

# Groupe Caisse des Depots et des Consignations (CDC)

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*This report does not constitute a rating action.*

**PRIMARY CONTACT**

**Adrienne Benassy**  
Paris  
33-144206689  
adrienne.benassy  
@spglobal.com

**SECONDARY CONTACT**

**Remy Carasse**  
Paris  
33-14-420-6741  
remy.carasse  
@spglobal.com

## Credit Highlights

### Overview

#### Key strengths

Key public sector financial institution implementing the government's economic policies and contributing to national economic development.

A public financial institution that we see as an extension of the French government with links to the state enshrined in law, and subject to the supervision of the French parliament.

#### Key risks

Financial market volatility and the economic slowdown pose indirect risks to the valuation of strategic holdings and several subsidiaries.

**S&P Global Ratings regards the Groupe Caisse des Depots et des Consignations (CDC) as a government-related entity that would almost certainly benefit from extraordinary support from the French state in the event of financial distress.** This is based on our assessment of CDC's critical role for the French government in conducting key public general interest missions as an important public sector financial institution closely contributing to national economic development. We also believe CDC has an integral link to the French state, as a state public agency and given the legal framework shielding it from liquidation and bankruptcy laws, making the French state ultimately responsible for its solvency.

## Outlook

The negative outlook on CDC mirrors that on France. We expect that CDC will retain its critical role for and integral link with the French government, and therefore we expect our ratings on CDC to move in line with those on the sovereign.

## Downside scenario

We would lower our ratings on CDC within the next 24 months if we took a similar rating action on France or perceived a weakening of the group's link with or role for the French government.

## Upside scenario

We would revise our outlook on CDC to stable if we took the same action on France and the likelihood of extraordinary support for the group remained almost certain.

## Rationale

**CDC plays a critical role in supporting the French state's economic policies.** This is given that it conducts activities directly on the state's behalf, but also because its main activities serve national economic policies, such as social housing or the national postal service, among others. CDC's function was further strengthened during the COVID-19 pandemic, for example in the context of its role in implementation of the government's national recovery plan.

It conducts activities directly on behalf of the French state, for example:

- CDC's savings fund, called the Fonds d'épargne, centralizes, custodies, and manages regulated savings deposits (mostly the Livret A) and invests them in long-term projects supporting public policies, mainly in the social housing sector.
- CDC's pensions and solidarity division manages several public-sector retirement schemes and the public training scheme (CPF).

Its other activities also serve a general interest purpose, for example:

- CDC is France's leading public sector asset manager and has a portfolio of highly rated bonds and equities in large listed French companies, and to a lesser extent, operates as a private equity investor.
- Through its local areas division (Banque des Territoires), it supports local developments with direct lending and investments in local projects.
- CDC supports social security institution funding through short-term liquidity instruments provided to Agence Centrale des Organismes de Securite Sociale (ACOSS; AA/Negative/A-1+), which manages most of the national social security cash flows.
- CDC manages deposits of some legal professions, including notaries.

Its subsidiaries and strategic holdings include:

- The postal operator La Poste (A+/Negative/A-1) with a 66% stake,
- A leading local financing institution SFIL (99.9%),
- The French public investment bank, Bpifrance, which supports private-sector and small and midsize enterprises through direct lending, investment, and export financing (49.3%),
- Its social and intermediary housing operator, CDC Habitat (100%),
- The real estate developer Icade (39.6%),
- The transport operator Transdev (66%),
- The ski resorts operator Compagnie des Alpes (41.45%),
- The construction and engineering company Egis (34%),

- The electricity transmission system operator Réseau de Transport d'Electricité (29.9%).

## High involvement in supporting French economic growth

**Reflecting its critical role to the government, CDC has been highly involved in public-sector support schemes to support economic growth, directly and indirectly through its subsidiaries.** This notably includes the implementation of the organization's €26 billion recovery plan over 2020-2024, which is in line with national policy goals, geared toward the green transition, firms' competitiveness, and territorial cohesion. CDC had already invested about 94% of this amount at year-end 2022.

