

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

## Rating report

The AA/Negative rating of Caisse d'Amortissement de la Dette Sociale ('CADES', or 'the agency') is aligned with the long-term ratings of its public sponsor, the French Republic ([AA/Negative](#)).

This rating reflects:

- i) High integration with its public sponsor. CADES benefits from a highly protective legal status and integrated governance structure closely tied to the French state;
- ii) Crucial role as a government-related entity (GRE). CADES has a unique role in discharging, refinancing, and repaying the cumulated deficits of the French social security system; and
- iii) Material financial interdependencies. CADES has significant financial connections with the French state, based on ring-fenced social debt and a large, resilient funding base protected by law.

We further acknowledge CADES' strong standalone fundamentals, supported by favourable business and financial risk profiles. These include a robust funding model with earmarked and predictable revenue streams, as well as conservative debt management practices evidenced by low funding costs and access to liquidity support mechanisms, if ever needed.

Conversely, we recognise the challenges CADES faces, including its significant debt burden following the Covid-19 pandemic. Further transfers of social debt due to projected deficits in the social security system would increase interest payments and resources allocated to CADES.

**Figure 1: Scope's approach to rating CADES**

Caisse d'Amortissement de la Dette Sociale		
Public Sector	French Republic (AA/Negative)	
Step 1: Integration with the public sponsor (QS1)	Rating approach	Top-down
Step 2: Top-Down approach (QS2)	Notching from France	+/- 0 (AA)
Step 3: Equalisation factor	Business and financial risk adjustments	-
<b>Final rating</b>	<b>AA/Negative</b>	

For further details, please see Scope's [Government Related Entities Rating Methodology](#). Source: Scope Ratings

### Foreign currency

Long-term issuer rating/Outlook

**AA/Negative**

Senior unsecured debt

**AA/Negative**

Short-term issuer rating/Outlook

**S-1+/Stable**

### Local currency

Long-term issuer rating/Outlook

**AA/Negative**

Senior unsecured debt

**AA/Negative**

Short-term issuer rating/Outlook

**S-1+/Stable**

### Lead Analyst

Thomas Gillet

+33 186 261 874

[t.gillet@scoperatings.com](mailto:t.gillet@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

### Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Strategic importance to France</li> <li>Highly protective legal status</li> <li>Large, resilient, and predictable funding base</li> <li>Favourable business and financial risk profiles</li> </ul>	<ul style="list-style-type: none"> <li>Substantial debt burden post-Covid pandemic</li> <li>Potential for further social debt transfers</li> <li>Higher interest payments in case of further transfers</li> </ul>

### Outlook and rating triggers

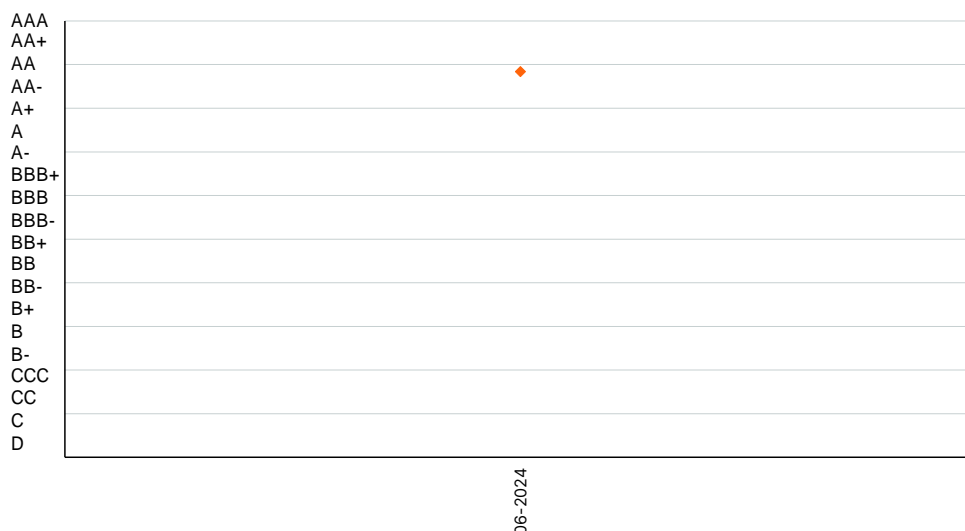
The Negative Outlook on CADES' long-term ratings reflects the downward risks associated with France's credit profile, as captured by the Negative Outlook assigned to the sovereign's AA ratings.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>Outlook on the French Republic's ratings revised to Stable</li> </ul>	<ul style="list-style-type: none"> <li>Downgrade of the French Republic's ratings</li> <li>Change in the legal framework, leading to notably weaker government support</li> </ul>

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Figure 2: Rating history



Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings

## Integration with the French Republic and rating approach

Established in 1996 by the central government, CADES is a French public administrative agency ("établissement public à caractère administratif", EPA) with a mandate to refinance and repay of the debt accumulated by social security administrations. The agency plays a critical role in France's social protection system and is under the joint supervision of the Ministry of Economy, Finance and Industrial and Digital Sovereignty and the Ministry of Solidarity and Health. CADES is a Government Related Entity (GRE) under the full control of the French Republic ([AA/Negative](#)). As such, we assess its creditworthiness via our [GRE Rating Methodology](#).

