

Caisse des Dépôts et Consignations

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This report does not constitute a rating action.

Credit Highlights

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Overview

Key strengths

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

The real estate market downturn and the timid economic growth in France pose a risk to some subsidiaries and holdings' performance.

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 12 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 for, and benefits from an integral link with the French state as its main investment arm. It conducts activities directly on the state's behalf, and serves national economic policies, such as developing social housing, supporting the national postal service, and contributing to the digitalization and greening of the economy. CDC's status as an Etablissement public spécial, 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 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 Sécurité 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.

Caisse des Dépôts et Consignations

Its subsidiaries and strategic holdings include, among others:

- The postal operator La Poste (A+/Negative/A-1) with a 66% stake,
- A leading local financing institution, SFIL (AA/Negative/A-1+), whose first mission is to refinance medium- and short-term loans granted to French local and regional governments (LRGs) and public health institutions and since 2015 is in charge of the refinancing of major export credit contracts (99.9%),
- The French public investment bank, Bpifrance, which supports private-sector and small and midsize enterprises through direct lending, investment, and export financing (49.32%),
- Its social and intermediary housing operator, CDC Habitat (100%),
- The real estate developer and investor Icade (39.6%),
- The transport operator Transdev (66%),
- The ski resorts and leisure parks operator Compagnie des Alpes (42.34%),
- The construction and engineering company Egis (33.81%),
- The electricity transmission system operator Réseau de Transport d'Electricité (29.9%).

High involvement in supporting French economic growth and the green transition. Reflecting its critical role to the government, CDC is highly involved in public-sector schemes to support economic and sustainable growth, directly and indirectly through its subsidiaries. Following on from the €26 billion recovery plan during over 2020-2024, CDC has launched a €100 billion plan over 2024-2028 dedicated to the green transition and based on four pillars :

- A structural transformation of the economy through for example the development of renewable energy production, the financing of new distribution networks, and the investment in green bonds;
- The renovation of social and private housing;
- The development of sustainable mobility with the construction of new territorial infrastructure and electric charging stations with the aim of inciting a shift toward low-carbon transportation;
- Better management of water resources and protection of biodiversity through the rehabilitation of industrial wastelands and the reduction of land artificialization.

This plan puts a particular emphasis on the housing and transport sectors, which have been identified as priorities according to the “France Nation Verte” (France Green Nation) roadmap. Of the total €100 billion envelope, two-thirds will be dedicated to French LRGs' projects and the overall business transition with the development of low carbon industrial models through Banque des Territoires and Bpifrance.

CDC's results remained robust in 2023. Consolidated profits for 2023 stood at €3.9 bn and have been supported by strong market performance marked by a stabilization of long-term rates at about 3% and the sales of the Millau Viaduct to Eiffage and of Icade's healthcare division to Primorial. We understand that this robust financial performance has nonetheless been affected by the the real estate market downturn, which weighed on CDC's real-estate subsidiaries such as CDC Investissement Immobilier and Icade.

Persistingly slow economic growth in France and geopolitical tensions pose an indirect risk to CDC's results in 2024 but we expect continued solid performance. Monetary conditions are easing in the eurozone, with the European Central Bank cutting policy rates mid-2024 according

to our base-case forecast. This could limit CDC's asset performance and return on deposits, but conversely stimulate economic activity.

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 reviews 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 factors are mainly reflected in our analysis of CDC's public policy mandates

since environmental factors are 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 two €500 million sustainability bond in May and October 2023, following one in October 2022, one in June 2021, and another in 2020 (€500 million each). An inaugural benchmark sustainability bond and an inaugural benchmark green bond of €500 million each were issued, respectively, in June 2019 and 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. This reflects 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 'AA/A-1+' Ratings Affirmed; Outlook Remains Negative, Dec. 1, 2023

Ratings Detail (as of March 28, 2024)*

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+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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