the improving economic situation and the waning impact of the Covid-19 pandemic, the provisioning rate for gross CSG and CRDS receivables was reduced.

- **Financing transactions**

- **Issues (excluding commercial paper)**

CADES borrowed €39.39 billion:

- Four new issues and six tap issues made under the French programme in EUR, for an amount of €21.10 billion;
- Five issues made under the UK programme in USD, for an amount of €16.32 billion;
- One issue made under the French programme in CNY, for an amount of €0.28 billion;
- One issue made under the French programme in GBP, for an amount of €1.69 billion.

- **Redemptions (excluding commercial paper)**

CADES reimbursed €19.98 billion at maturity:

- Three issues made under the French programme in EUR, for an amount of €15.29 billion;
- One issue made under the French programme in CHF, for an amount of €0.13 billion;
- Two issues made under the UK programme in USD, for an amount of €4.56 billion.

- **Credit lines**

Commitments received as at 31 December 2021 comprise:

- Five activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €1.2 billion and cancellable by the counterparties at 30 to 60 days' notice, depending on the counterparty.

## 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 No. 2014-07 of 26 November 2014 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables – ANC*) relating to the financial statements of banking sector companies. In its opinion CNC 99-04, the French National Accounting Board 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, replaced by the public agencies' common nomenclature on 1 January 2016, 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. Debts assumed from social security funding organisations**

On the date of entry into force of the Decree setting the amounts and dates of the payments that CADES must make in respect of debts assumed from social security funding organisations in accordance with the social security deficit funding laws, the amounts to be paid are recognised under debts to social security funding organisations, against the profit and loss account brought forward.

When CADES' actual payments to the social security funding organisations as determined on the basis of the provisional deficits are greater than the deficits subsequently recognised, 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 for which the payment amounts and dates have not yet been set by decree are recorded as off-balance sheet commitments.

#### **4. CADES' resources**

Ordinary Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy, which amends Order No. 96-50, extended CADES' term, initially set at 2024, to 31 December 2033 and allocated the following resources to CADES in the future:

- maintenance of 0.5 percentage points of CRDS until it has completed its missions;
- maintenance of 0.6 percentage points of CSG until 2023 and then 0.45 percentage points from 2024 to 2033;
- an annual payment of €2.1 billion from the FRR until 2024 and then of €1.45 billion from 2025 to 2033.

##### **4.1 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 between:

- 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, health 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, gems, objets d'art, collectors' items and antiques, and from gaming.

Contributions assessed on the sales of precious metals and gems are collected by the State's financial agencies (DGFIP and DGDDI) before being paid over to CADES.

Contributions assessed on employment income, unemployment and similar benefits as well as income from property, investments and gaming are paid over daily by ACOSS to CADES as and when they are collected by the central agency.

###### ▪ 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 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 mainly by the offices of the DGFIP (*Direction Générale des Finances Publiques* or Directorate General of Public Finances) 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 L.114-5 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 collected by collecting agencies are included in the accounts for the period regardless of the date on which these amounts were actually collected.

To be able to recognise this accrued income and deferred income at the balance sheet date, CADES accrues 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. 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 and, for receivables arising from payment extensions granted as a result of the Covid-19 health crisis, factoring in the likelihood that they will be collected based on current economic circumstances. The provisions are deducted from gross amounts receivable as reported in the balance sheet.

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.

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.

#### **4.2 - Supplementary social security contribution**

The 2009 Social Security Funding Law No. 2008-1330 extended the mission of CADES by entrusting to it an additional €27 billion of debt in respect of the health insurance deficit (€14.1 billion), old age pension deficit (€8.8 billion) and senior citizens' solidarity fund (€4 billion).

Pursuant to the Organic Law of 2 August 2005, the French Parliament voted to increase CADES' resources so as not to extend its life. These new resources correspond 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% and then from 1 January 2016 to 0.60% for CSG on all taxable employment income, unemployment and similar benefits, and income from property and investments, while CSG on profits from gaming was increased from 1 January 2016 to 0.30%.

Ordinary Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy, which amends Order No. 96-50, maintains the payment of 0.6 percentage points of CSG until 2023 and then of 0.45 percentage points from 2024 to 2033.

This is a broad-based tax levied on employment income, unemployment and similar benefits 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 (see 4.1).

#### **4.3 - Social levies on income from property and investments**

Act No. 2010-1594 of 20 December 2010 allocated to CADES, starting in 2011, a 1.3% share of the social levies on the income from property and investments referred to in Articles 245-14 and 245-15 of the Social Security Code. The rate for these levies is set at 5.4% as from 1 January 2012.

With effect from 1 January 2016, the payment of 1.3% of social levies on income from property and investments was replaced by an increase of 0.12% in the portion of the CSG paid to CADES.

#### **4.4 - Resources from the Retirement Reserve Fund**

Under the 2011 Social Security Funding Law (*Loi de Financement de la Sécurité Sociale – LFSS*) No. 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 instalments of €2.1 billion no later than 31 October each year, with effect from 1 January 2011 until 2024. Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy provided for an additional annual payment of €1.45 billion from 2025 to 2033. The two institutions concerned have an agreement setting out the timing and terms and conditions governing these payments.

This annual resource paid by the FRR is recognised under income for the period.

FRR's commitment to pay amounts for subsequent years is recognised in off-balance sheet items under "Other commitments received – Retirement Reserve Fund".

#### **5. Private rental property**

CADES has sold all the property transferred to it on 1 January 2000 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, CNAV 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 CNAV to do all that was necessary in connection with the administration of the properties.

Since 1 January 2007, CADES manages disputes and claims internally.

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

At 31 December 2021, CADES had settled all disputes and claims.

#### **6. 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 2021, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.1326	SEK:	10.2503	GBP:	0.8403
AUD:	1.5615	NOK:	9.9888	MXN:	23.1438
CHF:	1.0331	NZD:	1.6579	HKD:	8.8333
CAD:	1.4393	TRY:	15.2335	JPY:	130.3800
ZAR:	18.0625	SGD:	1.5279	CNY:	7.1947

- 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.

#### **7. Repurchase agreements with securities delivered**

Only securities issued or guaranteed by the State may be used as security by CADES in repurchase agreements entered into to invest its cash balances.

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



## **8. 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 hardware.

Intangible fixed assets consist of software.

