

Public-interest missions



Austerlitz building, Caisse des Dépôts - Paris

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The primary function of Caisse des Dépôts is to administer, under conditions of total security, private funds entrusted to it by the State: regulated funds such as escrow deposits and funds deposited with notaries by private individuals, public-sector retirement funds, and tax-exempt savings deposits collected by the entire French banking system. 2002 was a year of growth for the fund administration business, which represents the cornerstone of the Caisse des Dépôts' public-interest missions. Average annual deposits related to regulated banking activities increased by 4% to reach €33.5 billion. Contributions to the managed

retirement plans increased from €12.3 billion in 2001 to €13.4 billion last year, while benefits paid went from €11.4 billion in 2001 to €12.2 billion last year. Finally, Caisse des Dépôts savings funds volume rose by 5% to €209 billion.



Caisse des Dépôts, administrator of funds requiring special protection

Regulated banking activities

Last year saw considerable deposit activity, with the average annual level up 4% from €32.3 billion to €33.5 billion. This increase was largely due to the legal professions and public-interest institutions, whose deposits increased by €0.7 billion and €1 billion, respectively, thereby offsetting the €0.7 billion decrease in deposits from ACOSS, the central body for the French Social Security system. In this favorable environment, Caisse des Dépôts continued its strategy of updating

its range of financial products and bank custody services, from liquidity management services to high-volume clearing transactions.

Products and services meeting the highest professional banking standards

As well as guaranteeing the security of administered funds, Caisse des Dépôts must also ensure that clients receive services meeting the highest professional

banking standards. The company also places a strong emphasis on quality assurance and the development of new technologies.

In early 2002, Caisse des Dépôts received confirmation that its customer transaction center had received ISO 9001 version 2000 certification from the French Quality Control Association (AFAQ). The certification process is being extended to its international payments systems network. As a direct participant in the Système

Average annual deposits (€ billions)

| | 2002 | 2001 | % Change |
|---------------------------------------------------|-------------|-------------|-------------|
| Legal professions | 22.8 | 22.1 | + 3% |
| Escrow deposits | 2.5 | 2.3 | + 9% |
| Public-interest institutions (excluding ACOSS) | 5.3 | 4.3 | + 23% |
| ACOSS | 2.7 | 3.4 | - 21% |
| Other | 0.2 | 0.2 | - |
| TOTAL | 33.5 | 32.3 | + 4% |



Pomereu townhouse, Caisse des Dépôts - Paris

Interbancaire de Télécompensation (SIT), Caisse des Dépôts processed nearly 185 million transactions in 2002, equivalent to 6.5% of all transactions processed by SIT in that year.

Caisse des Dépôts continued to enhance the functionality of CDC.Net, its online banking service, by providing real-time mutual fund purchase/redemption transactions and information.

In 2002, Caisse des Dépôts also focused on the deployment of Check Imaging Exchange (EIC) to streamline interbank check processing. Since the Paris Banking Clearing House closed, all check processing between local banks is handled using the EIC.

An active partnership with the French Treasury

Deposits are collected in Paris at the Caisse des Dépôts headquarters and regionally through the French Treasury network, which acts on behalf of the Institution. Under the agreement signed June 15, 2001 with the

Public Accounting Office, which defines the working partnership between Caisse des Dépôts and the French Treasury, major joint projects were launched last year, in areas such as internal control and oversight.

Custody of third-party deposits with the legal professions

A decree of November 30, 2000 made Caisse des Dépôts the only authorized institution to hold in custody escrow funds for French notaries on behalf of third parties. Similarly, the law mandates to Caisse des Dépôts the administration of funds received by court-appointed receivers and agents for companies undergoing bankruptcy reorganization or liquidation proceedings. The special role played by Caisse des Dépôts with regard to these professionals was strengthened by a January 3, 2003 law modifying the French Commercial Code. This law entrusted Caisse des Dépôts with the management of a newly created fund aimed at indemnifying court-appointed

agents, upon court order, for any unpaid costs in handling cases assigned to them.

The growth in deposits from the legal professions was due to the increased deposit volume from notaries (€15 billion last year compared with €14.4 billion in 2001) and stable deposit volume from court-appointed receivers (€7.5 billion), thus putting an end to the declining deposit volume in this area in recent years.

