



MEDIA BRIEFING

12 December, 2017

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1

THE MERGER WITH AFT
CREATION OF A CENTER OF EXCELLENCE
FOR FRENCH PUBLIC DEBT ISSUANCE



In brief

- ▶ Signed in October 2017
 - by CADES Chairman of the Board
 - by AFT Chief Executive

- ▶ Two agreements
 - a mandate agreement between CADES and AFT, the French state debt management body, which ensures AFT responsibility for CADES' funding programme and its social debt service management
 - an agreement which makes staff at CADES available to work for AFT

- ▶ Approved by CADES' Board and supervisory ministries

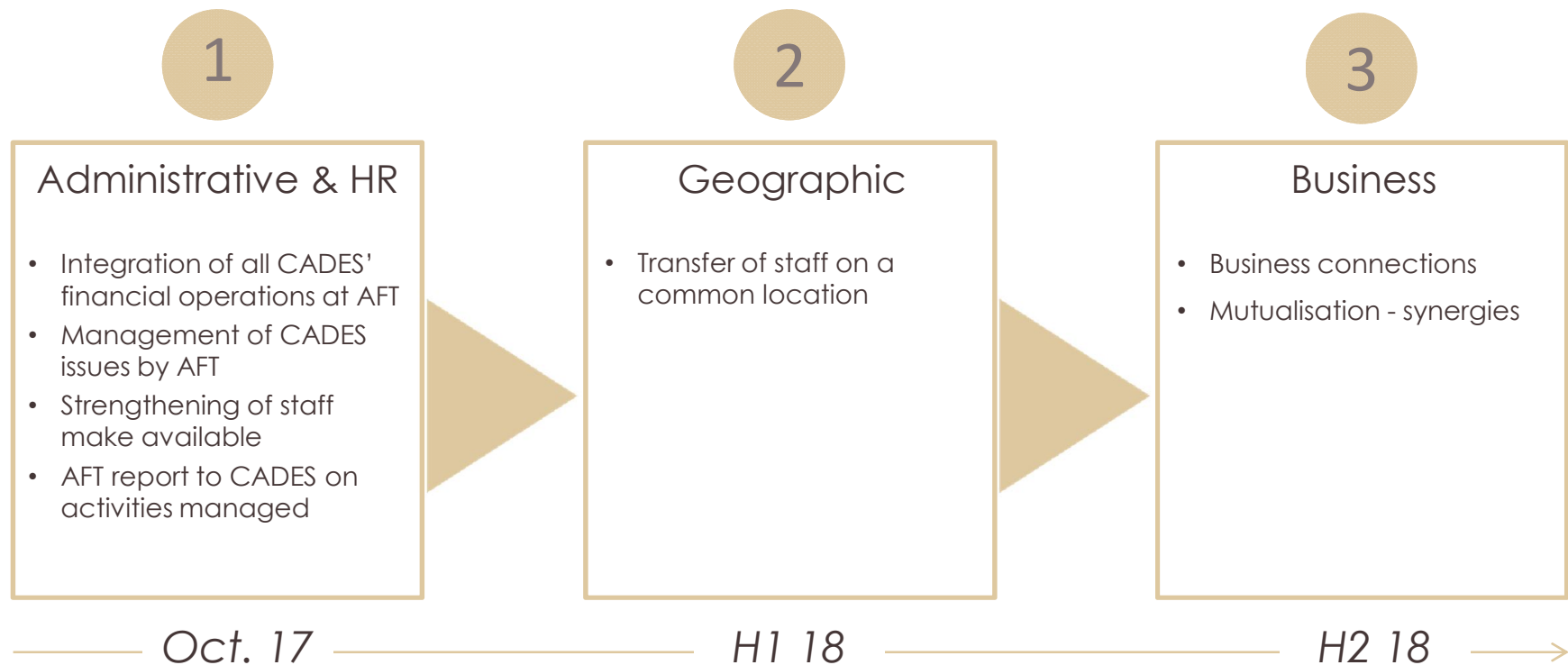


The rational

- ▶ **Combine expertise and experience** to create a center of excellence for French public debt issuance
- ▶ **Mitigate the operational risk**, securing CADES' human capital as we approach the end of the mandate
- ▶ **Ensure continuity of the French institution's activities** under all circumstances



A three-step merger





Two distinct and independent French debt bodies

- ▶ Independent legal entities operating with the same corporate governance, debts and funding programmes
- ▶ CADES operates under the same conditions, managed by a Board and Supervisory Committee
- ▶ CADES' Board oversees the conditions under which AFT completes its mission on behalf of CADES
- ▶ French social debt kept within CADES' scope, and CADES' funding remain the same