Public administrative agency tasked with financing and amortising debt of the social security system

## Top-down approach

In evaluating the credit quality of CADES, we employ a top-down approach anchored to the French Republic. The significant ties between CADES and its public sponsor are supported by key criteria (see [Appendix I](#), Scorecard 1):

High integration with public sponsor reflects high strategic importance

- Legal status:** CADES benefits from a highly protective legal status, as an EPA. Rehabilitation and court order liquidation proceedings do not apply and, in case of dissolution, its assets and liabilities would be transferred to the state. Law No. 80-539 of 16 July 1980 on the execution of judgments on public entities<sup>1</sup> requires that a public supervisory authority makes available to an EPA the funds for which it is liable in case of insolvency. The French state's role in ensuring CADES' solvency and liquidity is reaffirmed in the ordonnance establishing the agency (*ordonnance n° 96-50 du 24 janvier 1996*<sup>2</sup>, or the 'CADES Law'), which requires the government to submit to the parliament the necessary measures to ensure the timely payment of the principal and interest in the unlikely event that CADES were unable to meet its commitments. Finally, CADES is part of social security administrations, which further reinforces our assessment of very close ties with the French state.
- Purpose and activities:** CADES fulfils a highly strategic mandate on behalf of the French state, by refinancing and amortizing debt arising from the cumulated deficits of social security administrations. As such, it fulfils a key role in supporting the financial sustainability of the social security system, the latter being a constitutional responsibility of the French state. By year end-2023, CADES had repaid about two thirds of social security debt transferred since inception, for an amount totalling EUR 242.6bn. The importance of CADES' role was further attested in the context of the COVID-19 pandemic, following the French parliament's approval of the transfer of an additional EUR 136bn in 2020, related to accumulated and projected social security deficits (EUR 123bn) and public hospital debt (EUR 13bn).
- Financial interdependencies:** CADES' annual amortisation and borrowing programmes are approved by the Board of Directors of CADES, which is made up of directors of the national social security funds and representatives of the French government. The agency benefits from a large and resilient funding base via earmarked social security taxes and dedicated revenue that are protected by law. Relations between the CADES and its public sponsor are regulated by an organic law aligning the lifespan of the agency on the horizon required to fully repay ring-fenced social debt<sup>3</sup>. The Organic Law of 2 August 2005<sup>4</sup> ('the 2005 Organic Law') provides that any transfer of debt to CADES must be backed by new revenue allocations.

<sup>1</sup> [Loi n° 80-539 du 16 juillet 1980 relative aux astreintes prononcées en matière administrative et à l'exécution des jugements par les personnes morales de droit public](#)

<sup>2</sup> [Ordonnance n° 96-50 du 24 janvier 1996 relative au remboursement de la dette sociale](#)

<sup>3</sup> Social debt is independent from the state's budget and negotiable debt. Ring-fenced social debt is fully consolidated into the general government debt.

<sup>4</sup> [Loi organique n° 2005-881 du 2 août 2005 relative aux lois de financement de la sécurité sociale](#)

Applying a top-down approach, we evaluate two main factors: i) the support and oversight from the public sponsor to sustain the entity's operations, assessed as 'high'; and ii) the likelihood of financial assistance in exceptional circumstances, assessed as 'high'. Our assessment results in an alignment of CADES' ratings with the AA ratings for the French Republic (see [Appendix I](#), Scorecard 2).

CADES' ratings are aligned with the French Republic's ratings

## Control and regular support

We evaluate the level of government control in CADES' decision-making process as 'high'. The organisational and operational rules of the agency are defined in the CADES Law. As an EPA, it is under the control and authority of the French state. Line ministries (e.g., Ministry of Economy, Finance and Industrial and Digital Sovereignty; Ministry of Solidarity and Health) exert tight control and oversight on the agency's operational and financial activities. CADES' accounts and operations are monitored by the French Court of Audit ("*Cour des Comptes*"). The agency also operates under the control of the parliament and of the Constitutional Council ("*Conseil Constitutionnel*"). The supervisory committee includes members of French parliament, government representatives and representatives from social security funds and oversight bodies.

The government exercises strategic and direct control over CADES

We assess the government's influence on CADES' key personnel and governing bodies as 'high'. CADES' board of directors, responsible for the management of the agency and oversight of its finances, is appointed by line ministries, while its chairman is appointed by presidential decree. The government's involvement in CADES' operational activities was further solidified in 2017 with the mutualisation of CADES' operational functions with those of the French debt management office's ("*Agence France Trésor*", AFT), within the French Treasury.

French state has full control over the composition of CADES' governing bodies

We assess the ordinary financial support from the public sponsor for CADES' activities as 'high'. CADES benefits from a highly protective legal status and its relations with the government are regulated by law as regards the transfer of new social debt and allocation of resources. CADES receives regular and predictable revenue streams that are protected by law and transferred by public entities in charge of collecting social security contributions and taxes. The transfer of new social debt approved by the parliament is contingent upon additional resources, as per the 2005 Organic Law.