Caisse des Dépôts continued to develop its partnerships with the legal professions, enabling the modernization of the conditions under which they carry out their activities:

- cooperative developments in new technologies with CSN, the French notaries' association, in order to provide notaries with more efficient systems and ensure their compatibility with those of Caisse des Dépôts, and better safeguard funds in their custody. Also, joint participation with CSN in Sino-French cooperation that included the creation of a Notary House in Shanghai and the adoption of a civil-law notary system by China.

- Caisse des Dépôts helped court-appointed receivers and agents with the ISO certification process, with 18 becoming certified in 2002.
- a technology partnership agreement was concluded with CNHJ, the French association of court bailiffs, calling for the creation of a central server in order to promote the computerized exchange of information between bailiffs and their main partners. Nearly 650 bailiffs joined the association.

Escrow deposits and participation in programs for the restitution of illegally confiscated assets

The Public Institution receives escrow deposits pursuant to legislative acts and regulations as well as judicial decisions. Average annual deposits of this kind amounted to €2.5 billion in 2002, 9% more than in 2001.

Caisse des Dépôts is a participant in programs to reconstitute illegally confiscated assets. Pursuant to the instructions of the Commission for the Indemnification of Victims of Illegally Confiscated Assets, the company handled 2,855 cases in 2002.

The banker for French Social Security's central body (ACOSS)

Relations with ACOSS are part of an overall partnership aimed at optimizing the Social Security system's cash management. A protocol was signed with ACOSS to be implemented in 2003 that examines the reform project for its accounts architecture and the methods for allocating liquidity to the member organizations.

The ceiling on cash advances from Caisse des Dépôts to ACOSS was set at €4.42 billion for 2002.

Management of European structural funds

Since late 2000, Caisse des Dépôts has worked on developing fund administration services for several European structural funds.

At end-2002, it served as payment authority for:

- Ten Interreg Community Investment Pro-



grams (Programmes d'Intervention Communautaires, or PICs), targeting cross-border, trans-national and inter-regional cooperation so as to facilitate the coordinated development of European regions;

- Nine Urban PICs, aimed at the revitalization of distressed urban areas;
- Three Innovative Action (Actions Innovatrices) programs.

The overall budgets of these funds administered by Caisse des Dépôts represent more than €1 billion over six years, namely:

- 16% of EU credits to the Interreg programs (cross-border interregional cooperation);
- 13% of the credits to the Urban programs.

Lastly, in late 2002 Caisse des Dépôts was entrusted with this same payment authority function as part of a trial run conducted by the Alsace Regional Council on Objectif 2 and the Urbact trans-national program (capitalizing on the experiences of the 70 Urban sites, a prototype of the future generation of Urban programs), for which the Interministerial Urban Delegation is the managing authority.

Management of National Highway Fund (CNA) and French Highways (ADF)

The regulated banking department of Caisse des Dépôts manages these two State-owned administrative establishments:

- CNA, which assists public/private companies with toll highway concessions to finance road construction and impro-

vements. The total volume of these loans was €22.3 billion; two issues were floated last year with a total volume of €1.4 billion;

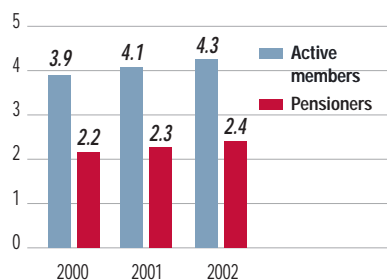
- ADF, which holds the State's interest in the concessionaires. In a major transaction that took place last year, Société Autoroutes du Sud de la France was floated on the stock market through a €1.8 billion initial Public offering.