2

2017 REVIEW
MORE THAN HALF OF THE DEBT
ALREADY AMORTIZED



2017 in a snapshot



Sustained source of income



Favorable market conditions



A sound and diversified funding programme



Efficient mechanisms for financing and amortisation



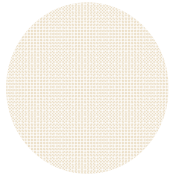
2017 in a snapshot



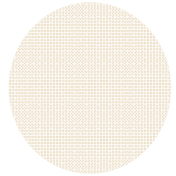
Sustained source of income



Favorable market conditions



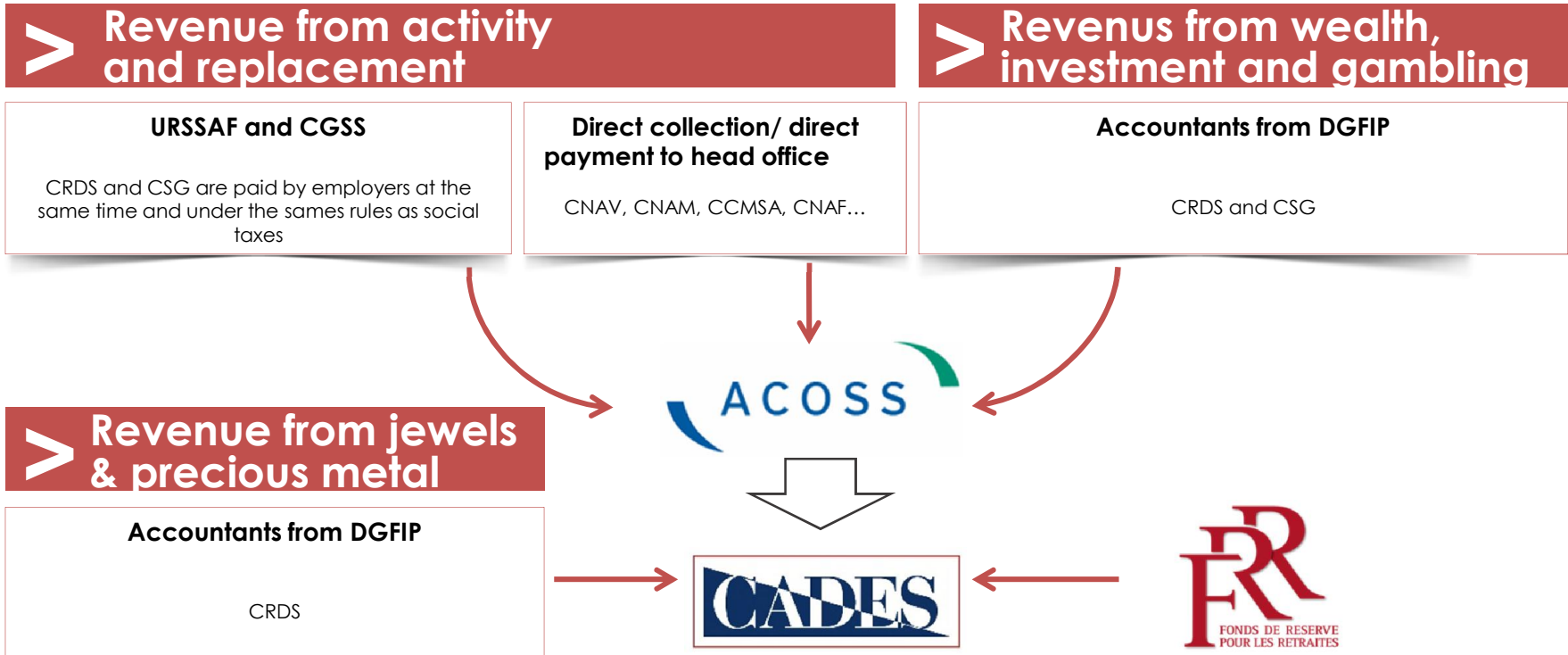
A sound and diversified funding programme



Efficient mechanisms for financing and amortisation



A proven mechanism for financing





A stable resource base

► Breakdown of resource by tax class

Basis : 98.25%

Ressource 2017, en % du total

> CSG

Created by Finance Act of 1991
Rate : 7.5%
of which 0.6% for CADES

> CRDS

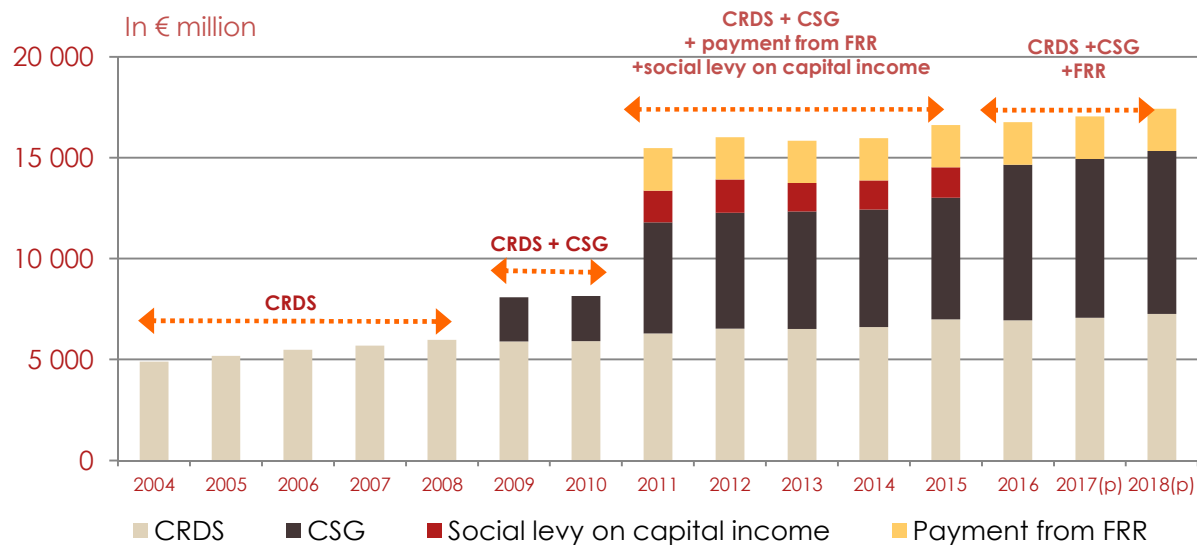
Created by government order 96.50 of 01.24.1996
Rate : 0.5%
Exclusive ressource

	CSG	CRDS
Revenue from activity <i>Payroll, agricultural profits, ...</i>	69.8%	64.5%
Revenue from replacement <i>Retirements, daily allowance, unemployment benefits, ...</i>	20.6%	24.6% <i>(+ social benefits and household allowance)</i>
Revenue from wealth <i>Land income</i>	4.3%	4.0%
Revenue from investment <i>Property gains, securities income</i>	5.2%	4.8%
Revenue from gambling	0.1%	2.1% <i>(+ jewelry and precious metal)</i>
TOTAL IN € BN	7.9	7.0