Social security contributions and taxes anchor CADES' financial stability

## Likelihood of exceptional support

We assess the strategic significance of CADES for the French sovereign as 'high'. As a pivotal player ensuring the financial stability of social security system, the agency plays a critical role to enable other social security administrations to deliver social protection – with spending accounting for about one third of GDP. Since 1996, more than EUR 380bn (about 14% of 2023 GDP, 12% of 2023 general government debt) were transferred to CADES as of end-2023, reflecting high strategic importance for France's welfare state. This high strategic importance is also reflected in the agency's sizable resources (EUR 21.1bn in 2023), representing about 2% of 2023 general government revenue.

Preeminent GRE, with pivotal role in France's welfare state

The ring-fencing of social security debt bolstered the financial resilience of the French welfare state during and after the Covid-19 pandemic. The Organic Law of 7 August 2020<sup>5</sup> ('the 2020 Organic Law') authorized the transfer from ACOSS<sup>6</sup> to CADES of a cumulative EUR 123bn, of which EUR 31bn for deficits pre-2020 and EUR 92bn for deficits over 2020-23. The agency has also discharged public hospitals from over one-third of their debt, or EUR 13bn, on an exceptional and ad hoc basis, bringing the total transfer to EUR 136bn.

Strategic importance grew further during the Covid-19 pandemic

<sup>5</sup> [Loi organique n° 2020-991 du 7 août 2020 relative à la dette sociale et à l'autonomie](#)

<sup>6</sup> The debt transferred to CADES is initially carried by ACOSS that manages the Social Security system's treasury and can have recourse to borrowings of less than one year.

We evaluate the challenges of substitution for CADES as 'high'. The agency operates in a non-competitive environment that is heavily regulated and controlled by the French state given its unique role and expertise in discharging, refinancing, and repaying social debt. CADES plays a critical role to ensure the sustainability of the welfare state and the continuity of social protection, entrenched in the French constitution, ruling out any potential substitution.

Unique role in supporting French government's policy objectives

We evaluate the implications of a hypothetical default by CADES as 'high'. A hypothetical default by CADES would have material implications for the French sovereign. Such an event would cause significant damage to the French sovereign's and French public agencies' ability to access capital markets, and would likely have severe social and political consequences. As such, we anticipate significant support from the government in the unlikely scenario of financial distress for CADES.

Material implications in case of a hypothetical default

## Standalone fundamentals, supplementary analysis

We conduct a supplementary analysis assessing CADES' standalone fundamentals, including its business and financial risk profiles. The additional analysis has no impact on the analysis of CADES' creditworthiness, resulting in final ratings of AA, aligned with that of the French Republic.

The business risk profile of CADES is characterised by a robust funding model, whereby revenue streams are primarily made up of earmarked revenue that are protected by law, resilient and predictable. CADES' financial risk profile benefits from low funding costs, very strong market access, conservative debt management practices and reliable liquidity support mechanisms.

Main challenges relate to the significant debt burden CADES carries and the potential for further transfers of social debt due to projected deficits of the social security system. Those transfers would increase interest payments and resources allocated to CADES.

### Business risk profile

CADES' resources are protected by law and automatically transferred from administrations in charge of collecting social security contributions and taxes (e.g., ACOSS, Directorate General of Public Finances). The bulk of revenue is derived from taxes levies on 'activity' (59% of total in 2023, including wages and similar revenue) and 'replacement' (21%, including retirement pensions, unemployment benefits) and 'capital' (9%, including rents, real estate capital gains) incomes, which supports the predictability and resilience of income flows, in view of the low cyclicity of these income streams and the close correlation with French nominal GDP. Any change to the revenue structure of CADES would entail the adoption of an organic law, which requires a qualified majority in parliament, further anchoring the stability of CADES' resources.

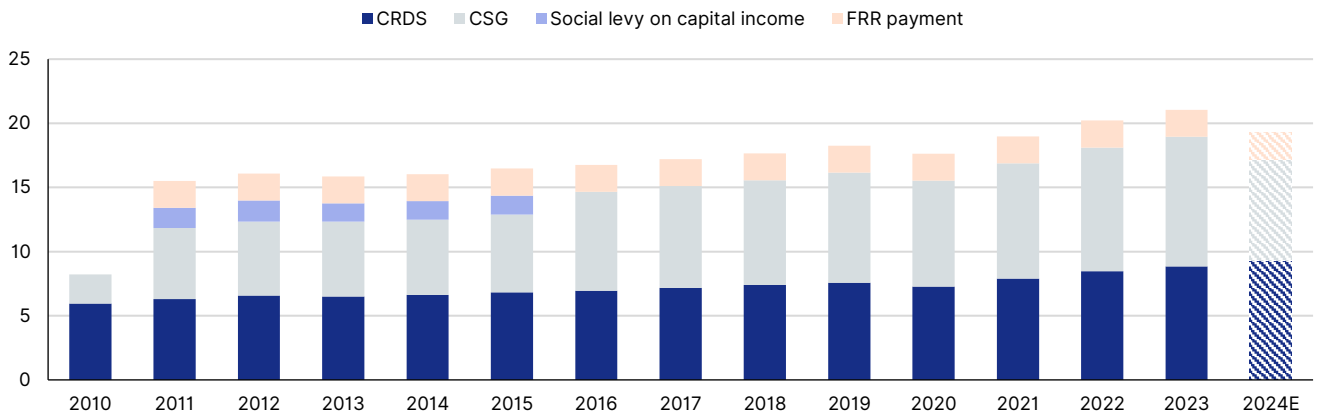
Resources guaranteed by law; sizable, resilient tax revenue allocation