## **9. 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 at 25 July 2021:	105.26323
CPI at 31 December 2021:	106.40548
Cadesi index at 25 July 2021:	1.105008
Cadesi 2024 index:	1.09533

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”.

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

Commitments in respect of transactions involving forward financial instruments, entered into for the purpose of hedging interest rate and currency exposure, 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*.

## **11. 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.

## **12. 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.

## **13. Counterparty risk**

CADES may be exposed to counterparty risk on two types of transactions: investment transactions and forward market transactions.

For both types of transactions and with all of its counterparties, CADES has signed AFB or FBF forward market agreements providing for daily or weekly margin calls depending on the counterparty and the agreement in place.

### **1. Investment transactions**

CADES may invest its cash balances in securities issued or guaranteed by the State either under repurchase agreements with delivered securities or through outright securities purchases.

In the case of repurchase agreements with delivered securities, in exchange for the loan extended to the counterparty, CADES receives full ownership of a government security (OAT or 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 minimum double-A long-term rating.

Daily margin calls enable CADES to significantly reduce its counterparty risk on these repurchase agreements.

### **2. Forward market transactions**

To manage its interest rate risk and eliminate currency and/or structural risk, CADES enters into transactions in the forward markets involving instruments such as interest rate swaps, currency swaps and asset swaps.

CADES uses daily or weekly margin calls to minimise the residual risk on these instruments in the event of counterparty default.

## **14. Transactions involving investment securities**

The portfolio of investment securities, 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.

## **15. New IBOR reform**

A reform of the “IBOR” interest rate benchmark indices is underway in the markets.

CADES has no exposure to IBOR rates subject to transition.

It considers that the replacement of EONIA by EuroSTR will not have any material impact on its financial statements.

## NOTES

### BALANCE SHEET

At 31 December 2021, the balance sheet showed total assets of €11,731.86 million for total debt of €126,845.77 million, resulting in negative reserves of €115,190.76 million.

### ASSETS

#### Note 1: Treasury and interbank transactions

At (€ millions)	31 December 2021	31 December 2020	31 December 2019
<b>CENTRAL BANKS</b>	<b>7,038.12</b>	<b>9,910.82</b>	<b>3,056.63</b>
Central banks	7,038.12	9,910.82	3,056.63
<b>TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Government securities with a maturity of less than 3 months	-	-	-
Accrued interest	-	-	-
<b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>0.09</b>	<b>0.09</b>	<b>0.03</b>
<b>Repayable at sight</b>	<b>0.09</b>	<b>0.09</b>	<b>0.03</b>
Debit balances on ordinary accounts	0.09	0.09	0.03
Securities received under open repurchase agreements	-	-	-
Accrued interest	-	-	-
<b>Repayable at term</b>	<b>-</b>	<b>-</b>	<b>-</b>
Securities received under term repurchase agreements with a maturity of less than 3 months	-	-	-
Of which: Treasury bills	-	-	-
Bonds	-	-	-
Own securities	-	-	-
Accrued interest	-	-	-
<b>Total</b>	<b>7,038.21</b>	<b>9,910.91</b>	<b>3,056.66</b>

NB. On 31 December 2021, the balance on CADES' transaction account with Banque de France was transferred to the euro-denominated deposit account to exclude it from the sweeping of the State's dedicated account with the Banque de France. The "central banks" line item shows the cash balance at 31 December 2021.

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

(€ millions)	Gross value at 1 January 2021	Acquisitions	Disposals	Gross value at 31 December 2021	Amortisation and depreciation	Net book value at 31 December 2021	Net book value at 31 December 2020	Net book value at 31 December 2019
<b>Intangible assets</b>	<b>0.12</b>	<b>-</b>	<b>-</b>	<b>0.12</b>	<b>0.12</b>	<b>-</b>	<b>-</b>	<b>-</b>
Software	0.12	-	-	0.12	0.12	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Tangible assets</b>	<b>0.02</b>	<b>-</b>	<b>-</b>	<b>0.02</b>	<b>0.02</b>	<b>-</b>	<b>-</b>	<b>-</b>
Sundry equipment	0.02	-	-	0.02	0.02	-	-	-
<b>Total</b>	<b>0.14</b>	<b>-</b>	<b>-</b>	<b>0.14</b>	<b>0.14</b>	<b>-</b>	<b>-</b>	<b>-</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**

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>SUNDRY DEBTORS</b>	<b>641.71</b>	<b>1,866.50</b>	<b>312.21</b>
Deposits paid by way of initial margins	175.78	1,533.37	205.56
- Deposits	175.03	1,533.27	205.09
- Accrued interest	0.74	0.10	0.47
Outstanding CRDS and CSG contributions and social levies to be collected	465.93	333.13	106.65
- Gross amounts receivable	1,067.49	998.36	550.85
- Provisions	(601.56)	(665.24)	(444.20)
Other debtors in respect of financial transactions	-	-	-
Other debtors in respect of operating charges	-	-	-
Other sundry debtors – CNAV	-	-	-
- Gross amounts receivable	-	-	-
- Provisions	-	-	-
<b>Total</b>	<b>641.71</b>	<b>1,866.50</b>	<b>312.21</b>

Other assets comprise:

- deposits paid by way of initial margins for €175.78 million; and
- outstanding CRDS and CSG contributions and social levies to be collected by ACOSS amounting to €465.93 million. Provisions totalling €601.56 million have been deducted from the gross amounts receivable of €1,067.49 million.

The slight increase in gross amounts receivable in 2021 is attributable to the fact that the new deferrals of CSG and CRDS salary contributions granted by the State, in particular to self-employed professionals, were almost entirely offset by the recognition at 31 December 2021 of deferred receivables collected from companies and by a simultaneous increase in the unsolicited repayment rate.

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

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>PROVISIONS BROUGHT FORWARD</b>	<b>665.24</b>	<b>444.20</b>	<b>429.17</b>
Impact of accounting method changes	-	-	-
Provisions set aside – property	-	-	-
Provisions set aside – CRDS and CSG contributions and social levies	0.46	221.26	15.25
Provisions reversed – property	-	-	(0.13)
Provisions reversed – CRDS and CSG contributions and social levies	(64.14)	(0.22)	(0.09)
<b>PROVISIONS CARRIED FORWARD</b>	<b>601.56</b>	<b>665.24</b>	<b>444.20</b>

Reflecting the economic conditions of 2021 and the evolving impact of the Covid-19 pandemic on these receivables, there was a year-on-year decrease in the provisioning rate for gross CSG and CRDS receivables not yet collected.

