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Caisse d'Amortissement de la Dette Sociale (CADES)

***Statutory auditor's review report on the half-yearly
financial statements***

Period from January 1st to June 30th, 2021

CADES

139, Rue de Bercy, 75012 Paris

This report contains 3 pages

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This is a free translation into English of the statutory auditor's review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

CADES

Registered office: 139, Rue de Bercy, 75012 Paris

Statutory auditor's review report on the half-yearly financial statements

Period from January 1st to June 30th, 2021

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by the Board of Directors and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the limited review of the accompanying half-yearly financial statements of CADES, for the period from January 1st to June 30th, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the half-yearly consolidated financial statements have been prepared and reviewed 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 our review procedures.

These condensed half-yearly financial statements are the responsibility of the CADES' Accounting Officer ("*Agent Comptable de la CADES*") and of the CADES' Chairman ("*Président de la CADES*") on September 29th, 2021 in accordance with the "*Plan Comptable des Etablissements de Crédit*", which applies to CADES by reason of notice no. 99-04 of the *Conseil National de la Comptabilité*. Our responsibility is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 to CADES 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.
- For the half year financial statements, since CADES does not receive any specific notifications identical to those that the collection agencies send every year, CADES:
 - has estimated accrued income based on the income notified in July by collecting agencies;
 - has estimated an amount of receivables equal to the amount at December 31th, 2020, based on the monthly notifications received from ACOSS (notified income v. notified collections);
 - has estimated, on the basis of the analysis of the economic context of the first semester and the effects of the Covid-19 health crisis, an impairment rate for receivables identical to the estimation at December 31th, 2020.

In May 2021, the “*Cour des comptes*” was unable to express an opinion on the 2020 financial statements of the ACOSS’ collections activity. Therefore, we are not able to conclude on the amount of accrued income, receivables and impairment for receivables related to CRDS and CSG revenues.

Based on our review, and except for the qualification mentioned above, nothing has come to our attention that causes us to believe that the accompanying half-yearly financial statements do not give a true and fair view of the assets and liabilities and of the financial position of CADES as at June 30th, 2021 and of the results of its operations for the half-year ended in accordance with the “*Plan Comptable des Etablissements de Crédit*”, which applies to CADES by reason of notice no. 99-04 of the *Conseil National de la Comptabilité*.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly financial statements subject to our review. Except for the potential effects of the facts mentioned above, we have no matters to report as to its fair presentation and consistency with the half-yearly financial statements.

Paris La Défense, on the 30 September 2021

The statutory auditor's
French original signed by

Hubert de Vaumas
Partner

BALANCE SHEET

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
ASSETS			
Cash in hand, balances with central banks and post office banks (Note 1)	20,902.22	20,735.62	9,910.82
Treasury bills and other bills eligible for refinancing with central banks (Note 1)	-	-	-
Loans and advances to credit institutions (Note 1)			
- Repayable at sight	0.12	0.01	0.09
- Repayable at term	-	-	-
Intangible assets (Note 2)	-	-	-
Tangible assets (Note 2)	-	-	-
Other assets (Note 3)	1,030.90	846.00	1,866.50
Prepayments and accrued income (Note 4)	2,360.46	2,259.93	2,067.64
TOTAL ASSETS	24,293.70	23,841.56	13,845.05
LIABILITIES & RESERVES			
Amounts owed to credit institutions (Note 5)			
- Payable at sight	-	-	-
- Payable at term	1,017.44	1,017.49	1,003.37
Debts evidenced by securities (Note 6)			
- Negotiable debt instruments	12,058.36	12,881.64	10,489.27
- Bonds and similar instruments	112,969.05	88,469.37	92,545.62
- Other debts evidenced by securities	-	-	-
Other liabilities (Notes 7 and 7a)	20,815.86	1,307.07	354.75
Accruals and deferred income (Note 8)	2,130.65	1,941.80	2,381.14
Sub-total – Liabilities	148,991.36	105,617.37	106,774.15
Provisions (Note 8a)	75.03	87.03	75.02
Property endowment	181.22	181.22	181.22
Retained earnings	(133,185.36)	(89,274.01)	(109,274.01)
Profit for the period	8,231.45	7,229.95	16,088.65
Sub-total – Reserves	(124,772.69)	(81,862.84)	(93,004.14)
TOTAL LIABILITIES AND RESERVES	24,293.70	23,841.56	13,845.05

PROFIT AND LOSS ACCOUNT

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
Interest receivable and similar income (Note 9)	345.12	280.22	555.40
- From transactions with credit institutions	41.40	31.62	78.86
- From bonds and other fixed income securities	-	-	-
- Other interest receivable and similar income	303.72	248.60	476.54
Interest payable and similar charges (Note 10)	(993.63)	(1,084.30)	(2,067.08)
- On transactions with credit institutions	(22.90)	(20.88)	(43.77)
- On bonds and other fixed income securities	(970.73)	(1,063.42)	(2,023.31)
Fees payable (Note 10)	(30.73)	(3.02)	(27.01)
Gains and losses on trading securities (Note 11)	-	-	-
- Net profit (loss) on foreign exchange transactions	-	-	-
Gains and losses on investment securities (Note 11a)	-	-	-
- Net profit (loss) on investment securities	-	-	-
Exchange rate gains and losses on management operations (Note 11b)	-	-	-
Other operating income – banking	-	-	0.01
Other operating charges – banking	(0.01)	(0.01)	(0.01)
NET BANKING INCOME	(679.25)	(807.11)	(1,538.69)
General operating charges (Note 13)	(1.26)	(1.04)	(1.73)
- Staff costs	(0.51)	(0.59)	(0.95)
- Other administrative charges	(0.75)	(0.45)	(0.78)
Depreciation and impairment provisions on intangible and tangible assets	-	-	-
Other operating income	8,959.56	8,338.80	17,994.39
- Income relating to CRDS and CSG (Notes 12a and 12.1a)	7,909.56	7,288.80	15,882.52
- Income relating to social levies on income from property and investments (Note 12.2a)	-	-	(0.97)
- Income from the Retirement Reserve Fund (Fonds de Réserve pour les Retraites – FRR) (Note 12.3)	1,050.00	1,050.00	2,100.00
- Income from property (Note 13a)	-	-	-
- Provisions reversed for receivables (Notes 12a, 12.1a and 12.2a)	-	-	9.87
- Other provisions reversed for receivables (Note 14a)	-	-	2.97
Other operating charges	(47.60)	(300.70)	(365.35)
- Charges relating to CRDS and CSG (Notes 12a and 12.1a)	(47.60)	(45.23)	(143.49)
- 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)	-	-	-
- Provision for receivables (Notes 12a, 12.1a and 12.2a)	-	(255.47)	(221.86)
- Charges related to property (Note 13a)	-	-	-
Estimation changes and error adjustments	-	-	-
GROSS OPERATING PROFIT	8,231.45	7,229.95	16,088.61
OPERATING PROFIT	8,231.45	7,229.95	16,088.61
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8,231.45	7,229.95	16,088.61
- Exceptional income (Note 15)	-	-	0.04
NET PROFIT FOR THE PERIOD	8,231.45	7,229.95	16,088.65