Sustained resources

Changes in resources since 2004



- Strong non-cyclical resources, linked to aggregate payroll evolution
- In 2016, the social levy on capital income was replaced by an additional 0.12% of CSG
- Income mainly based on payroll, which is less cyclical than financial income
- 2017 breakdown of resources:
 - > CRDS (0.5% | €7.0 bn)
 - > CSG (0.6%) | €7.7 bn
 - > FRR | €2.1 bn

**Estimated resources for 2018:
€17.4 billion**



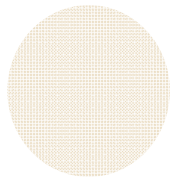
2017 in a snapshot



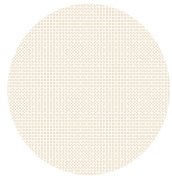
Sustained source of income



Favorable market conditions



A sound and diversified funding programme

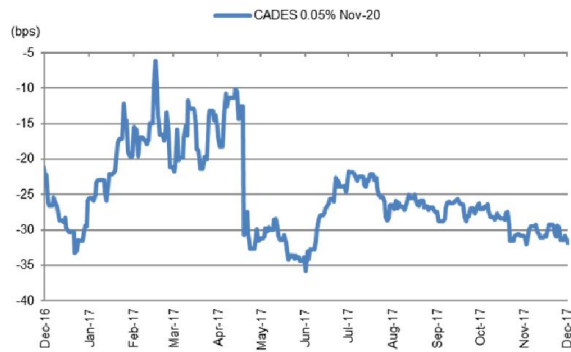
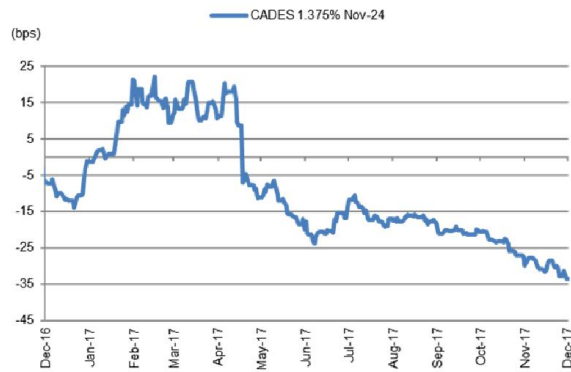


Efficient mechanisms for financing and amortisation

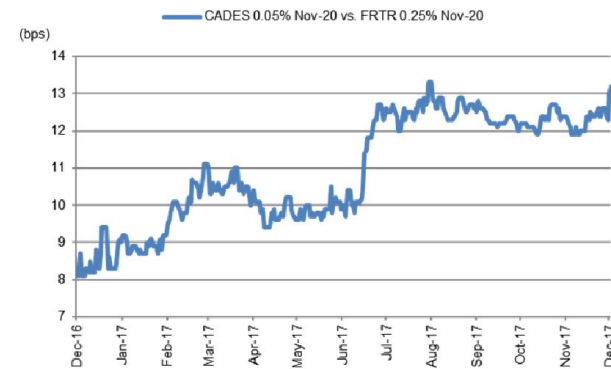
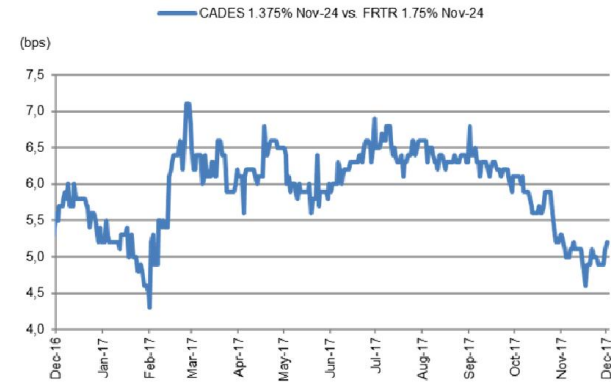


Low refinancing costs

Z-spread performance



Performance vs OATs (Yield)





A quality rating

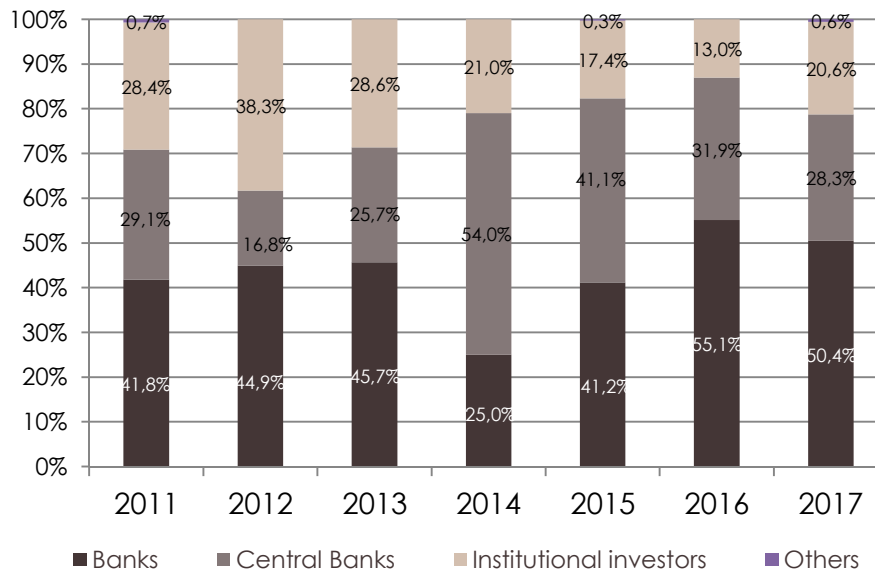
	> Long-term rating	> Outlook	> Short-term rating
MOODY'S	Aa2	stable	P-1
Fitch Ratings	AA	stable	F1+