Resources are primarily made up of two earmarked social security levies, which are levied on most forms of earnings (including wages, retirement pensions and unemployment benefits): the 'contribution for the repayment of the social debt' ("*Contribution pour le Remboursement de la Dette Sociale*", CRDS) created specifically in 1996 (with a rate of 0.5%), and a portion of the 'general social contribution' ("*Contribution Sociale Généralisée*", CSG).

As per the 2005 Organic Law, every transfer of social debt to CADES entails the allocation of new resources. An additional portion of the CSG was allocated in 2009, following the transfer of debt that same year. Similarly, CADES has received an annual fixed transfer of EUR 2.1bn from the 'retirement reserve fund' ("*Fonds de Réserve pour les Retraites*", FRR) since 2011 – a publicly owned agency investing and optimising returns on monies entrusted by the state to finance the pension system. The portion of CSG had increased to 0.6 percentage point (from 0.2 initially) by 2016, following additional transfers of social debt to CADES in 2010 and 2015.

Transfer of social debt contingent upon new income streams

**Figure 3: Evolution of CADES' income streams**  
EUR bn



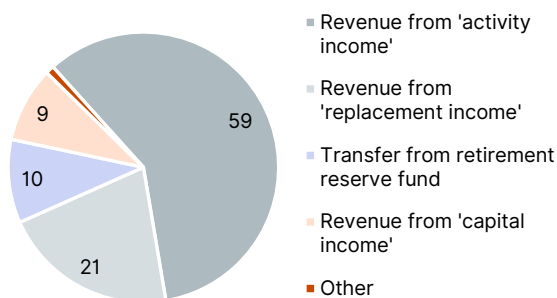
Note: Revenue streams are displayed net of collection costs. Estimate for 2024 based on the Social Security Financing Act for 2024.  
Source: CADES, Scope

As per the Ordinary Law of 7 August 2020<sup>7</sup>, the portion of CSG allocated to CADES is set to decrease from 0.6 percentage point to 0.45 percentage point from 2024 onwards, in order to fund the fifth branch of the social security system centred on autonomy. The French parliament also agreed to reduce the annual transfer received from the FRR from EUR 2.1bn to EUR 1.45bn, effective from 2025 onwards. This decision structurally lowers the resources of CADES, in turn reducing its amortization capacity<sup>8</sup> with an annual target of EUR 16.0bn in 2024, down from EUR 18.3bn in 2023.

Amortization capacity set to moderate due to lower revenue

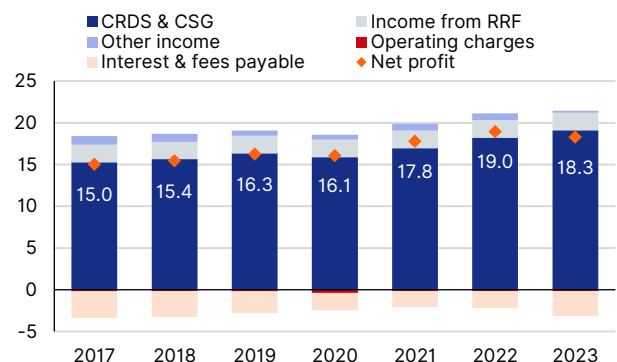
Operating income amounted to EUR 21.1bn in 2023, including 48% from the CSG and 42% from the CRDS, and a further 10% in the form of a transfer from the FRR. This was up by 4.2% in 2023, representing a deceleration from 6.5% in 2022 and 7.7% in 2021, in line with the slowdown in domestic economic activity and lower inflation. Operating income is expected to decline by around 8% in 2024 as the reduction in the CSG quota allocation becomes effective.

**Figure 4: CADES' resource base**  
2023, % of total



Sources: CADES, Scope

**Figure 5: CADES' income & expenditure**  
2023, EUR bn



Sources: CADES, Scope

CADES' expenditures are primarily comprised of interest paid on debt issued on capital markets. Total cost of debt, including interest paid and fees on bonds, amounted to nearly EUR 3bn in 2023, or a 47% increase from 2022. This rise results from CADES' increased debt issuance activity, in

Higher interest costs primarily reflect global funding conditions

<sup>7</sup> [Loi n° 2020-992 du 7 août 2020 relative à la dette sociale et à l'autonomie](#)

<sup>8</sup> [Commission des finances du Sénat, Novembre 2023 - Rapport législatif : Projet de loi de financement de la sécurité sociale pour 2024](#)

line with the new debt transfer agreed under the 2020 Organic Law, and from the tightening of global funding conditions. Other costs, primarily related to staff and administrative charges, are marginal and stable (EUR 2m in 2023).