CASH FLOW STATEMENT

Cash flow (€ millions)	Period ended	30 June 2021	30 June 2020	31 December 2020
Net banking income		(679)	(807)	(1,539)
Inflation premiums		84	(12)	(16)
Provisions for financial instruments		-	-	-
Amortisation of premiums and balancing payments		(70)	(36)	(83)
Change in accrued interest		148	136	(219)
Net cash from (used in) banking activities	(A)	(517)	(720)	(1,856)
Net operating income		8,911	7,919	17,627
(Increase) decrease in accrued income from CRDS and CSG		119	102	(127)
Accruals on 2.2% social levies		-	-	-
(Increase)/decrease in accruals on social levies		-	-	-
(Increase)/decrease in deferred expenses		19,997	(1)	(348)
Unearned income		1,050	1,050	-
Provisions – sundry allocations or reversals		-	-	209
Net cash from (used in) operating activities	(B)	30,077	9,071	17,362
Net cash from (used in) banking and operating activities	(C=A+B)	29,560	8,351	15,506
Net cash from (used in) financing activities	(D)	21,431	9,333	11,349
Debt assumed	(E)	(40,000)	-	(20,000)
Net cash flow for the year	(C+D+E)	10,991	17,683	6,854
<i>Net cash at beginning of period</i>		<i>9,911</i>	<i>3,057</i>	<i>3,057</i>
<i>Net cash at end of period</i>		<i>20,902</i>	<i>20,736</i>	<i>9,911</i>
Net cash flow for the year		10,991	17,679	6,854

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

Social security debt assumed represents the net amount recorded 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)	30 June 2021	30 June 2020	31 December 2020
COMMITMENTS GIVEN (note 18)			
Financing commitments			
- Payments to various social security bodies (Article 4.IV of Order No. 96-50 of 24 January 1996)	-	-	-
- Assumption of debt provided for by Act No. 2020-992 of 7 August 2020 on the social security debt and autonomy	76,000.00	-	116,000.00
- Financing commitments given: acquired under repurchase agreements, currency purchases, treasury bills	-	-	-
COMMITMENTS RECEIVED (note 18)			
Financing commitments			
- 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	8,400.00	21,450.00

NOTES TO THE FINANCIAL STATEMENTS

HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2021

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

Decree No. 2021-40 of 19 January 2021 set the assumption of debts for the 2021 financial year at €40 billion, corresponding to:

- €11 billion for past-year deficits,
- €5 billion for hospitals' debt,
- €24 billion for forecast deficits.

In accordance with Articles 1, 2, 3 and 4 of this Decree, CADES paid €20 billion to the social security funding organisations for the first six months of 2021. This amount broke down as follows:

- €11 billion for past-year deficits,
- €5 billion for the assumption of hospitals' debt,
- €4 billion for the assumption of 2020 forecast social security deficits.

Article 3 of this Decree provides that CADES pay €20 billion for forecast deficits in the second half of 2021, in four €5 billion instalments. In its financial statements for the six months ended 30 June 2021, CADES recorded this €20 billion still to be paid in the second half of 2021 under other amounts payable to social security funding organisations.

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

The general resumption of activity brought CRDS and CSG revenues back to an equivalent level to 2019, reflecting chiefly an increase in wages and salaries resulting from the discontinuation of mass furloughing.

Moreover, as CRDS and CSG receipts more or less matched notified income in the first half of 2021, gross CSG and CRDS receivables remained the same, and given the economic situation and the effects of the Covid-19 pandemic, CADES did not change the provisioning rate for these receivables at 30 June 2021.

- **Financing transactions**

- **Issues (excluding commercial paper)**

CADES borrowed €29.59 billion:

- Three new issues and six tap issues made under the French programme in EUR, for an amount of €16.10 billion;
- Three issues made under the UK programme in USD, for an amount of €11.52 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 €10.44 billion at maturity:

- One issue made under the French programme in EUR, for an amount of €5.75 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 30 June 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 effective date of the decree that sets 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 acts, the amounts payable are recognised under amounts payable to social security funding organisations, with an offsetting entry against the profit and loss account brought forward.

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

Debts assumed in accordance with legal stipulations but for which the payment 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.

In the absence of specific notifications identical to those that the collection agencies send every year, in preparing the financial statements at 30 June 2021 CADES:

- calculated accrued income on the basis of the income that the collection agencies notified in July (see Note 4);
- estimated gross amounts receivable at the same amount as at 31 December 2020, on the basis of the monthly notifications received from ACOSS (notified income versus notified receipts);
- set the receivables provisioning rate at the same level as at 31 December 2020, based on an analysis of the economic situation of the first half-year and of the impact of the Covid-19 health crisis.

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 Act 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 Act (*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 yearly 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 30 June 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 30 June 2021, which correspond to the reference rates communicated by the European Central Bank, are indicated in the table below:

USD:	1.1884	SEK:	10.1110	GBP:	0.8581
AUD:	1.5853	NOK:	10.1717	MXN:	23.5784
CHF:	1.0980	NZD:	1.7026	HKD:	9.2293
CAD:	1.4722	TRY:	10.3210	JPY:	131.43
ZAR:	17.0114	SGD:	1.5976	CNY:	7.6742

- 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 30 June 2021:	104.99633
Cadesi 2021 index:	1.10221
Cadesi 2024 index:	1.08083

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 30 June 2021, the balance sheet showed total assets of €24,293.70 million for total debt of €148,991.36 million, resulting in negative reserves of €124,772.69 million.