In addition, two decrees published on April 5, 2002 mandated Caisse des Dépôts to manage two administrative governmental institutions designed to assist with the implementation of an international transportation policy: the Intermodal Transportation Development Fund; and the Fund for the Development of an Intermodal Transportation Strategy in the Alpine Region. ■

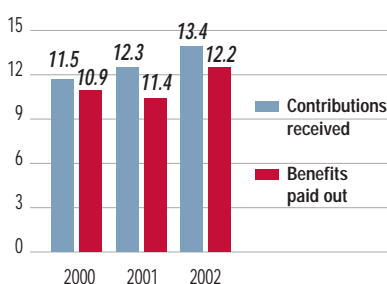
Administration of public-sector retirement funds

The Retirement Administration Division manages social institutions in the areas of retirement and indemnification of professional risks, consistent with the guidelines established by the respective mandating agencies and under their control. Quality and security are the primary focus. The division also closely monitors industry trends in France and abroad in order to adopt the best practices on behalf of the administered funds. The Angers and Bordeaux production centers focus first and foremost on customer satisfaction. A new IT system was gradually implemented, complete with a cutting-edge architecture in order to meet future industry challenges, in particular the ever-growing number of services demanded by customers as well as fund administration mandates. Currently, the Retirement Administration Division manages 46 retirement funds for 2.5 million pensioners (one-seventh of the total in France), more than 4 million individuals currently employed and 70,000 employers.

Currently active members and pensioners



Contributions and benefits (€ billions)



Caisse des Dépôts – administration of retirement funds

→ Main funds administered

- Three major pay-as-you-go plans for permanent civil servants, and fixed-term public-sector employees:
 - CNRACL, the basic retirement fund for permanent civil servants employed by local governments and public hospitals with 1,733,400 contributing members and 694,700 pensioners;
 - IRCANTEC, the supplementary retirement fund for fixed-term contractual employees of France's three public-sector functions – the State, local government and hospitals – as well as for local elected officials. IRCANTEC has 2,450,000 contributing members and pays benefits to 1,500,000 pensioners;
 - FSPOEIE (Fonds spécial des pensions des ouvriers de l'Etat), a special pension fund for permanent blue-collar workers of State-owned industrial establishments, with 59,000 contributing members and 111,300 pensioners.
- Supplementary retirement plans for specific professional categories, notably Fonpel (Fonds de pension des élus locaux), a pension plan for local elected officials;
- Old-age pension funds that are part of State welfare programs for particularly needy senior citizens;
- Disability benefit programs that are most often directly associated with specific retirement funds.

→ New administrative responsibilities

- Caisse des Dépôts has been commissioned to administer the Retirement Reserve Fund (FRR). Francis Mayer, the Chief Executive Officer of Caisse des Dépôts, serves as Chairman of the fund's Executive Committee. In October 2002, Raoul Briet was appointed Chairman of the Supervisory Board. As of December 31, 2002, the FRR had assets totaling €13

billion. By 2020, it will need cumulative reserves of more than €150 billion, provided from State revenues, in order to ensure continued payments by the pay-as-you-go retirement system;

- The Fund for the prevention of work-related accidents and professional illnesses was incorporated into CNRACL.

Active participation in the pension debate

For more than a decade, the Retirement Administration Division has been an active participant in national and international discussions on the future of pension systems.

It organizes an annual forum in Bordeaux attended by all of the players in the pension universe.

A monthly publication, *Questions Retraite*, and its web site www.cdc.retraites.fr publish the results of the Forum's analyses. Research by these same experts contributed significantly to the work of the Retirement Advisory Council (COR).

As a member of the International Social Security Association (AISS) and a founding member of the European Association of Public-Sector Retirement Institutions (AEIRSP), which it directs, the Retirement Administration Division analyzes the methods used by leading developed countries to handle these common challenges. ■

Financial administration of regulated savings deposits

Centralized net inflows

Last year, in a difficult economic environment, savers returned to more liquid financial investments deemed safer havens, in particular regulated savings products. The centralized net inflows to Caisse des Dépôts for all products totaled €4.33 billion, bringing total deposits at year-end to more than €209 billion (capitalized interest included).

This growth reflects the relatively high yields on regulated savings compared to market rates. With a 3% yield net of taxes, the Livret A passbook savings offer depositors total security and a better return that offered by money market funds. Last year's stock market downturn may also have prompted savers to seek out safe havens. In 2002, the centralized net inflow of the 47 million Livret A accounts of La Poste and the Caisses d'Épargne (€1.2 billion) was again positive for the second year in a row.

The home purchase savings products offered by La Poste (CEL and PEL), which combine an attractive yield with the possibility of obtaining real estate loans, fared particularly well as deposits increased by nearly 8%.