Net profits, corresponding to the amount available for the amortisation of social debt, amounted to EUR 18.3bn in 2023, or a 3.5% decline from the previous year driven by higher interest costs reflecting global funding conditions.

**Financial risk profile**

Since its inception until end-2019, CADES had been transferred EUR 260.5bn of social debt, of which EUR 171.4bn had been amortized and EUR 89.1bn remained to be amortized. In 2020, following the sharp deterioration of the social security system’s finances, the French parliament enacted the transfer of a further EUR 136bn through the 2020 Organic Law. At the same time, the French parliament extended the lifespan of CADES and postponed the deadline for the full repayment of the assumed debt to end-2033, from a previous target of end-2024.

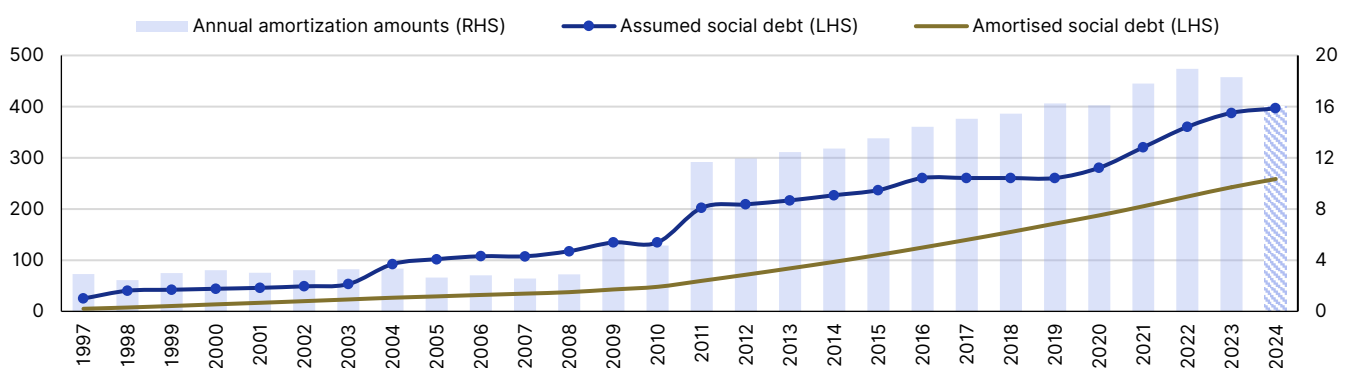
As of end-2023, the social debt transferred to CADES since 1996 amounted to EUR 387.7bn, of which EUR 242.6bn had been amortised. Another EUR 8.8bn is expected to be transferred this year, corresponding to the final tranche of the EUR 136bn authorized by the 2020 Organic Law.

While the amortisation trajectory projected by CADES is robust and credible, the persistence of deficits of the French social security system raises the likelihood that additional transfers will be implemented over the coming years. The French Court of Audit<sup>9</sup> recently stressed the expected deterioration of the deficit of the social security system (aggregate balance of the unified social security program and of the senior citizens’ solidarity fund), which is projected to rise from EUR 10.8bn in 2023 to EUR 17.2bn by 2027. Nonetheless, additional transfers would be matched by an increase in resources allocated to CADES, as per the provisions of the 2005 Organic Law, thus ensuring the sustainability of the agency’s financial model until the full redemption of transferred debt.

Sizable amounts of social debt transferred to and amortised by CADES since inception

Robust, credible amortisation trajectory despite deficits of social security administrations

**Figure 6: Social debt assumed and amortized by CADES**  
EUR bn



Note: Estimate for 2024 based on the Social Security Financing Act for 2024.  
Source: CADES, Scope Ratings

To refinance the transfer of social debt authorized by the French parliament, CADES borrows funds primarily on debt capital markets based on six issuance programmes<sup>10</sup> for a cumulative maximum

Excellent market access, on par with that of the French state

<sup>9</sup> Cour des Comptes - Sécurité sociale 2024

<sup>10</sup> French issuance programme (up to EUR 130bn), UK issuance programme (EUR 65bn), New York commercial paper issuance programme (EUR 60bn), French medium-term note (NEU MTN) issuance programme (EUR 10bn), French short-term note (NEU CP) issuance programme (EUR 20bn), and Australian issuance programme (AUD 6bn).

amount of about EUR 290bn outstanding. As of end-2023, total financial debt amounted to EUR 151.8bn, including EUR 150.9bn in debt evidenced by securities.