ASSETS

Note 1: Treasury and interbank transactions

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
CENTRAL BANKS	20,902.22	20,735.62	9,910.82
Central banks	20,902.22	20,735.62	9,910.82
TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	-	-	-
Government securities with a maturity of less than 3 months	-	-	-
Accrued interest	-	-	-
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	0.12	0.01	0.09
Repayable at sight	0.12	0.01	0.09
Debit balances on ordinary accounts	0.12	0.01	0.09
Securities received under open repurchase agreements	-	-	-
Accrued interest	-	-	-
Repayable at term	-	-	-
Securities received under term repurchase agreements with a maturity of less than 3 months	-	-	-
Of which: Treasury bills	-	-	-
Bonds	-	-	-
Own securities	-	-	-
Accrued interest	-	-	-
Total	20,902.34	20,735.63	9,910.91

NB. The “central banks” line item shows the cash balance of euro fund deposit accounts.

Note 2: Intangible and tangible fixed assets

(€ millions)	Gross value at 1 January 2021	Acquisitions	Disposals	Gross value at 30 June 2021	Amortisation and depreciation	Net book value at 30 June 2021	Net book value at 30 June 2020	Net book value at 31 December 2020
Intangible assets	0.12	-	-	0.12	0.12	-	-	-
Software	0.12	-	-	0.12	0.12	-	-	-
Other	-	-	-	-	-	-	-	-
Tangible assets	0.02	-	-	0.02	0.02	-	-	-
Sundry equipment	0.02	-	-	0.02	0.02	-	-	-
Total	0.14	-	-	0.14	0.14	-	-	-

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

Note 3: Other assets

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
SUNDRY DEBTORS	1,030.90	846.00	1,866.50
Deposits paid by way of initial margins	697.78	531.96	1,533.37
- Deposits	697.66	531.52	1,533.27
- Accrued interest	0.11	0.43	0.10
Outstanding CRDS and CSG contributions and social levies to be collected	333.12	314.04	333.13
- Gross amounts receivable	998.36	1,013.71	998.36
- Provisions	(665.24)	(699.67)	(665.24)
Other debtors in respect of financial transactions	-	-	-
Other debtors in respect of operating charges	-	-	-
Other sundry debtors – CNAV	-	-	-
- Gross amounts receivable	-	-	-
- Provisions	-	-	-
Total	1,030.90	846.00	1,866.50

Other assets comprise:

- deposits paid by way of initial margins for €697.66 million; and
- outstanding CRDS and CSG contributions and social levies to be collected by ACOSS amounting to €333.12 million. Provisions totalling €665.24 million have been deducted from the gross amounts receivable of €998.36 million.

The stability of gross amounts receivable in the first six months of 2021 is attributable to the fact that the new CRDS and CSG social security contribution payment deadline deferrals that the State granted in particular to independent businesses were almost entirely offset by the collection of deferred receivables from companies recognised at 31 December 2020.

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

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
PROVISIONS BROUGHT FORWARD	665.24	444.20	444.20
Impact of accounting method changes	-	-	-
Provisions set aside – property	-	-	-
Provisions set aside – CRDS and CSG contributions and social levies	-	255.47	221.26
Provisions reversed – property	-	-	-
Provisions reversed – CRDS and CSG contributions and social levies	-	-	(0.22)
PROVISIONS CARRIED FORWARD	665.24	699.67	665.24

Given the economic situation of the first half of the year and the impact of the Covid-19 pandemic on these receivables, the provisioning rate for CRDS and CSG receivables not yet collected was left unchanged from last year.

Note 4: Prepayments and accrued income

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
ACCRUED INCOME	1,732.38	1,534.88	1,845.98
On forward interest rate instruments	2.64	4.15	6.83
On forward currency instruments	174.00	172.96	163.99
On CRDS and CSG revenues	1,555.34	1,357.77	1,674.35
On revenue from social levies on income from property and investments	-	-	-
On property sales	-	-	-
Other accrued income	0.40	-	0.81
CONTINGENT LOSSES AND LOSSES TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	3.80	5.76	4.76
DEFERRED CHARGES	118.12	79.32	98.79
Issuance premiums on bonds and EMTN	118.12	79.32	98.79
Other deferred charges	-	-	-
PREPAYMENTS	2.13	20.80	7.99
Prepaid administrative expenses	0.01	0.02	0.01
Prepaid interest on negotiable debt instruments	2.12	20.78	7.97
Prepaid interest on bonds	-	-	-
Other prepayments	-	-	-
OTHER	504.04	619.17	110.12
Currency adjustment accounts	504.04	619.17	110.11
Property rental adjustment account	-	-	-
Sundry	-	-	-
Total	2,360.46	2,259.93	2,067.64

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 €1,555.34 million, interest rate financial instruments for €2.64 million and foreign currency financial instruments for €174 million;
- issuance premiums on bonds and EMTN amounting to €118.12 million to be recognised in profit and loss over time;
- prepayments amounting to €2.13 million, which consist mainly of prepaid interest on the issue of negotiable debt instruments;
- foreign currency adjustment accounts amounting to €504.04 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 (€8,231.45 million) and the property endowment (€181.22 million), came to €-124,772.69 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. 2016-110 of 4 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
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD	(133,185.36)

Liabilities, which amounted to €148,991.36 million at 30 June 2021, consist mainly of debts to credit institutions amounting to €1,017.44 million, debts evidenced by securities totalling €125,027.41 million, initial margins received and others totalling €815.86 million, accruals and deferred income totalling €2,130.65 million and an amount payable to the social security funding organisations corresponding to the assumption of €20 billion of debt scheduled for the second half of 2021, which will be reduced over the second half-year by the payments to ACOSS.