A 0% weighting ratio according to European regulation on Liquidity Coverage Ratio (LCR)



Trusted by major international investors

Changes in primary placement by investor type

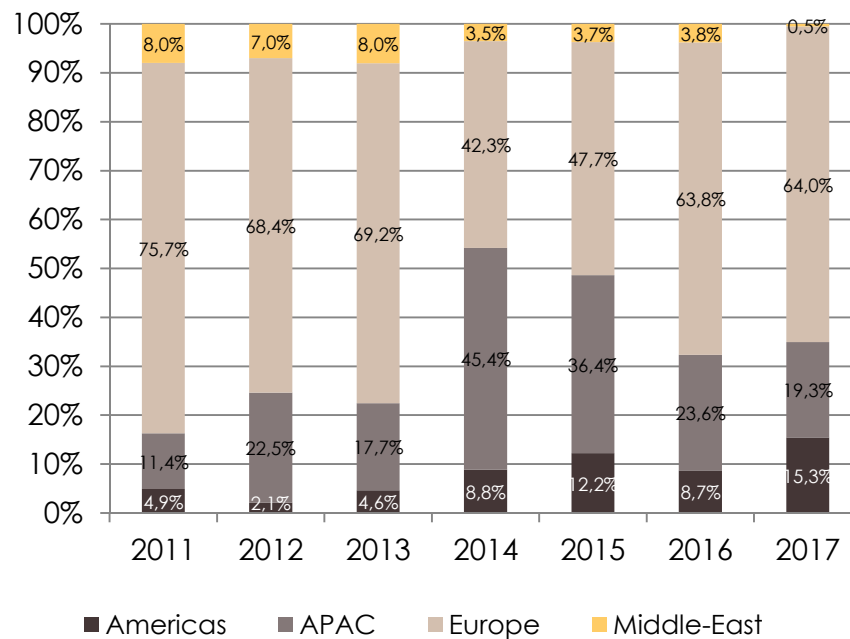


- Still strong but less active central bank participation in 2017
- Increased participation from bank treasuries
- Increase in institutional investor demand despite a decrease in issuance duration, which was further impacted by negative rates and tight spread to OATs



Trusted by major international investors

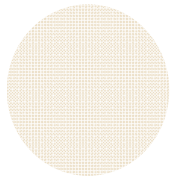
Changes in primary placement by investor type



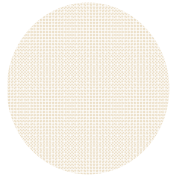
- Despite a weaker participation than last year, Asian investors still represent a massive demand in EUR and in USD
- More participation from US-based banks



2017 in a snapshot



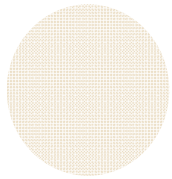
Sustained source of income



Favorable market conditions



A sound and diversified funding programme



Efficient mechanisms for financing and amortisation



A sound funding programme

> Total funding: €16.0 billion

Mid- and long-term
€8.7 bn

€
€4 bn

Benchmarks: €4 bn

\$
\$5.25 bn

~ €4.7 bn

Short-term

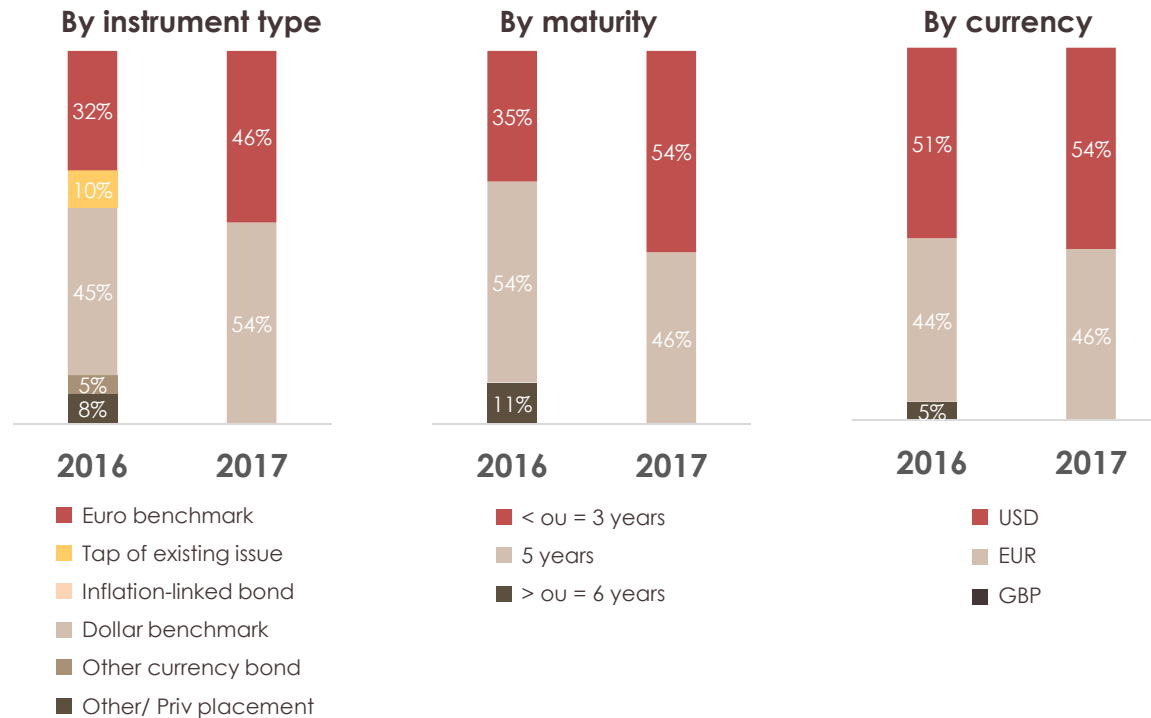
- ▶ **2017 issuance: €37.0 bn**
- ▶ **Outstanding as at 31/12 : €7.3 bn**