#### **Note 4: Prepayments and accrued income**

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>ACCRUED INCOME</b>	<b>1,924.63</b>	<b>1,845.98</b>	<b>1,712.61</b>
On forward interest rate instruments	6.63	6.83	8.07
On forward currency instruments	179.02	163.99	156.94
On CRDS and CSG revenues	1,738.18	1,674.35	1,547.60
On revenue from social levies on income from property and investments	-	-	-
On property sales	-	-	-
Other accrued income	0.80	0.81	-
<b>CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>2.84</b>	<b>4.76</b>	<b>6.74</b>
<b>DEFERRED CHARGES</b>	<b>109.03</b>	<b>98.79</b>	<b>87.13</b>
Issuance premiums on bonds and EMTN	109.03	98.79	87.13
Other deferred charges	-	-	-
<b>PREPAYMENTS</b>	<b>3.90</b>	<b>7.99</b>	<b>0.15</b>
Prepaid administrative expenses	0.02	0.01	0.02
Prepaid interest on negotiable debt instruments	3.88	7.97	0.13
Prepaid interest on bonds	-	-	-
Other prepayments	-	-	-
<b>OTHER</b>	<b>2,011.54</b>	<b>110.12</b>	<b>896.44</b>
Currency adjustment accounts	2,010.86	110.11	896.44
Property rental adjustment account	-	-	-
Sundry	0.68	-	-
<b>Total</b>	<b>4,051.94</b>	<b>2,067.64</b>	<b>2,703.07</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 for €1,738.18 million, interest rate financial instruments for €6.63 million and foreign currency financial instruments for €179.02 million;
- issuance premiums on bonds and EMTN amounting to €109.03 million to be recognised in profit and loss over time;
- prepayments amounting to €3.90 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments;
- foreign currency adjustment accounts amounting to €2,011.54 million, being technical accounts used to recognise to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

## LIABILITIES AND RESERVES

In respect of liabilities, a distinction is made between CADES' reserves and its other liabilities.

Reserves, which consist of the profit and loss account brought forward (€-133,185.36 million), the profit or loss for the year (€17,813.38 million) and the property endowment (€181.22 million), came to €-115,190.76 million.

The profit and loss account brought forward broke down as follows:

REFERENCE TEXT	DEBT TRANSFERRED TO CADES (€ millions)
Order No. 96-50 of 24 January 1996	(20,885.52)
Act No. 97-1164 of 19 December 1997	(13,263.06)
Act No. 2004-810 of 13 August 2004	(47,310.00)
Act No. 2008-1330 of 17 December 2008	(27,000.00)
Act No. 2010-1594 of 20 December 2010	(65,300.00)
Act No. 2011-1906 of 21 December 2011	(2,466.64)
Decree No. 2012-329 of 7 March 2012	(6,648.05)
Decree No. 2013-482 of 7 June 2013	(7,718.57)
Decree No. 2014-97 of 3 February 2014	(10,000.00)
Decree No. 2015-170 of 13 February 2015	(10,000.00)
Decree No. 2016-170 of 13 February 2016	(23,609.05)
Decree No. 2020-1074 of 19 August 2020	(20,000.00)
Decree No. 2021-40 of 19 January 2021	(40,000.00)
Payment from ACOSS by way of an adjustment of the deficits from 1999 to 2006	64.72
Accumulated profits generated by CADES between 1996 and 2020 and impact of previous accounting method changes	160,950.81
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD</b>	<b>(133,185.36)</b>

Liabilities, which amounted to €126,845.77 million at 31 December 2021, consist mainly of debts to credit institutions amounting to €1,003.37 million, debts evidenced by securities totalling €123,355.70 million, initial margins received and others totalling €1,508.65 million and accruals and deferred income totalling €978.05 million.

## Note 5: Treasury and interbank transactions

At (€ millions)	31 December 2021				31 December 2021	31 December 2020	31 December 2019
	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	-	155.14	848.23	-	1,003.37	1,003.37	1,003.37
At sight	-	-	-	-	-	-	-
Credit balances on ordinary accounts	-	-	-	-	-	-	-
At term	-	155.14	848.23	-	1,003.37	1,003.37	1,003.37
Securities given under repurchase agreements	-	-	-	-	-	-	-
Accounts and deposits	-	151.00	847.00	-	998.00	998.00	998.00
Of which: Euro	-	151.00	847.00	-	998.00	998.00	998.00
Other currencies	-	-	-	-	-	-	-
Accrued interest	-	4.14	1.23	-	5.37	5.37	5.37
<b>Total</b>	-	<b>155.14</b>	<b>848.23</b>	-	<b>1,003.37</b>	<b>1,003.37</b>	<b>1,003.37</b>

## Note 6: Debts evidenced by securities

At (€ millions)	31 December 2021				31 December 2021	31 December 2020	31 December 2019
	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	4,270.00	4,767.81	264.00	-	9,301.81	10,489.27	398.90
Treasury bills denominated in other currencies	-	-	-	-	-	19.93	-
BMTN denominated in euro	-	-	264.00	-	264.00	264.00	264.00
Commercial paper denominated in euro	-	-	-	-	-	300.00	-
Commercial paper denominated in other currencies	4,268.94	4,767.79	-	-	9,036.73	9,904.25	133.73
Other negotiable debt instruments denominated in foreign currencies	-	-	-	-	-	-	-
Accrued interest	1.06	0.01	-	-	1.07	1.09	1.17
<b>BONDS</b>	<b>3,498.63</b>	<b>9,309.69</b>	<b>70,182.18</b>	<b>31,063.39</b>	<b>114,053.89</b>	<b>92,545.62</b>	<b>91,646.61</b>
Bonds and EMTN denominated in euro	-	9,250.00	44,413.34	24,000.00	77,663.34	72,049.70	72,015.93
Bonds and EMTN denominated in other currencies	3,090.23	-	25,768.84	7,063.39	35,922.46	19,859.12	18,804.03
Accrued interest	408.40	59.69	-	-	468.09	636.80	826.65
<b>Total</b>	<b>7,768.63</b>	<b>14,077.50</b>	<b>70,446.18</b>	<b>31,063.39</b>	<b>123,355.70</b>	<b>103,034.89</b>	<b>92,045.51</b>

A euro issue for €200 million with a €100 million tap maturing on 20 December 2025 is subject to early redemption at the counterparty's option from 2021.