Note 5: Treasury and interbank transactions

At							
	30 June 2021				30 June 2021	30 June 2020	31 December 2020
(€ millions)	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Total	Total
AMOUNTS OWED TO CENTRAL BANKS							
Amounts owed to credit institutions	-	170.44	847.00	-	1,017.44	1,017.49	1,003.37
At sight	-	-	-	-	-	-	-
Credit balances on ordinary accounts	-	-	-	-	-	-	-
At term	-	170.44	847.00	-	1,017.44	1,017.49	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	-	19.44	-	-	19.44	19.49	5.37
Total	-	170.44	847.00	-	1,017.44	1,017.49	1,003.37

Note 6: Debts evidenced by securities

At	30 June 2021				30 June 2020		31 December 2020
(€ millions)	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Total	Total
NEGOTIABLE DEBT INSTRUMENTS	8,385.22	3,409.14	264.00	-	12,058.36	12,881.64	10,489.27
Treasury bills denominated in euro	-	-	-	-	-	19.93	19.93
Treasury bills denominated in other currencies	-	-	-	-	-	-	-
BMTN denominated in euro	-	-	264.00	-	264.00	264.00	264.00
Commercial paper denominated in euro	-	-	-	-	-	800.00	300.00
Commercial paper denominated in other currencies	8,385.22	3,407.94	-	-	11,793.16	11,795.95	9,904.25
Other negotiable debt instruments denominated in foreign currencies	-	-	-	-	-	-	-
Accrued interest	-	1.19	-	-	1.19	1.76	1.09
BONDS	3,850.60	9,813.99	69,572.72	29,731.74	112,969.05	88,469.37	92,545.62
Bonds and EMTN denominated in euro	3,587.68	6,330.00	49,566.20	23,000.00	82,483.88	68,753.74	72,049.70
Bonds and EMTN denominated in other currencies	-	2,945.14	20,006.52	6,731.74	29,683.40	18,759.59	19,859.12
Accrued interest	262.92	538.85	-	-	801.77	956.04	636.80
Total	12,235.82	13,223.13	69,836.72	29,731.74	125,027.41	101,351.01	103,034.89

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 €125,027.41 million and comprise negotiable debt securities totalling €12,058.36 million and bonds and similar instruments totalling €112,969.05 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 30 June 2021 debts evidenced by securities maturing within one year totalled €25,458.95 million and by those maturing in more than five years €29,731.74 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 €69,836.72 million at 30 June 2021.

The table below details borrowings (in millions) by programme.

Programme	Issue date	Maturity date	Nominal value (issue currency)	Currency	Nominal interest rate	ISIN
Stand-alone	28/11/2011	25/04/2022	151	EUR	4.00%	-
	29/07/2011	19/12/2025	615	EUR	3.914%	-
	25/11/2011	19/12/2025	232	EUR	4.50%	-
NEU MTN	02/05/2012	02/05/2025	50	EUR	3.1975%	FR0120634516
	10/05/2012	19/12/2025	214	EUR	Max. (Min. [7%; EURCMS10yr. +0.45%]; 0%)	FR0120634581 (1)
UK	12/02/2015	12/02/2022	3,500	USD	1.875%	US12802DAL01
	19/05/2020	19/05/2023	3,000	USD	0.375%	XS2176691207
	20/03/2014	20/03/2024	3,000	USD	3.375%	US12802DAK28
	27/05/2021	27/05/2024	4,000	USD	0.375%	XS2345996230
	23/09/2020	23/09/2025	4,000	USD	0.375%	XS2233264550
	18/02/2021	18/02/2026	5,000	USD	0.625%	XS2300334476
	21/10/2020	21/10/2030	3,000	USD	1.000%	XS2247546711
	20/01/2021	20/01/2031	5,000	USD	1.375%	XS2287909159
FR	10/02/2011	25/07/2021	3,255	EUR	CADESI 1.50%	FR0011003672
	25/07/2006	25/10/2021	6,280	EUR	4.375%	FR0010347989
	20/06/2012	20/06/2022	50	EUR	Max. (Min. [7%; EURCMS10yr. +0.26%]; 0%)	FR0011270644 (1)
	26/09/2012	25/10/2022	4,950	EUR	2.50%	FR0011333186
	01/02/2017	25/11/2022	4,250	EUR	0.125%	FR0013235165
	26/02/2020	26/02/2023	1,000	CNY	2.300%	FR0013487469
	22/03/2013	22/03/2023	420	AUD	5.335%	FR0011449776
	25/03/2020	25/03/2023	100	USD	0.800%	FR0013499852
	19/04/2011	19/04/2023	200	CHF	2.375%	CH0127860192
	18/04/2011	25/04/2023	5,424	EUR	4.125%	FR0011037001
	23/01/2015	25/05/2023	5,850	EUR	0.500%	FR0012467991
	18/09/2013	18/09/2023	2,000	NOK	4.080%	FR0011565449
	20/06/2018	25/10/2023	5,000	EUR	0.125%	FR0013344181
	27/11/2020	27/11/2023	700	CNY	2.600%	FR0014000SJ7
	29/11/2013	29/11/2023	50	EUR	if EURCMS10yr. =< 2.3625%, rate= EURCMS10yr.+1% with 2% floor; if EURCMS10yr.> 2.3625%, rate=5.725%-CMS10yr.with 1.25% floor	FR0011627827 (1)
	18/12/2013	18/12/2023	50	EUR	Min. (Max. [2%; EURCMS10yr. +1%]; Max [0.5%; 5.812%-EURCMS10yr.])	FR0011649169 (1)
	19/06/2013	25/01/2024	3,600	EUR	2.375%	FR0011521319
	22/01/2021	25/01/2024	350	EUR	2.375%	FR0011521319
	28/01/2021	28/01/2024	2,200	CNY	2.200%	FR0014001PL7
	14/02/2014	14/02/2024	145	AUD	5%	FR0011737709
	27/02/2012	27/02/2024	153	EUR	Max. (Min. [7%; EURCMS10yr. +0.30%]; 0%)	FR0011202514 (1)
	02/07/2012	02/07/2024	60	EUR	Max. (Min. [7%; EURCMS10yr. +0.36%]; 0%)	FR0011277383 (1)
	09/02/2012	25/07/2024	3,250	EUR	CADESI 1.50%	FR0011198787
	16/09/2014	25/11/2024	6,250	EUR	1.375%	FR0012159812
	21/09/2016	21/12/2024	160	EUR	0.120%	FR0013201928
	18/02/2015	18/02/2025	100	EUR	3-month EURIBOR	FR0012538114
	19/12/2014	19/06/2025	125	AUD	3.750%	FR0012398998
	27/06/2012	27/06/2025	194	EUR	3.202%	FR0011276427
	18/08/2011	18/08/2025	812.5	EUR	3.625%	FR0011092261
	15/11/2011	15/11/2025	800	NOK	4.70%	FR0011142215
	01/12/2011	01/12/2025	800	NOK	5.12%	FR0011153097
	09/03/2011	09/12/2025	150	CHF	2.50%	CH0124739902
	15/03/2012	15/12/2025	1,000	NOK	4.95%	FR0011213958
	01/02/2012	15/12/2025	5,850	EUR	4.00%	FR0011192392
	14/02/2013	15/12/2025	1,000	NOK	4.25%	FR0011421759
	27/01/2021	15/12/2025	1,500	GBP	0.125%	FR00140010H8
	12/07/2011	19/12/2025	800	NOK	4.80%	FR0011074178
	27/06/2012	19/12/2025	2,000	NOK	4.84%	FR0011276732
	01/04/2011	20/12/2025	300	EUR	3.80%	FR0011027929 (2)
	21/06/2012	21/12/2025	1,000	NOK	4.52%	FR0011271527
	02/12/2020	25/02/2026	3,000	EUR	0.00%	FR0014000UG9
	15/06/2021	25/11/2026	4,000	EUR	0.000%	FR0014004016
	06/10/2020	25/02/2028	5,000	EUR	0.00%	FR00140002P5
	17/03/2021	25/05/2029	5,000	EUR	0.000%	FR0014002G10
	16/09/2020	25/11/1930	5,000	EUR	0.00%	FR0013534559
	03/02/2021	25/05/2031	4,000	EUR	0.000%	FR0014001S17