USCP
Euro CP
Neu CP



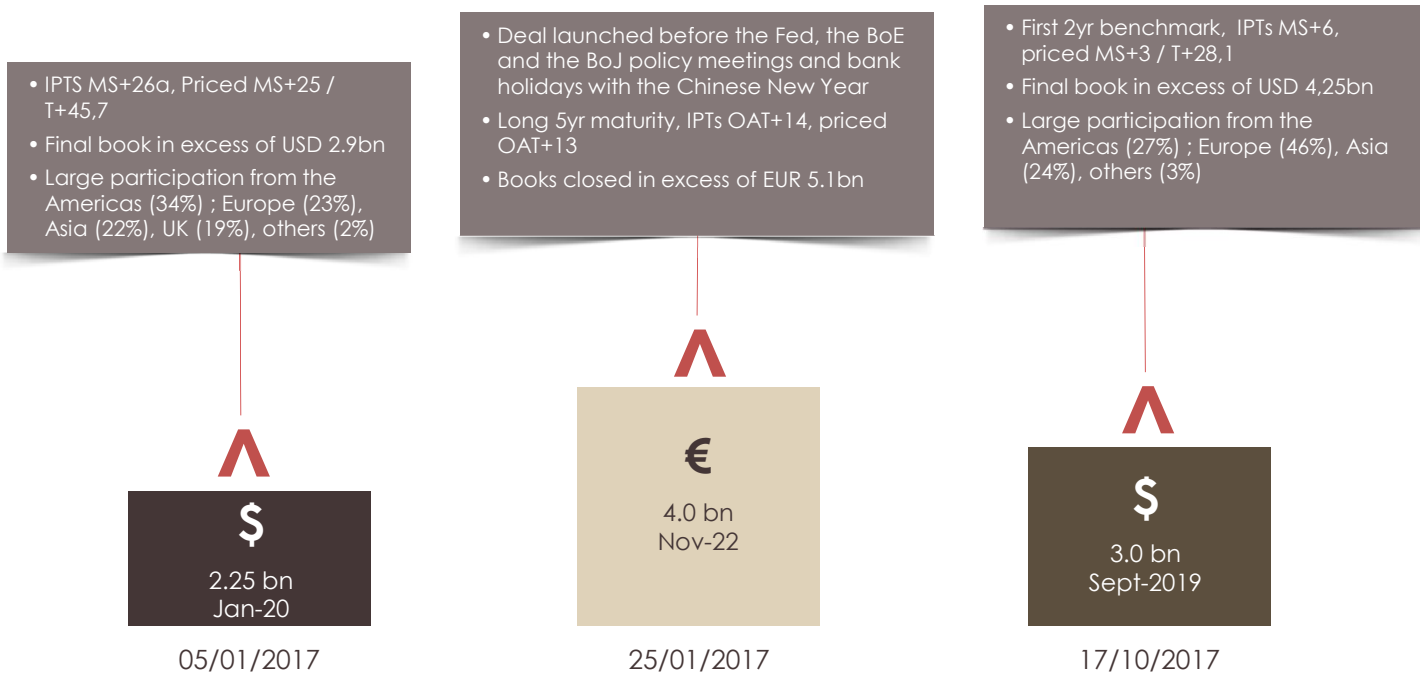
Continuing with a diversified mid- and long-term funding programme