The plan focuses on the following areas:

- €11.1 billion to accelerate housing construction. CDC has launched a call for projects for the construction of 40,000 social and intermediate housing units via CDC Habitat.
- €8.3 billion to support businesses, which was mostly carried out during the pandemic. CDC's subsidiary, Bpi France managed the €300 billion state guarantee scheme on bank loans to corporates that the French government put in place in March 2020. Now, CDC is developing sectoral plans, especially in the tourism and retail sectors.
- €6.3 billion to support environmental sustainability, investing, for example, in sustainable infrastructure across the country.
- €500 million to support social cohesion through investments in health care and social sectors.

**In 2023, CDC's results could suffer from the economic slowdown and financial market volatility, although they have been somewhat resilient so far.** Weak economic growth in France--which we currently expect at 0.2% this year--and financial market volatility could weigh on the group's performance. The rise in interest rates following the European Central Bank (ECB)'s monetary tightening is nevertheless likely to improve asset performance and increase the aggregate amount of regulated saving deposits. Consolidated profits for 2022 have not yet been published, but at June 30, 2022, the general section's consolidated net profit increased to €2.5 billion compared with €1.6 billion a year before. This was mainly due to the financial performance of the group's entities, combined with a decrease in general expenses for its industrial and commercial activities, notably La Poste, Transdev, Icade, and Compagnie des Alpes. In addition, the acquisition of a 40% stake in CDC's subsidiary, Egis, by Tikehau Capital generated €212 million in capital gains net of tax. For the whole year, the relative resilience of French economic activity and the stock market index--which fell but performed better than other indexes--likely supported the valuation of strategic holdings and subsidiaries and the group's financial performance.

## Integral link with the French government and strong state supervision

**In our view, CDC benefits from an integral link with the French government as a state public institution (Etablissement public).** We consider this legal status, which we do not expect to change, makes the government ultimately responsible for the organization's solvency. By law, CDC is not subject to liquidation and bankruptcy laws, and its creditors have ultimate recourse to the French state. The government sets by decree, after the supervisory board's review, the level of dividend paid to the state.

**CDC's management and organizational structure reflects strong state supervision and oversight.** The French president appoints the organization's CEO for a five-year term, which must then be approved by parliament. The group is subject to parliamentary supervision. CDC's supervisory board, responsible for ensuring the adequacy of CDC's strategy with its mandate and financial soundness, comprises members of the French parliament and senior civil servants.

**Although CDC is not a bank, the French banking regulator has reviewed its capital adequacy.** The Autorité de contrôle prudentiel et de résolution (ACPR) is in charge of prudential controls over CDC. The group does not disclose the standard regulatory solvency ratios, but we understand that CDC's internal prudential model suits its overall business model and activities, especially its equity activities.

## Environmental, Social, And Governance

Environmental factors are mainly reflected in our analysis of CDC's public policy mandates and its related critical importance to the government, with the group making environmental factors an integral part of its strategy. This translates into its mandates for funding environmentally friendly activities--notably funding and promoting public transportation, land regeneration, and renewable energy and energy efficiency--and also informs its investment strategy for managed assets. On the liability side, CDC issued a €500

## Groupe Caisse des Depots et des Consignations (CDC)

million sustainability bond in October 2022, following one in June 2021 and another in 2020 (€500 million each), an inaugural benchmark sustainability bond (€500 million) in June 2019, and an inaugural benchmark green bond (€500 million) in February 2017.

External social factors are important to CDC's funding of local projects of public interest, especially regarding local governments and social housing operators. We believe internal social factors are low risk for the group, with strikes generally having a limited effect on its activities in recent years.

Governance factors are generally neutral to our assessment, given CDC's integral link with the state, which also informs its objectives and mandates as a key public finance institution.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- France Outlook Revised To Negative On Rising Budgetary Risks; 'AA/A-1+' Ratings Affirmed, Dec. 2, 2022

## Ratings Detail (as of March 14, 2023)\*

### Caisse des Dpts et Consignations

Issuer Credit Rating	AA/Negative/A-1+
Commercial Paper	
<i>Local Currency</i>	A-1+
Senior Unsecured	AA
Short-Term Debt	A-1+

### Issuer Credit Ratings History

06-Dec-2022	AA/Negative/A-1+
25-Oct-2016	AA/Stable/A-1+
14-Oct-2014	AA/Negative/A-1+

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