### Debts evidenced by securities are analysed below:

Debts evidenced by securities totalled €123,355.70 million and comprise negotiable debt securities totalling €9,301.81 million and bonds and similar instruments totalling €114,053.89 million.

Bonds and similar instruments are issued under a borrowing programme approved by the Minister of the Economy on 15 December 2017, and may be stand-alone or part of the following programmes:

- a French issuance programme for which the maximum amount of outstandings is €130 billion;
- a UK issuance programme for which the maximum amount of outstandings is €65 billion;
- a New York commercial paper issuance programme for which the maximum amount of outstandings is

- €60 billion;
- a French medium-term note (NEU MTN) issuance programme for which the maximum amount of outstandings is €10 billion;
  - a French short-term note (NEU CP) issuance programme for which the maximum amount of outstandings is €20 billion;
  - an Australian issuance programme for which the maximum amount of outstandings is AUD 6 billion.

All in all, at 31 December 2021 debts evidenced by securities maturing within one year totalled €21,846.13 million and by those maturing in more than five years €31,063.93 million, compared with €30,900.73 million and €15,444.78 million, respectively, at 31 December 2020. Debts due to mature at between one and five years rose from €56,689.36 million at 31 December 2020 to €70,446.18 million at 31 December 2021.





## Note 6a: Analysis of transactions in euro and foreign currencies before and after hedging

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

(in millions of euros)		Initial debt		Hedging transactions		Final debt	
		Foreign currencies	Euros	Foreign currencies	Euros	Foreign currencies	Euros
<b>EURO-DENOMINATED DEBT</b>			78,925		43,259		122,184
<b>FOREIGN CURRENCY-DENOMINATED DEBT</b>		Value in euros at 31 December 2021		Value in euros at 31 December 2021			
CHF	350	339	(350)	(339)	-	-	
GBP	1,500	1,785	(1,500)	(1,785)	-	-	
JPY	-	-	-	-	-	-	
USD	46,335	40,910	(46,335)	(40,910)	-	-	
HKD	-	-	-	-	-	-	
SEK	-	-	-	-	-	-	
AUD	690	442	(690)	(442)	-	-	
NOK	9,400	941	(9,400)	(941)	-	-	
NZD	-	-	-	-	-	-	
CNY	3,900	542	(3,900)	(542)	-	-	
CAD	-	-	-	-	-	-	
MXN	-	-	-	-	-	-	
<b>Sub-total foreign currencies</b>			<b>44,959</b>		<b>(44,959)</b>		-
<b>TOTAL</b>			<b>123,885</b>		<b>(1,700)</b>		<b>122,184</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 synthetically 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 CADES' debt by interest rate type. Hedging impacts the initial breakdown, such that in the final analysis, 72.71% of the debt bears fixed rates, 24.37% variable rates and 2.91% rates indexed to inflation.

### 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	-	-	-	-	-	-	-	-	-	-
Bonds, EMTN and BMTN	35,922.47	74,003.50	109,925.97		(35,922.47)	13,842.17	-	87,845.67	87,845.67	
Private placements	-	998.00	998.00		-	-	-	998.00	998.00	
Macro hedging swaps	-	-	-		-	-	-	-	-	
<b>Total fixed rates</b>	<b>35,922.47</b>	<b>75,001.50</b>	<b>110,923.97</b>	<b>89.54</b>	<b>(35,922.47)</b>	<b>13,842.17</b>	<b>-</b>	<b>88,843.67</b>	<b>88,843.67</b>	<b>72.71</b>
<b>VARIABLE RATES</b>										
Negotiable debt instruments	9,036.73	-	9,036.73		(9,036.73)	8,749.28	-	8,749.28	8,749.28	
Bonds, EMTN and BMTN	-	364.00	364.00		-	20,667.41	-	21,031.41	21,031.41	
Private placements	-	-	-		-	-	-	-	-	
Macro hedging swaps	-	-	-		-	-	-	-	-	
<b>Total variable rates</b>	<b>9,036.73</b>	<b>364.00</b>	<b>9,400.73</b>	<b>7.59</b>	<b>(9,036.73)</b>	<b>29,416.69</b>	<b>-</b>	<b>29,780.69</b>	<b>29,780.69</b>	<b>24.37</b>
<b>INDEXED RATES</b>										
Bonds	-	3,559.84	3,559.84		-	-	-	3,559.84	3,559.84	
Macro hedging swaps	-	-	-		-	-	-	-	-	
<b>Total indexed rates</b>	<b>-</b>	<b>3,559.84</b>	<b>3,559.84</b>	<b>2.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,559.84</b>	<b>3,559.84</b>	<b>2.91</b>
<b>TOTAL</b>	<b>44,959.20</b>	<b>78,925.34</b>	<b>123,884.54</b>	<b>100.00</b>	<b>(44,959.20)</b>	<b>43,258.85</b>	<b>-</b>	<b>122,184.20</b>	<b>122,184.20</b>	<b>100.00</b>

**Note 7: Other liabilities**

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS</b>	<b>1,335.02</b>	<b>136.69</b>	<b>1,095.32</b>
- Deposits	1,334.93	136.18	1,095.24
- Accrued interest	0.09	0.51	0.08
<b>OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS</b>	-	-	-
<b>OTHER CREDITORS IN RESPECT OF OPERATING CHARGES</b>	<b>173.63</b>	<b>218.06</b>	<b>119.23</b>
Payments to the State	-	-	-
Tax	-	-	-
Social security	-	-	-
Trade creditors	-	0.01	-
Other sundry creditors (ACOSS)	173.63	218.05	119.23
<b>Total</b>	<b>1,508.65</b>	<b>354.75</b>	<b>1,214.55</b>

Other liabilities correspond mainly to:

- deposits received by way of initial margins in respect of contracts on forward markets and repurchase agreements put in place to hedge counterparty risk, amounting to €1,335.02 million at 31 December 2021; and
- the credit balance with ACOSS amounting to €173.63 million, consisting of taxpayer credit notes received from ACOSS.