Funding programme breakdown





A controlled execution

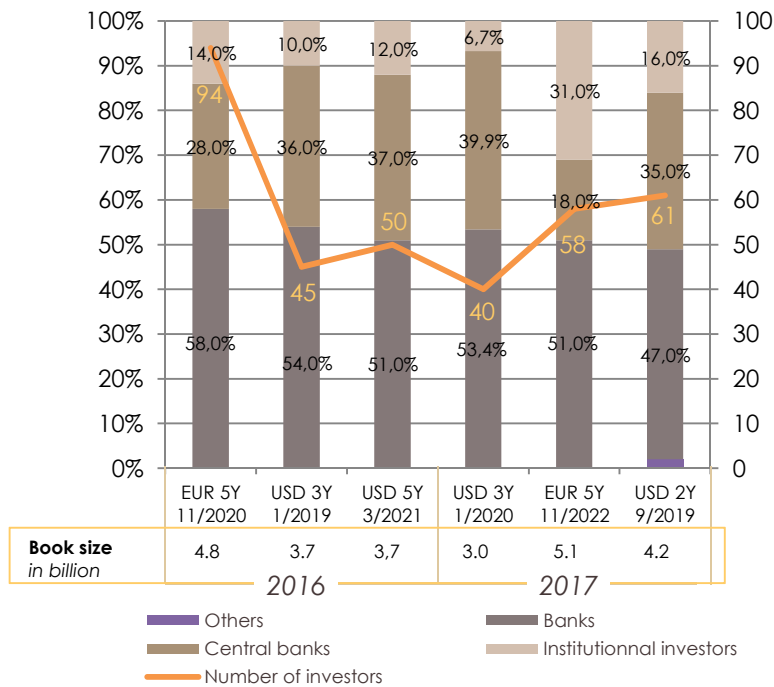


Amount raised in 2017: €8.7 bn

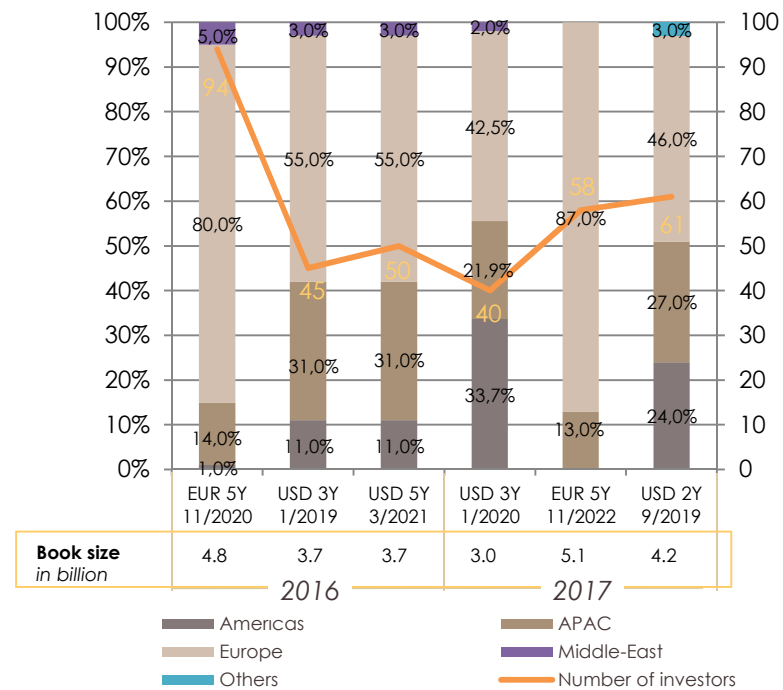


Strong investors interest

► Demand breakdown by benchmark and by investor type



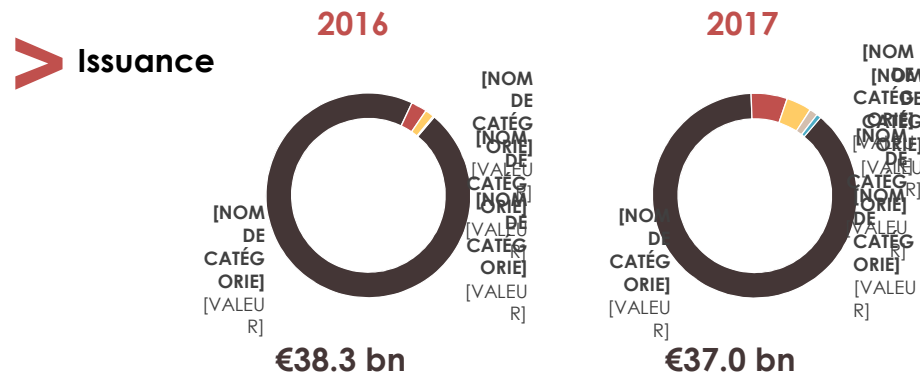
► Demand breakdown by benchmark and by region





A major player on the international monetary markets

	ECP	USCP	Neu CP
➤ Outstanding as at 31/12/2017	€6.06 bn 83% of total	€1.25 bn 17%	€0 bn



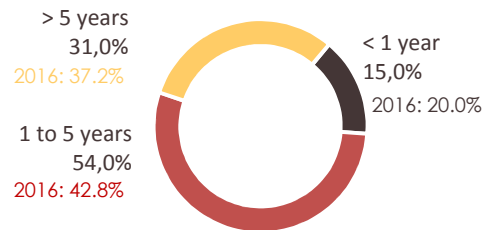
- One of the major issuer of short-term debt in Europe
- Average rate: -0.653% Eonia -34 bps
- Minimum rate: - 1.3328 %
- Maximum rate: - 0.4900 %
- Average maturity: 125 days



Diversified sources of funding

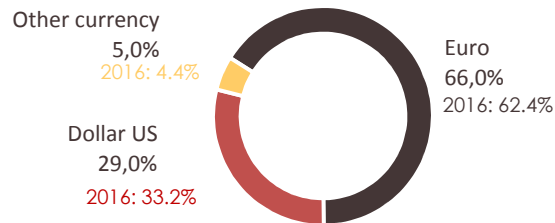
Breakdown of net debt outstanding as at 31.12.2017 (€121.0 bn)

By maturity



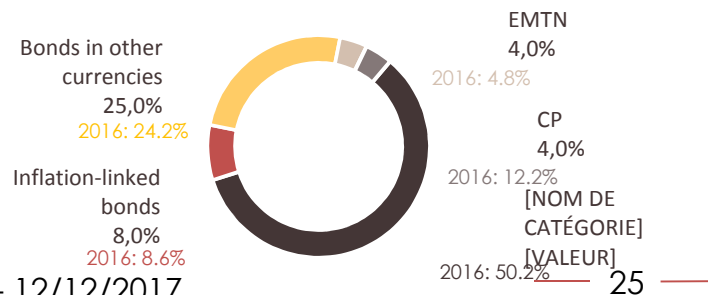
- Average maturity of CADES' outstanding debt: 3.6 years
- 31% of debt has maturity > 5 years vs. 37.2% in 2016

By currency



- Higher interest for \$ market following decrease of maturity from 10 years to 3 to 5 years
- Share of debt denominated in € increased from 62.4% in 2016 to 64.0% in 2017
- All issues in \$ are swapped back to € floating rate

By instrument type



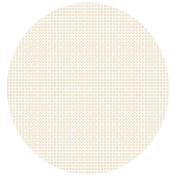
Financing is essentially guaranteed by long-term benchmark bonds in \$ and in €



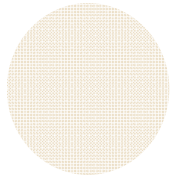
2017 in a snapshot



Sustained source of income



Favorable market conditions



A sound and diversified funding programme



Efficient mechanisms for financing and amortisation



At the end of 2017, more than half the social debt will be amortised

	in > 2017	since > 1996
Assumed social debt	0.0	260.5
Ressource collected	17.0	191.3
Amortised social debt <i>In % of assumed debt</i>	14.8	139.5 53.5%
Interests paid to investors	2.2	51.6