- 1) These indexed transactions are hedged by perfect offset swaps and marked to market at variable or fixed rates.
- 2) Investors can redeem this bond from 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
EURO-DENOMINATED DEBT		83,746		41,314		125,060
FOREIGN CURRENCY-DENOMINATED DEBT		Value in euros at 30 June 2021		Value in euros at 30 June 2021		
CHF	350	319	(350)	(319)	-	-
GBP	1,500	1,748	(1,500)	(1,748)	-	-
JPY	-	-	-	-	-	-
USD	44,615	37,542	(44,615)	(37,542)	-	-
HKD	-	-	-	-	-	-
SEK	-	-	-	-	-	-
AUD	690	435	(690)	(435)	-	-
NOK	9,400	924	(9,400)	(924)	-	-
NZD	-	-	-	-	-	-
CNY	3,900	508	(3,900)	(508)	-	-
CAD	-	-	-	-	-	-
MXN	-	-	-	-	-	-
Sub-total foreign currencies		41,476		(41,476)		-
TOTAL		125,222		(162)		125,060

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% of the debt bears fixed rates, 22% variable rates and 6% 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	%
FIXED RATES										
Negotiable debt instruments	-	-	-	-	-	-	-	-	-	-
Bonds, EMTN and BMTN	29,683.40	75,283.50	104,966.90	-	(29,683.40)	13,842.17	-	89,125.67	89,125.67	
Private placements	-	998.00	998.00	-	-	-	-	998.00	998.00	
Macro hedging swaps	-	-	-	-	-	-	-	-	-	
Total fixed rates	29,683.40	76,281.50	105,964.90	84.62	(29,683.40)	13,842.17	-	90,123.67	90,123.67	72.06
VARIABLE RATES										
Negotiable debt instruments	11,793.17	-	11,793.17	-	(11,793.17)	11,601.54	-	11,601.54	11,601.54	
Bonds, EMTN and BMTN	-	364.00	364.00	-	-	15,869.96	-	16,233.96	16,233.96	
Private placements	-	-	-	-	-	-	-	-	-	
Macro hedging swaps	-	-	-	-	-	-	-	-	-	
Total variable rates	11,793.17	364.00	12,157.17	9.71	(11,793.17)	27,471.50	-	27,835.50	27,835.50	22.26
INDEXED RATES										
Bonds	-	7,100.38	7,100.38	-	-	-	-	7,100.38	7,100.38	
Macro hedging swaps	-	-	-	-	-	-	-	-	-	
Total indexed rates	-	7,100.38	7,100.38	5.67	-	-	-	7,100.38	7,100.38	5.68
TOTAL	41,476.56	83,745.88	125,222.44	100.00	(41,476.56)	41,313.67	-	125,059.56	125,059.56	100.00

Note 7: Other liabilities

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
DEPOSITS RECEIVED BY WAY OF INITIAL MARGINS	597.80	1,187.83	136.69
- Deposits	597.46	1,187.64	136.18
- Accrued interest	0.34	0.19	0.51
OTHER CREDITORS IN RESPECT OF FINANCIAL TRANSACTIONS	-	-	-
OTHER CREDITORS IN RESPECT OF OPERATING CHARGES	218.06	119.24	218.06
Payments to the State	-	-	-
Tax	0.01	-	-
Social security	-	-	-
Trade creditors	0.00	0.01	0.01
Other sundry creditors (ACOSS)	218.05	119.23	218.05
Total	815.86	1,307.07	354.75

Other liabilities correspond mainly to:

- Deposits received by way of initial margins in respect of contracts on forward markets put in place to hedge counterparty risk, amounting to €597.80 million at 30 June 2021; and
- The credit balance with ACOSS amounting to €218.05 million, consisting of taxpayer credit notes received from ACOSS.

Note 7a: Amounts payable to social security funding organisations

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
OTHER CREDITORS: ASSUMPTION OF DEBTS	20,000.00	-	-
Amounts payable to social security funding organisations (assumption of ACOSS debts)	20,000.00	-	-
TOTAL	20,000.00	-	-

The table above shows the assumption of debts provided for by Decree No. 2021-40 of 19 January 2021 that has not yet been carried out, for which the relevant amounts will be paid to ACOSS in the second half of 2021.