## **Note 8: Accruals and deferred income**

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>ACCRUALS</b>	<b>43.17</b>	<b>47.40</b>	<b>49.19</b>
Accruals on forward interest rate instruments	31.38	32.53	35.05
Accruals on forward currency instruments	0.20	4.21	4.45
Fees payable in respect of market transactions	-	-	-
Accruals in respect of operating charges	1.37	1.45	1.22
Accruals in respect of CRDS and CSG collection costs	10.20	9.21	8.40
Accruals in respect of revenue from social levies on income from property and investments	-	-	-
Other accruals	0.01	0.01	0.06
<b>CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS</b>	<b>66.04</b>	<b>36.29</b>	<b>10.70</b>
<b>UNEARNED INCOME</b>	<b>507.11</b>	<b>422.08</b>	<b>331.40</b>
Issuance premiums on bonds	507.11	421.92	331.40
On government securities	-	-	-
On foreign currency transactions	-	0.16	-
Other unearned income	-	-	-
<b>OTHER</b>	<b>361.73</b>	<b>1,875.37</b>	<b>422.99</b>
Currency adjustment accounts	346.42	1,844.11	343.87
Sundry	15.32	31.25	79.12
<b>TOTAL</b>	<b>978.05</b>	<b>2,381.14</b>	<b>814.28</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:

- Accruals in respect of interest rate swaps for €31.38 million and CRDS and CSG for €10.20 million;
- Balancing cash payments on currency swaps amounting to €66.04 million that are to be spread;
- Unearned income corresponding to premiums on bond issues, amounting to €507.11 million;
- Currency adjustment accounts amounting to €346.42 million, being technical accounts used to recognise to profit and loss adjustments arising on the measurement of off-balance sheet commitments.

## **Note 8a: Provision accounts**

Provisions for liabilities and charges include provisions for:

- redundancy indemnities;
- remuneration of days saved by CADES employees;
- the consequences of the European Court of Justice's Judgment of 26 February 2015 concerning the reimbursement by CADES of CRDS, CSG and social levy overpayments (see Note 14);
- provisions for liabilities and charges in respect of CSG and CRDS.

<b>At (€ millions)</b>	<b>31 December 2020</b>	<b>Set aside</b>	<b>Reversed</b>	<b>31 December 2021</b>
<b>Provisions</b>	<b>75.02</b>	<b>7.06</b>	<b>5.22</b>	<b>76.86</b>
Provision for redundancy indemnities	0.30	0.01	-	0.31
Provision for time savings account	0.06	0.01	-	0.07
Provision for remuneration	0.03	0.01	-	0.04
Provision for liabilities	-	-	-	-
Ruyter judgment	4.41	-	3.40	1.01
CSG and CRDS provisions	70.22	7.03	1.82	75.43
<b>Total</b>	<b>75.02</b>	<b>7.06</b>	<b>5.22</b>	<b>76.86</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	(1,165.45)
Exceptional income items	-
Other operating income and charges	<u>18,978.83</u>
Gross operating profit and net profit for the period	17,813.38

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 2021	31 December 2020	31 December 2019
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS</b>			
<b>Interest receivable – Demand loans and advances and open repurchase agreements</b>	-	-	-
Interest from ordinary accounts in debit	-	-	-
Interest from loans	-	-	-
Interest from securities delivered under open repurchase agreements	-	-	-
<b>Interest receivable – Term loans, advances and repurchase agreements</b>	-	-	-
Interest from loans denominated in euro	-	-	-
Interest from loans denominated in foreign currencies	-	-	-
Interest from securities delivered under repurchase agreements	-	-	-
<b>Other interest receivable</b>	<b>85.79</b>	<b>78.86</b>	<b>28.28</b>
<b>INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES</b>			
Interest from fixed income securities	-	-	-
Interest from government securities	-	-	-
<b>OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>640.03</b>	<b>476.54</b>	<b>585.41</b>
Amortisation of premiums on issue	167.94	102.01	93.21
Net profit on hedging transactions	472.09	374.53	492.20
Profit on repurchase of own securities	-	-	-
<b>Total</b>	<b>725.82</b>	<b>555.40</b>	<b>613.69</b>

Banking income, which amounted to €725.82 million, consists mainly of:

- Net profit on hedging transactions amounting to €472.09 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €85.79 million; and
- The amortisation of bond premiums on issue amounting to €167.94 million.

## **Note 10: Cost of debt**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS</b>	<b>44.14</b>	<b>43.77</b>	<b>41.30</b>
<b>Interest payable - Demand loans and repurchase agreements</b>	-	-	-
Interest on ordinary accounts in credit	-	-	-
Interest on overnight loans	-	-	-
Interest on securities delivered under repurchase agreements	-	-	-
<b>Interest payable – Term loans and repurchase agreements</b>	<b>40.55</b>	<b>40.55</b>	<b>40.55</b>
Interest on CDC loan (transfer of debt)	-	-	-
Interest on multi-currency credit	-	-	-
Interest on securities delivered under repurchase agreements	-	-	-
Interest on private placements	40.55	40.55	40.55
<b>Other interest payable and similar charges</b>	<b>3.59</b>	<b>3.22</b>	<b>0.75</b>
<b>INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES</b>	<b>1,804.62</b>	<b>2,023.31</b>	<b>2,566.24</b>
<b>Interest on debts evidenced by certificates</b>	<b>1,804.62</b>	<b>2,023.31</b>	<b>2,566.24</b>
Interest on negotiable debt instruments denominated in euros	1.95	2.67	4.40
Interest on negotiable debt instruments denominated in other currencies	20.70	35.29	19.57
Interest on bonds and equivalent securities denominated in euros	1,211.39	1,573.66	1,938.22
Interest on bonds and equivalent securities denominated in other currencies	393.25	391.74	502.35
Other charges on debt evidenced by securities	177.32	19.95	101.70
<b>Other interest payable and similar charges</b>	-	-	-
<b>FEES PAYABLE</b>	<b>42.50</b>	<b>27.01</b>	<b>7.97</b>
Fees on term loans with credit institutions	0.04	0.03	4.95
Fees on negotiable debt instruments issued	-	-	-
Fees on bonds	42.44	26.96	3.00
Other fees on securities transactions	0.02	0.02	0.02
Other fees	-	-	-
<b>TOTAL</b>	<b>1,891.26</b>	<b>2,094.09</b>	<b>2,615.51</b>

Interest payable and similar charges on CADES' debt, which amounted to €1,891.26 million, decreased by 9.7% from 31 December 2020 and consists of:

- Charges amounting to €1,804.62 million in respect of debts;
- Interest amounting to €44.14 million on transactions with credit institutions, consisting of interest on private placements and margin calls; and
- Fees amounting to €42.50 million.