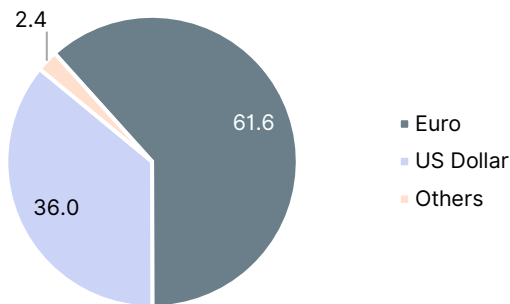
CADES benefits from a robust funding strategy anchored by conservative debt management practices. The agency has a low-risk debt structure based on a diversified range of instruments:

Diversified and sophisticated funding strategy

- Exposure to currency risk is null, due to the systematic hedging of currency movements through derivatives, with the all the debt synthetically denominated in euro. At end-2023, 62.1% of initial nominal tradable debt was denominated in euro, 35.3% in US dollar and 2.6% in other currencies;
- Exposure to interest rate risk is manageable, limiting CADES' vulnerability to fluctuations in global funding conditions. At end-2023, 72.9% of debt bearing fixed rates, 24.5% floating rates and 2.6% being indexed to inflation; and
- Maturity structure is favourable, putting emphasis on longer tenors, although the latter cannot exceed the lifespan of the agency. At end-2023, 21.3% of tradeable debt was due within one year or less, 41.7% between one and five years and 37% longer than five years.

**Figure 7: Currency structure of CADES' debt**

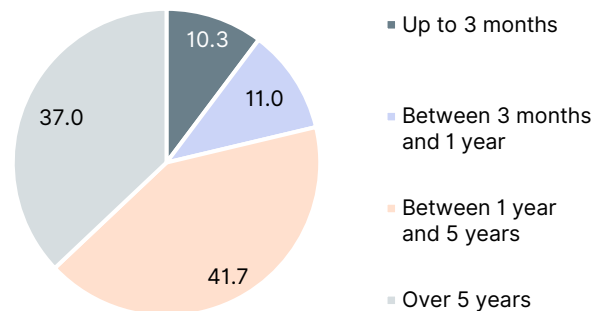
As of end-2023, % of total tradable debt



Source: CADES, Scope

**Figure 8: Maturity structure of CADES' debt**

As of end-2023, % of total tradable debt



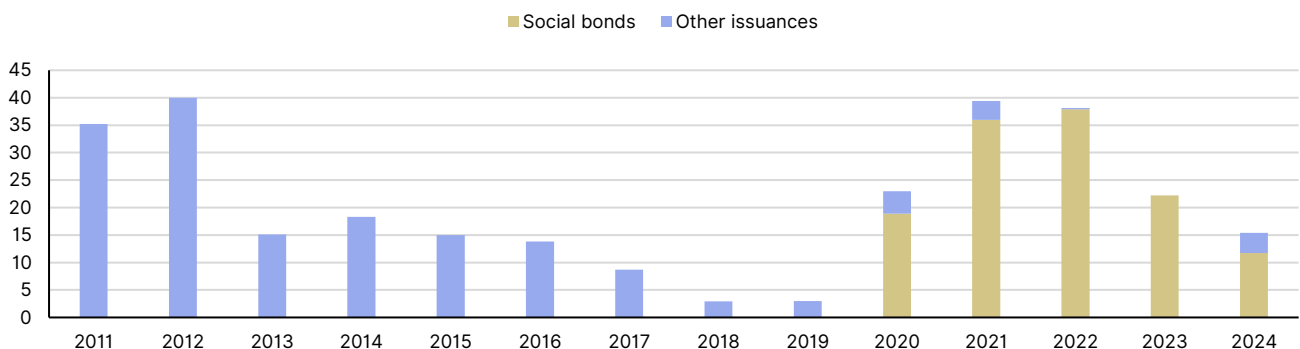
Source: CADES, Scope

CADES has a strong track record of attracting a diversified pool of investors, among which central banks and ESG investors, as a benchmark and leading issuer of social bonds. From September 2020 to December 2023, CADES issued about EUR 115bn of social bonds. This represents on average 97% of bond issuances over the period, more than half of which had been purchased by ESG-focused investors.

Strong innovative capacity centred on social bonds

**Figure 9: CADES' debt issuance**

EUR bn



Note: January to May for 2024. Source: CADES, Scope Ratings



CADES' benefits from strong funding flexibility. In 2020, CADES launched an additional EUR 20bn issuance programme in the second half of the year following the approval of the 2020 Organic Law, having already completed its initial funding programme of EUR 4bn in the first half of the year. For 2024, more than three-quarters of the funding programme (totalling EUR 20bn in medium and long-term issuances and EUR 5bn in short-term issuances) had already been executed as of mid-June. CADES' latest euro-denominated issuance (3-year bond with a principal amount of EUR 4bn issued in February 2024) met strong demand, being oversubscribed more than seven times over, and closed at a narrow spread of 25 basis points above the sovereign<sup>11</sup>.

Strong flexibility in the execution of the annual funding programme

CADES benefits from moderate funding costs. Interest payments on bonds and other fixed income securities rose from EUR 1.8bn in 2021 to EUR 2.7bn in 2023, reflecting increased issuance activity and the tightening of funding conditions, in line with that of the French Republic. Over the same period, the average financing rate increased from 0.6% to 2.15% as of end-2023.

Moderate funding costs, evolving in line with global conditions

CADES' moderate liquidity holdings are balanced by a stable and resilient funding base, excellent market access, and effective support mechanisms. The agency keeps excess cash to a minimum as its the resources must be allocated exclusively to payments due on its borrowings in accordance with the CADES Law. Still, the agency's liquidity position is strengthened by the steady collection method of the CRDS and CGS paid on activity and replacement income, which are collected by ACOSS and transferred to CADES on a daily basis. Liquidity risks are further mitigated by CADES' financial modelling practices, which allow it to closely monitor near-to-long term liquidity needs. Moreover, CADES benefits from five activation agreements for credit lines, for an aggregated amount of EUR 1.2bn.