Note 8: Accruals and deferred income

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
ACCRUALS	35.95	45.91	47.40
Accruals on forward interest rate instruments	27.32	32.97	32.53
Accruals on forward currency instruments	0.21	1.90	4.21
Fees payable in respect of market transactions	0.00	0.00	0.00
Accruals in respect of operating charges	0.62	0.72	1.45
Accruals in respect of CRDS and CSG collection costs	7.80	10.26	9.21
Accruals in respect of revenue from social levies on income from property and investments	-	-	-
Other accruals	0.01	0.05	0.01
CONTINGENT GAINS AND GAINS TO BE SPREAD ON FORWARD FINANCIAL INSTRUMENTS	66.66	16.45	36.29
UNEARNED INCOME	1,642.91	1,351.77	422.08
Issuance premiums on bonds	592.91	300.15	421.92
On government securities	-	-	-
On foreign currency transactions	-	1.61	0.16
Other unearned income	1,050.00	1,050.00	-
OTHER	385.13	527.68	1,875.37
Currency adjustment accounts	369.97	448.59	1,844.11
Sundry	15.16	79.09	31.25
TOTAL	2,130.65	1,941.80	2,381.14

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 €27.32 million, forward currency transactions for €0.21 million, and CRDS and CSG for €7.80 million;
- Balancing cash payments on currency swaps amounting to €66.66 million that are to be spread;
- Unearned income corresponding to premiums on bond issues, amounting to €592.91 million;
- Unearned income amounting to €1.05 billion corresponding to the payment made by the FRR in the first half-year, out of a total amount of €2.1 billion;
- Currency adjustment accounts amounting to €369.97 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.

At (€ millions)	31 December 2020	Set aside	Reversed	30 June 2021
Provisions	75.02	0.01	-	75.03
Provision for redundancy indemnities	0.30	0.01	-	0.31
Provision for time savings account	0.06	-	-	0.06
Provision for remuneration	0.03	-	-	0.03
Provision for liabilities	-	-	-	-
Ruyter judgment	4.41	-	-	4.41
CSG and CRDS provisions	70.22	-	-	70.22
Total	75.02	0.01	-	75.03

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	(679.25)
Exceptional income items	-
Other operating income and charges	<u>8,910.70</u>
Gross operating profit and net profit for the period	<u>8,231.45</u>

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

Net banking income

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

Note 9: Banking income

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
INTEREST RECEIVABLE AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS	41.40	31.62	78.86
Interest receivable – Demand loans and advances and open repurchase agreements	-	-	-
Interest from ordinary accounts in debit	-	-	-
Interest from loans	-	-	-
Interest from securities delivered under open repurchase agreements	-	-	-
Interest receivable – Term loans, advances and repurchase agreements	-	-	-
Interest from loans denominated in euro	-	-	-
Interest from loans denominated in foreign currencies	-	-	-
Interest from securities delivered under repurchase agreements	-	-	-
Other interest receivable	41.40	31.62	78.86
INTEREST RECEIVABLE AND SIMILAR INCOME FROM BONDS AND OTHER FIXED INCOME SECURITIES	-	-	-
Interest from fixed income securities	-	-	-
Interest from government securities	-	-	-
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	303.72	248.60	476.54
Amortisation of premiums on issue	82.15	48.80	102.01
Net profit on hedging transactions	221.57	199.80	374.53
Profit on repurchase of own securities	-	-	-
Total	345.12	280.22	555.40

Banking income, which amounted to €345.12 million, consists mainly of:

- Net profit on hedging transactions amounting to €221.57 million;
- Interest receivable and similar income from transactions with credit institutions amounting to €41.40 million; and
- The amortisation of bond premiums on issue amounting to €82.15 million.

Note 10: Cost of debt

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
INTEREST PAYABLE AND SIMILAR CHARGES ON TRANSACTIONS WITH CREDIT INSTITUTIONS	22.90	20.88	43.77
Interest payable - Demand loans and repurchase agreements	-	-	-
Interest on ordinary accounts in credit	-	-	-
Interest on overnight loans	-	-	-
Interest on securities delivered under repurchase agreements	-	-	-
Interest payable – Term loans and repurchase agreements	20.10	20.16	40.55
Interest on CDC loan (transfer of debt)	-	-	-
Interest on multi-currency credit	-	-	-
Interest on securities delivered under repurchase agreements	-	-	-
Interest on private placements	20.10	20.16	40.55
Other interest payable and similar charges	2.80	0.72	3.22
INTEREST PAYABLE AND SIMILAR CHARGES ON BONDS AND OTHER FIXED INCOME SECURITIES	970.73	1,063.42	2,023.31
Interest on debts evidenced by certificates	970.73	1,063.42	2,023.31
Interest on negotiable debt instruments denominated in euros	1.69	2.18	2.67
Interest on negotiable debt instruments denominated in other currencies	12.60	17.43	35.29
Interest on bonds and equivalent securities denominated in euros	665.92	824.33	1,573.66
Interest on bonds and equivalent securities denominated in other currencies	188.09	213.84	391.74
Other charges on debt evidenced by securities	102.43	5.64	19.95
Other interest payable and similar charges	-	-	-
FEES PAYABLE	30.73	3.02	27.01
Fees on term loans with credit institutions	0.02	-	0.03
Fees on negotiable debt instruments issued	-	-	-
Fees on bonds	30.70	3.01	26.96
Other fees on securities transactions	0.01	0.01	0.02
Other fees	-	-	-
TOTAL	1,024.36	1,087.32	2,094.09

Interest payable and similar charges on CADES' debt, which amounted to €1,024.36 million, decreased by 5.8% from 30 June 2020 and consists of:

- Charges amounting to €970.73 million in respect of debts;
- Interest amounting to €22.90 million on transactions with credit institutions, consisting of interest on private placements and margin calls; and
- Fees amounting to €30.73 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

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
NET GAIN (LOSS) ON FOREIGN EXCHANGE TRANSACTIONS	-	-	-
Other foreign exchange transactions	-	-	-

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

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
GAINS (LOSSES) ON INVESTMENT SECURITIES AND EQUIVALENT	-	-	-
Net gain (loss) on investment securities	-	-	-

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

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
EXCHANGE RATE GAINS AND LOSSES ON MANAGEMENT OPERATIONS	-	-	-
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).