The decrease in interest and similar charges payable compared with 31 December 2020 was related to favourable market conditions.

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

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>NET GAIN (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS</b>	<b>0.01</b>	<b>-</b>	<b>-</b>
Other foreign exchange transactions	0.01	-	-

**Note 11a: Gains and losses on investment securities and equivalent**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>GAINS (LOSSES) ON INVESTMENT SECURITIES AND EQUIVALENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net gain (loss) on investment securities	-	-	-

**Note 11b: Exchange rate gains and losses on management operations**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>EXCHANGE RATE GAINS AND LOSSES ON MANAGEMENT OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Exchange rate gains on foreign-currency invoices	-	-	-
Exchange rate losses on foreign-currency invoices	-	-	-



## 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, cancellations and debt forgiveness).

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>NET CRDS REVENUES (Article 6)</b>	<b>7,865.90</b>	<b>7,357.42</b>	<b>7,597.14</b>
CRDS contributions levied on wages and salaries	6,952.49	6,548.68	6,706.69
CRDS contributions levied on property assets	328.05	324.55	327.23
CRDS contributions levied on investment income	432.94	349.44	390.75
CRDS contributions levied on sales of gems and precious metals	5.18	4.22	4.91
CRDS contributions on gaming proceeds	147.24	130.53	167.56
CRDS exemption offsets (travel vouchers and voluntary community services)	-	-	-

CRDS revenues, net of collection costs, amounted to €7,865.90 million.

CRDS levied on wages and salaries (which is mainly collected by ACOSS) represented 88.39% of the total. CRDS collected by the offices of the Directorate General of Public Finances and levied mainly on capital (property and investment income) represented 9.67%. CRDS on gaming profits and the sale of precious metals represented 1.94%.

## Note 12a

The table below provides a breakdown of income and charges relating to the CRDS at 31 December 2021.

<b>CRDS REVENUES (€ millions)</b>	<b>(I)</b>	<b>CRDS COSTS</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
CRDS levied on wages and salaries	7,006.45	Write-offs, waivers, cancellation and debt forgiveness Assessment and collection costs	19.27 34.69	<b>6,952.49</b>
CRDS levied on property assets	342.08			
CRDS levied on investment income	435.12	Assessment and collection costs	14.03	<b>328.05</b>
CRDS levied on sales of gems and precious metals	5.21	Assessment and collection costs	2.18	<b>432.94</b>
CRDS levied on gaming proceeds	147.98	Assessment and collection costs	0.03	<b>5.18</b>
CRDS exemption offsets (travel vouchers and voluntary community services)	-	Assessment and collection costs	0.74	<b>147.24</b>
Reversal of provisions on outstanding CRDS to be collected	33.61	Provisions on outstanding CRDS to be collected	- 3.13	- <b>30.48</b>
<b>Total</b>	<b>7,970.45</b>	<b>Total</b>	<b>74.07</b>	<b>7,896.38</b>

### Note 12.1: CSG revenues

Supplementary social security contributions (*Contribution Sociale Généralisée – CSG*) are a resource allocated to CADES at the rate of 0.60% since 1 January 2016 for CSG on taxable employment income, unemployment and similar benefits, and income from property and investments, and at 0.30% for CSG on profits from gaming.

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

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>NET CSG REVENUES (Article 6)</b>	<b>8,953.55</b>	<b>8,381.62</b>	<b>8,583.37</b>
CSG contributions levied on wages and salaries	8,028.49	7,562.95	7,713.47
CSG contributions levied on property assets	394.53	389.88	390.58
CSG contributions levied on investment income	519.55	419.41	468.96
CSG contributions on gaming proceeds	10.98	9.38	10.36
CSG exemption offsets	-	-	-

CSG revenues, net of collection costs, amounted to €8,953.55 million.

CSG levied on wages and salaries (which is collected mainly by ACOSS) represented 89.67% of the total. The remaining CSG is levied on investment income, gaming proceeds and property income (10.33%).

### **Note 12.1a**

The table below provides a breakdown of income and charges relating to the CSG at 31 December 2021.

<b>CSG REVENUES (€ millions)</b>	<b>(I)</b>	<b>CSG COSTS</b>	<b>(II)</b>	<b>Net revenues (I-II)</b>
CSG levied on wages and salaries	8,088.54	Write-offs, waivers, cancellation and debt forgiveness	20.04	<b>8,028.49</b>
CSG levied on property assets	411.40	Assessment and collection costs	40.01	<b>394.53</b>
CSG levied on investment income	522.16	Assessment and collection costs	16.87	<b>519.55</b>
CSG levied on gaming proceeds	11.03	Assessment and collection costs	2.61	<b>10.98</b>
CSG exemption offsets	-		0.05	-
Reversal of provisions on outstanding CSG to be collected	32.34	Provisions on outstanding CSG to be collected	4.36	<b>27.98</b>
<b>TOTAL</b>	<b>9,065.47</b>	<b>TOTAL</b>	<b>83.94</b>	<b>8,981.53</b>

### **Note 12.2: Social levies on income from property and investments**

Social levies on income from property and investments were a source of revenue allocated to CADES from 1 January 2011 under Act No. 2010-1594 of 20 December 2010 (pursuant to Articles 245-14 and 245-15 of the Social Security Code). Since 1 January 2016, CADES no longer receives the 1.3% portion of these levies, but an additional 0.12% of CSG.

The following table essentially shows adjustments made in 2021 to payments recognised in 2015.

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>NET REVENUE FROM SOCIAL LEVIES</b>	<b>(0.19)</b>	<b>(0.96)</b>	<b>(0.80)</b>
On income from property	-	-	-
On income from investments	(0.19)	(0.96)	(0.80)

### **Note 12.2a**

The following table shows the breakdown of revenue and costs associated with social levies on income from property and investments recognised in 2021.

<b>REVENUES FROM SOCIAL LEVIES (€ 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	-	Assessment and collection costs	-	-
		Write-offs, waivers, cancellation and debt forgiveness	-	
Social levies on income from investments	(0.19)	Assessment and collection costs	-	<b>(0.19)</b>
Reversal of provisions on outstanding amounts to be collected	-	Provisions on outstanding amounts to be collected	-	-
<b>TOTAL</b>	<b>(0.19)</b>	<b>TOTAL</b>	<b>-</b>	<b>(0.19)</b>

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

The Retirement Reserve Fund paid €2.10 billion on 25 June 2021.