Strong liquidity buffers from the French state as per framework

Finally, risks related to CADES' financial fundamentals are significantly reduced by the highly protective status of administrative public agency, which entitles support from the French state in respect of its solvency and liquidity. According to article 7 of the CADES Law, if CADES were to find itself unable to fulfil its financial commitments, the French government must submit the necessary measures to parliament to ensure CADES is able to service its debt it a timely manner. Since the 2007 Budget Act, the access to the French central government's emergency liquidity support mechanisms has been streamlined and is now assured by the French Treasury through the AFT and the government debt fund ("*Caisse de la dette publique*", CDP), via the purchase negotiable short-term notes issued by CADES.

Effective liquidity support mechanisms

## Assessment of environmental, social and governance factors (ESG)

CADES introduced its social bond framework in September 2020, designed according to the Social Bonds Principles of the International Capital Market Association. Eligible debt to be financed via social bonds relates to the social security deficits transferred from 2020 onwards. However, the debt transferred from institutions participating in the public hospital service and debt financing deficits prior to 2015 are excluded from the social bond framework.

Leading issuer of social bonds, with benchmark issuances

The governance of the social bond programme is operated via a Social Bond Committee in charge of assessing and approving the selection of the eligible social deficits of the various regimes. The impact of social bonds is assessed via their contribution to the performance of the social security system. CADES' social bonds have participated in funding France's healthcare policies, including during the Covid-19 pandemic with national testing and vaccination campaigns.

<sup>11</sup> [CADES Press release, February 2024 - CADES continues its 2024 funding programme with a new benchmark bond in euros](#)

## Appendix I. Rating approach and integration with the French Republic

To determine the level of integration of a government related entity (GRE) with its public sponsor, we structure our analysis around four analytical components: i) Legal status, ii) Purpose & activities; iii) Shareholder structure; and iv) Financial interdependencies. Based on this analysis, we adopt either the Top-Down or Bottom-Up approach to assign the ratings. The Top-Down approach takes the public sponsor's rating as the starting point for the assessment, while the Bottom-Up approach starts from the GREs' stand-alone credit fundamentals.

First, CADES' AA rating is underpinned by a strong integration with the French sovereign, which underpins our adoption of the 'Top-down' approach to assign the ratings, reflecting:

Analytical component	Assessment (score)	Analytical rationale
Legal status (40%)	High (100)	CADES benefits from a highly protective legal status as an EPA. The legal status is distinct from ordinary private legal forms and entails close control and oversight by its supervisory authorities (the Minister in charge of the Economy, Finance and Industry and Minister of Solidarity and Health), as well as by the French parliament and public auditors.
Purpose & activities (20%)	High (100)	CADES fulfils a highly strategic mandate on behalf of the French state, by refinancing and amortizing debt arising from the accumulated deficits of the social security administrations. The agency supports the financial sustainability of the French social security system and its strategic role grew further in the context of the Covid-19 pandemic.
Shareholder structure (20%)	N/A	CADES does not have an ownership structure.
Financial interdependencies (20%)	High (100)	CADES receives sizable direct contributions from the French state, primarily in the form of earmarked tax revenue. The agency benefits from large and resilient funding flows via exclusive and earmarked social security contributions that are protected by law. Any new transfer of debt to CADES must be accompanied by new revenue to fully repay ring-fenced social debt.
<b>Approach adopted</b>		<b>Top-Down</b>

## Appendix II. Indicative notching vis-à-vis the French Republic

We apply the Top-Down approach using the public sponsor's rating as the starting point and then negatively adjusting it by up to three notches (exceptions can apply). The extent of the downward notching is based on our assessment of: i) Control and regular support; and ii) Likelihood of exceptional support.

Second, the AA rating reflects the material link between the credit quality of CADES and that of the French sovereign, resulting in an indicative rating aligned with the sovereign rating of AA.

Analytical pillar	Pillar assessment	Analytical component	Assessment (score)	Analytical rationale
Control and regular support	High	Strategic and operational decision making	High (100)	Strategic objectives are driven by the French state; operational and financial activities under supervision of line ministries.
		Key personnel, governing & oversight bodies	High (100)	The French state exercises tight control over CADES' governing bodies; its chairman is appointed via presidential decree.
		Ordinary financial support	High (100)	Extensive state support mechanisms are embedded into the legislative frameworks relevant to CADES.
Likelihood of exceptional support	High	Strategic importance	High (100)	CADES provides critical contributions to the French state's policy agenda in supporting the sustainability of the social security system.
		Substitution difficulty	High (100)	Absence of potential substitute; hypothetical substitution would likely cause significant disruptions in social protection.
		Default implications	High (100)	Hypothetical default would result in significant reputational and financial costs for the French sovereign and other public entities.
<b>Indicative notching</b>			<b>0</b>	