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
NET CRDS REVENUES (Article 6)	3,662.44	3,395.52	7,357.42
CRDS contributions levied on wages and salaries	3,347.47	3,112.18	6,548.68
CRDS contributions levied on property assets	97.46	106.34	324.55
CRDS contributions levied on investment income	168.57	125.56	349.44
CRDS contributions levied on sales of gems and precious metals	2.51	1.84	4.22
CRDS contributions on gaming proceeds	46.43	49.60	130.53
CRDS exemption offsets (travel vouchers and voluntary community services)	-	-	-

CRDS revenues, net of collection costs, amounted to €3,662.44 million.

CRDS levied on wages and salaries (which is mainly collected by ACOSS) represented 91.40% 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 7.26%. CRDS on gaming profits and the sale of precious metals represented 1.34%.

Note 12a

The table below provides a breakdown of income and charges relating to the CRDS at 30 June 2021.

CRDS REVENUES (€ millions)	(I)	CRDS COSTS	(II)	Net revenues (I-II)
CRDS levied on wages and salaries	3,364.29	Write-offs, waivers, cancellation and debt forgiveness	-	3,347.47
		Assessment and collection costs	16.82	
CRDS levied on property assets	101.63	Assessment and collection costs	4.17	97.46
CRDS levied on investment income	169.42	Assessment and collection costs	0.85	168.57
CRDS levied on sales of gems and precious metals	2.52	Assessment and collection costs	0.01	2.51
CRDS levied on gaming proceeds	46.66	Assessment and collection costs	0.23	46.43
CRDS exemption offsets (travel vouchers and voluntary community services)	-		-	-
Reversal of provisions on outstanding CRDS to be collected	-	Provisions on outstanding CRDS to be collected	-	-
Total	3,684.52	Total	22.08	3,662.44

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.

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
NET CSG REVENUES (Article 6)	4,199.52	3,848.04	8,381.62
CSG contributions levied on wages and salaries	3,875.95	3,566.65	7,562.95
CSG contributions levied on property assets	117.00	127.57	389.88
CSG contributions levied on investment income	202.29	150.67	419.41
CSG contributions on gaming proceeds	4.28	3.15	9.38
CSG exemption offsets	-	-	-

CSG revenues, net of collection costs, amounted to €4,199.52 million.

CSG levied on wages and salaries (which is collected mainly by ACOSS) represented 92.29% of the total. The remaining CSG is levied on income from investments and from property (7.71%).

Note 12.1a

The table below provides a breakdown of income and charges relating to the CSG at 30 June 2021.

CSG REVENUES (€ millions)	(I)	CSG COSTS	(II)	Net revenues(I-II)
CSG levied on wages and salaries	3,895.43	Write-offs, waivers, cancellation and debt forgiveness	-	3,875.95
		Assessment and collection costs	19.48	
CSG levied on property assets	122.00	Assessment and collection costs	5.00	117.00
CSG levied on investment income	203.31	Assessment and collection costs	1.02	202.29
CSG levied on gaming proceeds	4.30	Assessment and collection costs	0.02	4.28
CSG exemption offsets	-		-	-
Reversal of provisions on outstanding CSG to be collected	-	Provisions on outstanding CSG to be collected	-	-
TOTAL	4,225.04	TOTAL	25.52	4,199.52

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 2020 to payments recognised in 2015.

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
NET REVENUE FROM SOCIAL LEVIES	-	-	(0.96)
On income from property	-	-	-
On income from investments	-	-	(0.96)

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 the first half of 2021.

REVENUES FROM SOCIAL LEVIES (€ millions)	(I)	COSTS RELATING TO SOCIAL LEVIES	(II)	Net revenues (I-II)
Social levies on income from property	-	Assessment and collection costs	-	-
		Write-offs, waivers, cancellation and debt forgiveness	-	
Social levies on income from investments	-	Assessment and collection costs	-	-
Reversal of provisions on outstanding amounts to be collected	-	Provisions on outstanding amounts to be collected	-	-
TOTAL	-	TOTAL	-	-

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

The Retirement Reserve Fund paid €2.10 billion on 25 June 2021, of which €1.05 billion for the first six months of 2021.

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
REVENUE FROM THE RETIREMENT RESERVE FUND	1,050.00	1,050.00	2,100.00
Revenue for the year	1,050.00	1,050.00	2,100.00

Note 13: General operating charges

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
STAFF COSTS	0.51	0.59	0.95
Wages and salaries	0.39	0.45	0.68
Social security charges	0.12	0.14	0.26
Time savings account	-	-	0.01
Sundry charges	-	-	-
OTHER ADMINISTRATIVE EXPENSES	0.75	0.45	0.78
Taxes and duties	0.04	0.04	0.08
External services	0.71	0.41	0.70
TOTAL	1.26	1.04	1.73

General operating charges correspond to expenditure falling within the scope of the administrative budget. They do not include the acquisition and the amortisation and depreciation of fixed assets (see Note 2). They rose by 21.15% compared with 30 June 2020, on account of the increase in CADES' overheads.

List of staff positions at 30 June 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 administrative manager (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 €0.75 million for the first six months of 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.

Note 13a: Property assets and property management

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
REVENUE FROM PROPERTY ASSETS	-	-	-
Exceptional income	-	-	-
Provisions reversed	-	-	-
CHARGES ON PROPERTY ASSETS	-	-	-
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

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
Payments to the State	-	-	-
Provision for sundry liabilities			
Ruyter judgment	-	-	-
Reduction of CSG and CRDS income	-	-	-
TOTAL	-	-	-

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

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
Other reversals of provisions for sundry charges	-	-	(0.01)
Other reversals of provisions for sundry liabilities	-	-	2.98
Ruyter judgment			
TOTAL	-	-	2.97

Note 15: Exceptional income and charges

Period ended (€ millions)	30 June 2021	30 June 2020	31 December 2020
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
TOTAL	-	-	0.04