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>REVENUE FROM THE RETIREMENT RESERVE FUND</b>	<b>2,100.00</b>	<b>2,100.00</b>	<b>2,100.00</b>
Revenue for the year	2,100.00	2,100.00	2,100.00

### **Note 13: General operating charges**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>STAFF COSTS</b>	<b>0.87</b>	<b>0.95</b>	<b>0.98</b>
Wages and salaries	0.62	0.68	0.69
Social security charges	0.24	0.26	0.28
Time savings account	0.01	0.01	0.01
Sundry charges	-	-	-
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>1.43</b>	<b>0.78</b>	<b>2.35</b>
Taxes and duties	0.08	0.08	0.09
External services	1.35	0.70	2.26
<b>TOTAL</b>	<b>2.30</b>	<b>1.73</b>	<b>3.33</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).

### **List of staff positions at 31 December 2021**

#### Non-civil servant public sector employees:

- 1 senior front office manager (grade A)
- 1 assistant front office manager (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 B)

#### Civil servant employees:

- 1 corporate secretary (grade A)

CADES has made available non-civil servant public sector employees to AFT since 1 September 2017 and has accordingly paid the corresponding salaries, employer charges and payroll taxes, which have then been reimbursed annually by the Directorate General of the Treasury. In accordance with the terms of the services framework agreement signed on 1 September 2017 by CADES and the DGT, these salaries are then rebilled to CADES.

CADES' administrative expenses came to €1.43 million for 2021 and comprised mainly operating costs paid directly by the Ministry of the Economy, Finance and the Recovery in respect of activities carried out by AFT on behalf of CADES, in accordance with the financial agreement of 22 November 2018, as well as statutory auditors' fees for the statutory audit of the 2021 financial statements in the amount of €48,000.

### **Note 13a: Property assets and property management**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>REVENUE FROM PROPERTY ASSETS</b>	-	-	-
Exceptional income	-	-	-
Provisions reversed	-	-	-
<b>CHARGES ON PROPERTY ASSETS</b>	-	-	-
External services	-	-	-
Exceptional charges	-	-	-

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, in particular the related disputes.

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

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Payments to the State	-	-	-
Provision for sundry liabilities			
Ruyter judgment	-	-	-
Reduction of CSG and CRDS income	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>

In the Judgment of 26 February 2015, the European Court of Justice confirmed the non-taxability of property income received in France by tax non-residents, and granted them entitlement to the full reimbursement of sums unduly deducted since 2012 in respect of CRDS, CSG and social levies.

### **Note 14a: Other operating income**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Other reversals of provisions for sundry charges	-	(0.01)	0.25
Other reversals of provisions for sundry liabilities			
Ruyter judgment	3.40	2.98	2.92
<b>TOTAL</b>	<b>3.40</b>	<b>2.97</b>	<b>3.17</b>

**Note 15: Exceptional income and charges**

<b>Period ended (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Statutory limitation of debt – administrative budget	-	-	-
Statutory limitation of debt – financing budget	-	-	-
Other exceptional income (impact of ACOSS changes)	-	-	-
Other exceptional charges (impact of ACOSS changes)	-	-	-
Other exceptional charges	-	-	-
Other exceptional income	-	0.04	0.01
<b>TOTAL</b>	<b>-</b>	<b>0.04</b>	<b>0.01</b>

## OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments distinguish between commitments given and commitments received and are analysed 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

(€ millions)	At 31 December 2021		At 31 December 2020		At 31 December 2019	
	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>Financing in foreign currency</b>	44,959.19	-	29,763.38	-	18,937.76	-
<b>Hedging transactions over the counter</b>						
<b>Forward exchange against euros</b>	9,036.73	-	9,904.25	-	133.73	-
Up to 1 year	9,036.73	-	9,904.25	-	133.73	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Currency swaps against euros</b>	35,922.46	-	19,859.13	-	18,804.03	-
Up to 1 year	3,090.23	-	4,463.53	-	6,453.62	-
From 1 to 5 years	25,768.84	-	12,950.81	-	11,383.84	-
Over 5 years	7,063.39	-	2,444.79	-	966.57	-
			12,950.81			
<b>FORWARD TRANSACTIONS</b>						
<b>Foreign currency financing commitments received</b>	-	-	-	-	-	-
<b>Hedging transactions over the counter</b>						
<b>Forward exchange against euros</b>	-	-	-	-	-	-
Up to 1 year	-	-	-	-	-	-
From 1 to 5 years	-	-	-	-	-	-
<b>Currency swaps against euros</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. Forward exchange outstandings at 31 December 2021 came to €9,036.73 million.

The increase in outstandings of currency swaps against euro is attributable to the increase in foreign currency issue outstandings.

## Note 17: Forward financial instruments

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<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>9,178.25</b>	<b>12,110.67</b>	<b>13,310.67</b>
<b>Firm transactions entered into for hedging purposes</b>			
<b>Interest rate swaps in euro</b>			
Micro hedging	9,178.25	12,110.67	13,310.67
- Up to 1 year	3,163.46	2,932.42	200.00
- From 1 to 5 years	6,014.79	9,178.25	10,799.34
- Over 5 years	-	-	2,311.33

At 31 December 2021, interest rate instruments entered into by CADES comprised swaps amounting to €9,178.25 million entered into for micro hedging purposes.



## **Note 18: Other off-balance sheet commitments**

<b>At (€ millions)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>FINANCING COMMITMENTS</b>			
<b>Commitments received</b>			
<b>From credit institutions</b>			
- Back-up credit lines	1,200.00	1,200.00	1,200.00
- Multi-currency credit lines	-	-	-
- Credit lines in treasury bills	-	-	-
- Other credit lines	-	-	-
<b>Sundry</b>			
- Retirement Reserve Fund ( <i>Fonds de Réserve pour les Retraites</i> )			
- Borrowings	19,350.00	21,450.00	10,500.00
- Commercial paper and securities lent under repurchase agreements	-	-	-
	-	-	-
<b>Commitments given</b>			
Payments to the State	-	-	-
Payments to social security agencies	-	-	-
- Assumption of debt provided for by the Social Security Funding Law No. 2020-992 of 7 August 2020	76,000.00	116,000.00	-
	-	-	-
Financing commitments given under repurchase agreements, currency purchases and treasury bills			

Commitments received consist of:

- Five activation agreements for credit lines enabling CADES to add funds directly to its euro-denominated deposit account held with Banque de France, totalling €1.2 billion and cancellable by the counterparties at 30 to 60 days' notice, depending on the counterparty; and
- A total of €19.35 billion in payments from the Retirement Reserve Fund, corresponding to the annual payments of €2.10 billion for the period from 2018 to 2024 (2011 Social Security Funding Law No. 2010-1594 of 20 December 2010) and €1.45 billion for the period from 2025 to 2033 (Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy).