**Social debt still to amortise:
€121,0 billion**



A major contribution to reducing French public debt

Total French public debt

2,231.7Mds d'€ (1) (2)
(99,2% of 2017 GDP)



of which CADES: €128.6 bn (2)
i.e. **5.8%** of total French public debt

Amortised social debt

since 1996, estimated at 31.12.2017

€139.5 bn

Tantamount to
% 2017 GDP

6.2 %

(1) Data INSEE (2) as at 30/06/2017
GDP as at 30-06-2017 : €2,249.7 bn

**A French public debt reduction
of more than 6 GDP points**



Key 2017 figures

- **€ 8,7** billion long-term debt raised
- **€ 37.0** billion short-term debt raised
- **€ 17,0** billion of income tax received
- **€ 14,8** billion of social debt amortised
- **€ 2,2** billion of interest paid to investors
- Average refinancing cost of long-term funding for year 2017 was **-0,172%**



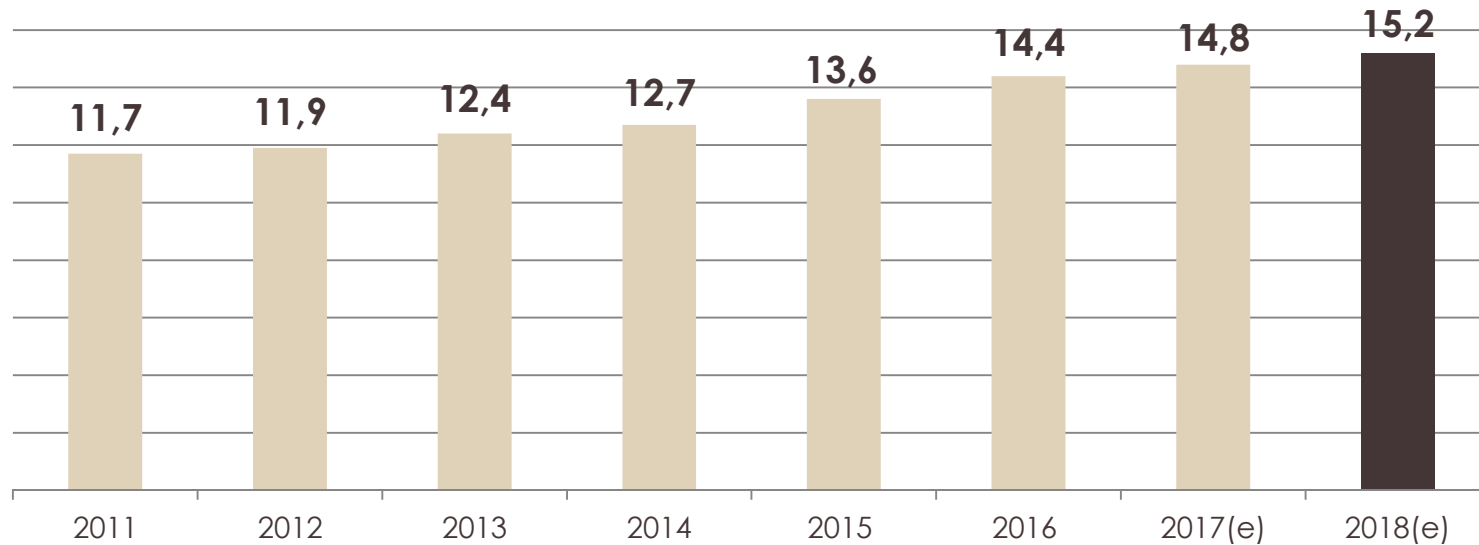
2018 FUNDING PROGRAMME

SECURE CADES' VISIBILITY



An amortisation objective for 2018 of €15.2 billion

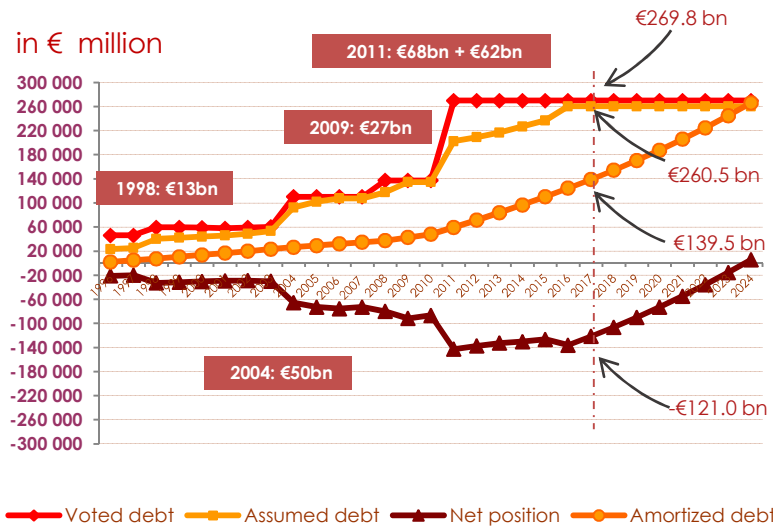
Change in annual social debt amortised since 2011
in € billion





Social debt extinction is planned for 2024

Evolution of voted, assumed and amortized debt, at the end of 2017



- CADES has received four major social debt transfers in 20 years
- Amount of total voted debt: €269.8 bn
- Forecast end of mandate: 50% in 2024

Full repayment completion date planned for 2024



Estimation of required funding for 2018

In € billion

ST maturities	7.3	CSG + CRDS	15.3
MLT maturities	13.8	FRR	2.1
Payment of interests	2.2	Cash as at 31.12.2017	3.7
Cash as at 31.12.2018	2.1	Financing needs	4.3
25.4		25.4	

- ▶ An issuance programme reduced to about €4 billion, allowing 2 benchmarks of limited size of € 2 billion in USD or in EUR.
- ▶ Short-term outstanding debt to be close to zero at the end of the year, but an active programme planned for the first half of 2018.