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 30 June 2021		At 30 June 2020		At 31 December 2020	
	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered	Currencies to be received	Currencies to be delivered
FORWARD TRANSACTIONS:						
FINANCING IN FOREIGN CURRENCY	41,476.57	-	30,555.54	-	29,763.38	-
Hedging transactions over the counter						
Forward exchange against euros	11,793.17	-	11,795.95	-	9,904.25	-
Up to 1 year	11,793.17	-	11,795.95	-	9,904.25	-
From 1 to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Currency swaps against euros	29,683.40	-	18,759.59	-	19,859.13	-
Up to 1 year	2,945.14	-	8,448.18	-	4,463.53	-
From 1 to 5 years	20,006.52	-	9,492.43	-	12,950.81	-
Over 5 years	6,731.74	-	818.98	-	2,444.79	-
FORWARD TRANSACTIONS						
FOREIGN CURRENCY FINANCING COMMITMENTS	-	-	-	-	-	-
RECEIVED						
Hedging transactions over the counter						
Forward exchange against euros	-	-	-	-	-	-
Up to 1 year	-	-	-	-	-	-
From 1 to 5 years	-	-	-	-	-	-
Currency swaps against euros	-	-	-	-	-	-
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 30 June 2021 came to €11,793.17 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

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
INTEREST RATE INSTRUMENTS			
Organised markets and equivalents			
Firm transactions entered into for hedging purposes	-	-	-
Euro Bobl futures contracts (5 years)	-	-	-
Euro Bund futures contracts (10 years)	-	-	-
Other firm transactions	-	-	-
Options entered into for hedging purposes	-	-	-
Other options	-	-	-
Over the counter	9,178.25	13,310.67	12,110.67
Firm transactions entered into for hedging purposes			
Interest rate swaps in euro	9,178.25	13,310.67	12,110.67
Micro hedging	9,178.25	13,310.67	12,110.67
- Up to 1 year	3,163.46	3,132.42	2,932.42
- From 1 to 5 years	6,014.79	8,458.99	9,178.25
- Over 5 years	-	1,719.26	-

At 30 June 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

At (€ millions)	30 June 2021	30 June 2020	31 December 2020
FINANCING COMMITMENTS			
Commitments received			
From credit institutions			
- 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	-	-	-
Sundry			
- Retirement Reserve Fund (<i>Fonds de Réserve pour les Retraites</i>)	19,350.00	8,400.00	21,450.00
- Borrowings	-	-	-
- Commercial paper and securities lent under repurchase agreements	-	-	-
Commitments given			
Payments to the State	-	-	-
Payments to social security funding agencies	-	-	-
- Assumption of debt provided for by Law No. 2020-992 of 7 August 2020 on the social security debt and autonomy	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 15 to 30 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 Act 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 30 June 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**

At	30 June 2021
(€ millions)	
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD FROM 1 JANUARY 2021	(133,185.36)
PROFIT FOR THE SIX MONTHS ENDED 30 JUNE 2021	8,231.45
PROPERTY ENDOWMENT	181.22
DEBT REMAINING TO BE REPAID AT 30 JUNE 2021	(124,772.69)
Represented by:	
Liabilities towards third parties	
- Borrowings falling due within 1 year	25,629.39
- Borrowings falling due after 1 year	100,415.46
- Other creditors, accruals and unearned income	22,946.51
Less assets held by CADES	
- Financial investments	20,902.34
- Other debtors, prepayments and accrued income	3,316.32

PROFIT AND LOSS ACCOUNT

Period ended	30 June 2021
(€ millions)	
NET REVENUE FROM CRDS, CSG AND SOCIAL LEVIES	7,861.96
ESTIMATION CHANGES AND ERROR ADJUSTMENTS	-
NET REVENUE FROM RETIREMENT RESERVE FUND (FRR)	1,050.00
NET REVENUE FROM PROPERTY	-
Interest payable and similar charges	(993.63)
Fees	(30.73)
Interest receivable and similar income	345.12
Other operating charges – banking	(0.01)
NET FINANCIAL CHARGES	(679.25)
Operating charges	(1.26)
OPERATING PROFIT	8,231.45
Provision for sundry liabilities	-
Exceptional income (charges)	-
NET PROFIT FOR THE SIX MONTHS ENDED 30 JUNE 2021	8,231.45

OTHER INFORMATION

The tables below provide information on market value, comparing the debt at repayment value as at 30 June 2021 with the debt at market value.

Debt at repayment value at the 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 30 June 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 30 June 2021.
- b. The value of unlisted securities issued by CADES obtained using the CADES zero-coupon curve as at 30 June 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 30 June 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 30 June 2021	At 30 June 2021	At 30 June 2021
UP TO 1 YEAR	3,734.64	3,731.13	4,151.68	104.20
FROM 1 TO 5 YEARS	70,802.75	70,661.71	74,880.13	75.63
OVER 5 YEARS	29,664.17	29,664.17	30,461.92	(123.78)
SWAPS	-	-	-	-
TOTAL	104,201.56	104,057.01	109,493.73	56.05
VARIABLE RATE	6,832.96	6,832.96	7,746.20	182.63
INDEXED RATE	7,244.92	7,100.38	7,538.15	-
FIXED RATE	90,123.67	90,123.67	94,209.39	(126.58)
SWAPS	-	-	-	-
TOTAL	104,201.56	104,057.02	109,493.74	56.05

Compared with the previous financial year, at 30 June 2021 there had been an increase in the proportion of medium- and long-term repayment-value debt and a decrease in that of short-term debt, as shown by the table below:

DEBT	30 June 2021	30 June 2020	31 December 2020
Short-term (under 1 year)	3.59%	20.13%	21.13%
Medium-term	67.91%	68.63%	62.29%
Long-term (over 5 years)	28.51%	11.24%	16.59%

As regards the breakdown between issues denominated in euro and other currencies, in the six months ended 30 June 2021 the proportion of euro-denominated debt decreased from 31 December 2020, as shown by the table below:

DEBT	30 June 2021	30 June 2020	31 December 2020
In foreign currencies	33.04%	30.14%	29.92%
In euros	66.96%	69.86%	70.08%

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

DEBT	30 June 2021	30 June 2020	31 December 2020
Variable rate	6.57%	-3.35%	2.43%
Indexed rate	6.82%	8.66%	7.48%
Fixed rate	86.61%	94.70%	90.08%

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.