Commitments given correspond to the amount of the “social security debt and autonomy” transfer provided for by Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy, which amends Order No. 96-50 and provides for the transfer of €136 billion of social security debt to CADES between 2020 and 1 January 2024. The remaining commitment of €76 billion at 31 December 2021 corresponds to:

- The assumption of a third of the hospital debts in the amount of €8 billion, in accordance with the hospital emergency plan announced at the end of 2019;
- Forecast social security deficits between 2020 and 2023 in the amount of €68 billion, relating to the current crisis and the future investments in public healthcare institutions provided for as a result of the “*Séjour de la santé*” consultation.

The total amount of payments that CADES can make in respect of the assumption of debts is limited to €40 billion per year. The dates and amounts of these payments are set by decree.

## **Note 19: Abridged statements**

### **BALANCE SHEET**

<b>At</b>	<b>31 December 2021</b>
<b>(€ millions)</b>	
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD FROM 1 JANUARY 2021</b>	<b>(133,185.36)</b>
<b>PROFIT FOR THE YEAR ENDED 31 DECEMBER 2021</b>	<b>17,813.38</b>
<b>PROPERTY ENDOWMENT</b>	<b>181.22</b>
<b>DEBT REMAINING TO BE REPAYED AT 31 DECEMBER 2021</b>	<b>(115,190.76)</b>
<b>Represented by:</b>	
Liabilities towards third parties	
- Borrowings falling due within 1 year	<b>22,001.27</b>
- Borrowings falling due after 1 year	<b>102,357.80</b>
- Other creditors, accruals and unearned income	<b>2,486.70</b>
Less assets held by CADES	
- Financial investments	<b>7,038.21</b>
- Other debtors, prepayments and accrued income	<b>4,616.80</b>

### **PROFIT AND LOSS ACCOUNT**

<b>Period ended</b>	<b>31 December 2021</b>
<b>(€ millions)</b>	
<b>NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES</b>	<b>16,881.13</b>
<b>ESTIMATION CHANGES AND ERROR ADJUSTMENTS</b>	<b>-</b>
<b>NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)</b>	<b>2,100.00</b>
<b>NET REVENUE FROM PROPERTY</b>	<b>-</b>
Interest payable and similar charges	<b>(1,848.76)</b>
Fees	<b>(42.52)</b>
Interest receivable and similar income	<b>725.83</b>
<b>NET FINANCIAL CHARGES</b>	<b>(1,165.45)</b>
<b>Operating charges</b>	<b>(2.30)</b>
<b>OPERATING PROFIT</b>	<b>17,813.38</b>
Provision for sundry liabilities	<b>-</b>
Exceptional income (charges)	<b>-</b>
<b>NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2021</b>	<b>17,813.38</b>

## OTHER INFORMATION

The tables below provides information on market value, comparing the debt at repayment value as at 31 December 2021 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 2021.
- 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 2021.
- b. The value of unlisted securities issued by CADES obtained using the CADES zero-coupon curve as at 31 December 2021. 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 2021 of collateral, repurchase agreements and bank balances.

(in millions of euros)	DEBT AT REPAYMENT VALUE		DEBT AT MARKET VALUE	MARKET VALUE OF HEDGING TRANSACTIONS
	At maturity	At 31 December 2021	At 31 December 2021	At 31 December 2021
UP TO 1 YEAR	15,335.42	15,335.42	15,505.45	297.15
FROM 1 TO 5 YEARS	70,489.10	70,306.30	73,477.01	727.98
OVER 5 YEARS	30,664.17	30,664.17	30,345.54	105.01
SWAPS	-	-	-	-
<b>TOTAL</b>	<b>116,488.69</b>	<b>116,305.89</b>	<b>119,328.00</b>	<b>1,130.14</b>
VARIABLE RATE	23,902.37	23,902.37	23,976.11	775.80
INDEXED RATE	3,742.64	3,559.84	3,914.01	-
FIXED RATE	88,843.67	88,843.67	91,437.88	354.34
SWAPS	-	-	-	-
<b>TOTAL</b>	<b>116,488.69</b>	<b>116,305.89</b>	<b>119,328.00</b>	<b>1,130.14</b>

Compared with the previous financial year, at 31 December 2021 there had been an increase in the proportion of long-term debt and a decrease in that of short and medium-term debt, as shown by the table below:

DEBT	31 December 2021	31 December 2020	31 December 2019
Short-term (under 1 year)	13.19%	21.13%	20.40%
Medium-term	60.45%	62.29%	68.93%
Long-term (over 5 years)	26.37%	16.59%	10.66%

As regards the breakdown between issues denominated in euro and other currencies, in the year ended 31 December 2021 the proportion of euro-denominated debt decreased from 31 December 2020, as shown by the table below:

DEBT	31 December 2021	31 December 2020	31 December 2019
In foreign currencies	35.40%	29.92%	20.06%
In euros	64.60%	70.08%	79.94%

The post-hedging repayment-value-debt breakdown below shows a decrease in the proportion of fixed rate issues and indexed rate issues and an increase in that of variable rate issues:

DEBT	31 December 2021	31 December 2020	31 December 2019
Variable rate	20.55%	2.43%	6.05%
Indexed rate	3.06%	7.48%	7.86%
Fixed rate	76.39%	90.08%	86.10%

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 repayment value excludes coupons; and
- Gains and losses on macro hedging 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.

## **POST-BALANCE SHEET DATE EVENTS**

Decree No. 2022-23 of 11 January 2022 set the assumption of debts for the 2022 financial year. They come to €40 billion and break down as follows:

- €5 billion for hospitals' debt,
- €35 billion for forecast deficits.