A funding programme of €4 billion for 2018

> Total funding: €4 billion

Mid- and long-term
€4 bn

EUR
USD
Other currencies
Private placements

Short-term

- ▶ **2018 issuance : €26,0 bn ⁽¹⁾**
- ▶ **Outstanding as at 31/12/18 : €0 bn ⁽¹⁾**

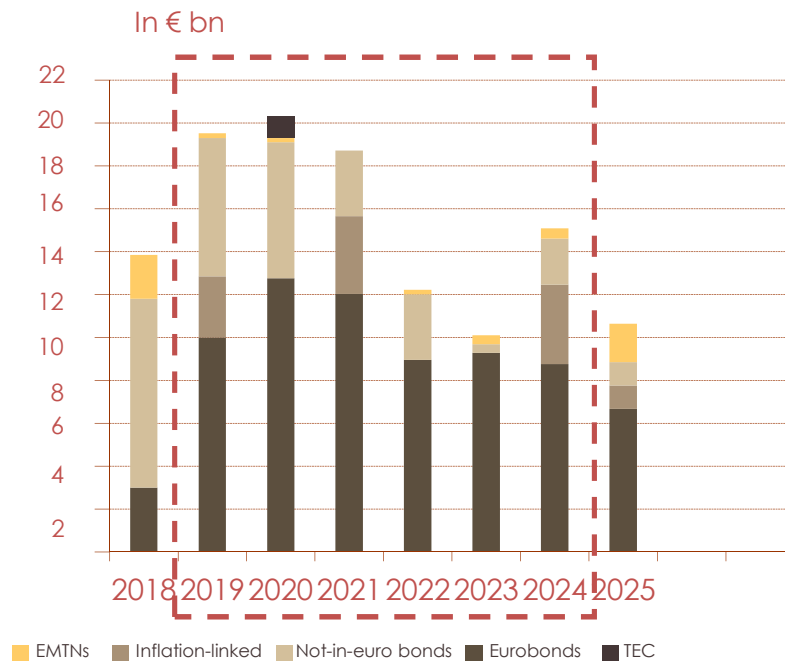
USCP
Euro CP
Neu CP

(1) Estimation



Opportunities to issue bonds up to 6-year maturity

Outstanding mid- and long-term debt maturities/ redemption profile



- Concentration of issuances in the 2 to 6 year bracket
- Adjustment of yearly redemption to the amount of tax proceeds received
- Room for issuances of 4-year (2022) and 5-year (2023) maturity
- Smaller redemption for 2018

4

APPENDICES



Key figures since 1996

Année	Transfert of debt	Payment expressed as amount carried forward	CANAM payment	payment under SSFA	Assets FRR	Govt off balance sheet	SS off balance sheet	Govt payment	Voted debt	Assumed debt	Payment of interest/ borrowings	Resources (CRDS+ CSG+real estate)	Resources (CRDS+ CSG+real estate+ assets FRR)	Result	Net situation	estimate of aggregate amortised debt (8) + (12)	estimate of annual amortised debt
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)			
1996	20 886		457			22 867		1 906	46 116	23 249	1 027	3 211	3 211	-179	-21 065	2 184	2 184
1997						20 962		1 906	46 116	25 154	976	3 883	3 883	1 001	-20 063	5 091	2 907
1998	13 263					19 056		1 906	59 379	40 323	1 590	4 034	4 034	538	-32 788	7 535	2 444
1999						17 150		1 906	59 379	42 228	1 524	4 504	4 504	1 074	-31 713	10 515	2 980
2000						14 818		1 906	58 952	44 134	1 462	4 688	4 688	1 138	-30 393	13 741	3 226
2001						12 000		1 852	57 986	45 986	1 560	4 581	4 581	1 169	-29 224	16 762	3 021
2002						9 000	1 283	3 000	59 269	48 986	1 433	4 660	4 660	227	-28 997	19 989	3 227
2003				1 283		6 000	1 097	3 000	60 366	53 269	1 432	4 728	4 728	-987	-29 984	23 285	3 296
2004	35 000			1 097		3 000	15 000	3 000	110 366	92 366	1 554	4 899	4 899	-752	-65 736	26 630	3 345
2005	6 610						6 700	3 000	110 366	101 976	2 548	5 181	5 181	-367	-72 713	29 263	2 633
2006	5 700								110 366	107 676	2 664	5 479	5 479	2 815	-75 598	32 078	2 815
2007	-65								110 366	107 611	3 103	5 681	5 681	2 578	-72 955	34 656	2 578
2008	10 000								137 366	117 611	3 095	5 980	5 980	2 885	-80 070	37 541	2 885
2009	17 000								137 366	134 611	2 822	8 082	8 082	5 260	-91 810	42 801	5 260
2010									137 366	134 611	3 016	8 151	8 151	5 135	-86 675	47 936	5 135
2011	67 767				2 100				269 833	202 378	3 794	13 372	15 472	11 678	-142 764	59 614	11 678
2012	6 648				2 100				269 833	209 026	4 075	13 924	16 024	11 949	-137 463	71 563	11 949
2013	7 719				2 100				269 833	216 745	3 399	13 742	15 842	12 443	-132 739	84 006	12 443
2014	10 000	142			2 100				269 833	226 887	3 253	13 870	15 970	12 717	-130 164	96 723	12 717
2015	10 000	188			2 100				269 833	236 887	2 744	14 345	16 445	13 513	-126 651	110 236	13 513
2016	23 609				2 100				269 833	260 496	2 333	14 659	16 759	14 426	-135 834	124 662	14 426
2017(est)					2 100				269 833	260 496	2 194	14 942	17 042	14 848	-120 986	139 510	14 848
2018 (est)					2 100				269 833	260 496	2 213	15 327	17 427	15 214	-105 772	154 724	15 214
TOTAL	234 137		457	2 380	16 800	0	0	23 380	269 833	260 496	51 598	176 596	191 296	113 111	-105 772	154 724	154 724



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