### Appendix III. Statistical table

	2017	2018	2019	2020	2021	2022	2023
<b>Income statement summary (EUR '000s)</b>							
Interest receivable and similar income	1,025.0	874.5	613.7	555.4	725.8	787.8	237.4
Interest payable and similar charges	-3,154.3	-3,058.4	-2,607.5	-2,067.1	-1,848.8	-1,993.7	-2,967.2
Fees payable	-30.9	-22.8	-8.0	-27.0	-42.5	-45.9	-22.1
Gains or losses on trading securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income - banking	0.0	0.0	0.3	0.0	0.0	0.1	0.0
Other operating charges - banking	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net banking income</b>	<b>-2,160.3</b>	<b>-2,206.7</b>	<b>-2,001.6</b>	<b>-1,538.7</b>	<b>-1,165.5</b>	<b>-1,251.7</b>	<b>-2,752.0</b>
General operating charges	-2.8	-2.9	-3.3	-1.7	-2.3	-2.4	-2.0
Income relating to CRDS and CSG	15,262.5	15,631.7	16,340.4	15,882.5	16,970.0	18,218.6	19,100.6
Income from the Retirement Reserve Fund	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0	2,100.0
Provisions reversed for receivables	14.8	79.5	0.1	9.9	66.0	44.0	20.2
Other operating income	3.7	5.7	2.5	2.0	3.2	0.4	0.4
Charges relating to CRDS and CSG	-150.3	-155.1	-159.9	-143.5	-150.5	-140.7	-153.4
Provisions for receivables	-23.6	-6.8	-23.0	-221.9	-7.5	-7.4	-8.6
Other operating charges	-0.1	-1.6	-2.3	0.0	0.0	0.0	0.0
<b>Gross operating income</b>	<b>15,043.9</b>	<b>15,443.8</b>	<b>16,253.0</b>	<b>16,088.6</b>	<b>17,813.4</b>	<b>18,960.8</b>	<b>18,305.3</b>
Exceptional income	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>15,044.0</b>	<b>15,443.8</b>	<b>16,253.0</b>	<b>16,088.7</b>	<b>17,813.4</b>	<b>18,960.8</b>	<b>18,305.3</b>
<b>Balance sheet summary (EUR '000s)</b>							
<b>Total assets</b>	<b>7,398.2</b>	<b>5,077.9</b>	<b>6,071.9</b>	<b>13,845.0</b>	<b>11,731.9</b>	<b>10,622.6</b>	<b>8,304.8</b>
Cash in hand	3,174.2	2,263.3	3,056.6	9,910.8	7,038.1	3,971.5	2,450.8
Prepayments and accrued income	1,980.1	2,364.1	2,703.1	2,067.6	4,051.9	5,298.0	3,795.3
Other assets	2,244.0	450.5	312.2	1,866.6	641.8	1,353.1	2,058.7
<b>Total creditors</b>	<b>128,074.5</b>	<b>110,343.5</b>	<b>95,077.7</b>	<b>106,774.2</b>	<b>126,845.8</b>	<b>146,776.0</b>	<b>153,380.4</b>
Amounts owed to credit institutions	1,003.4	1,003.4	1,003.4	1,003.4	1,003.4	848.2	848.2
Debts evidenced by securities	124,677.3	107,959.2	92,045.5	103,034.9	123,355.7	143,561.9	150,903.1
Other liabilities	220.3	447.6	1,214.6	354.8	1,508.7	1,411.5	503.0
Accruals and deferred income	2,173.6	933.3	814.3	2,381.1	978.1	954.4	1,126.1
<b>Reserves</b>	<b>-120,789.6</b>	<b>-105,345.8</b>	<b>-89,092.8</b>	<b>-93,004.1</b>	<b>-115,190.8</b>	<b>-136,229.9</b>	<b>-145,156.2</b>
Property endowment	181.2	181.2	181.2	181.2	181.2	181.2	181.2
Retained earnings	-136,014.8	-120,970.8	-105,527.0	-109,274.0	-133,185.4	-155,372.0	-163,642.7
Profit for the period	15,044.0	15,443.8	16,253.0	16,088.7	17,813.4	18,960.8	18,305.3
<b>Provisions</b>	<b>113.3</b>	<b>80.2</b>	<b>87.0</b>	<b>75.0</b>	<b>76.9</b>	<b>76.5</b>	<b>80.5</b>

Source: CADES, Scope Ratings

## Analysts

### Primary Analyst

Thomas Gillet

+33 186 261 874

[t.gillet@scoperatings.com](mailto:t.gillet@scoperatings.com)

### Secondary Analyst

Brian Marly

+33 186 261 882

[b.marly@scoperatings.com](mailto:b.marly@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

## Applied methodologies

[Government Related Entities Rating Methodology](#), 13 July 2023

## Scope Ratings GmbH

Lennéstraße 5

D-10785 Berlin

[scoperatings.com](https://www.scoperatings.com)

Phone: +44 20 7824 5180

Fax: +49 30 27891-100

[info@scoperatings.com](mailto:info@scoperatings.com)

**in**

Bloomberg: RESP SCOP

[Scope contacts](#)

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