On the other hand, net inflows for the LEP were very weak (approximately €450 million) considering the 4.25% yield net of taxes. It underscores the limited distribution of this savings product, which is reserved for households that pay less than €600 per year in taxes, and the unenthusiastic promotional efforts by the banking networks. Given these trends, the relative share of

Livret A savings in the total for centralized funds continues to erode slowly, falling from 53.6% in 2001 to 53.1% at the end of last year.

Financial assets

Financial assets ensure the system's liquidity, security and profitability. In that respect, the structuring of the fixed-income portfolio by maturity and benchmark rate is determined by the assets and liabilities management unit, which takes into account the term of the loan as well as the observed deposit trends.

Given the quasi-stability of the loan volume, the increase in total liabilities related to net inflows of deposits resulted in financial asset growth. Their book value* (excluding securities pledged as part of repurchase agreements) totaled €111.5 billion as of December 31, 2002, an increase of 6.5%. Net investment in fixed-income securities with a term of more than one year totaled €10.7 billion. After a period of strong investment activity early in the year, the

* Excluding accrued interest on fixed-income securities.

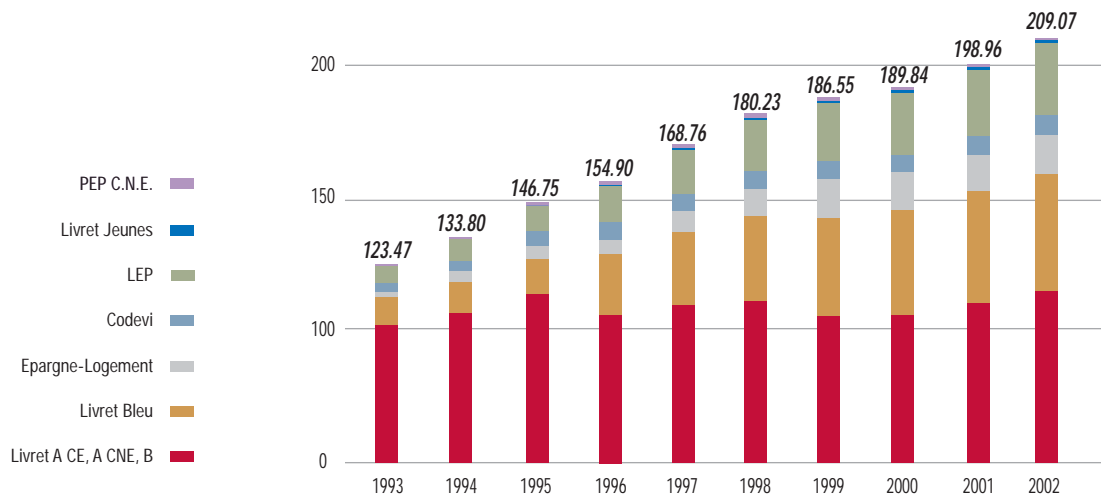


Centralized* net inflows to Caisse des Dépôts (excluding interest) (€ billions)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-----------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Livret A | 1.21 | 1.61 | -3.50 | -8.35 | -1.97 | 0.14 | -11.42 | 2.50 | 1.54 | -5.06 |
| LEP | 0.45 | 0.72 | 1.33 | 3.37 | 3.23 | 3.60 | 8.64 | 0.73 | 0.64 | -0.35 |
| Livret Bleu | 0.77 | -0.20 | -0.61 | 4.50 | 2.38 | 2.29 | 0.37 | 1.23 | 1.98 | 0.82 |
| Codevi | 0.68 | 0.61 | -0.60 | -0.24 | 0.37 | -0.03 | 1.31 | 1.43 | 0.90 | 0.17 |
| Home-purchase savings | 1.15 | 0.98 | 0.88 | 2.16 | 2.06 | 2.16 | 3.41 | 1.28 | 1.30 | 1.14 |
| Other plans | 0.07 | -0.13 | -0.41 | -0.18 | -0.03 | 0.26 | 0.70 | 0.11 | -1.23 | -0.12 |
| TOTAL | 4.33 | 3.59 | -2.91 | 1.26 | 6.04 | 8.42 | 3.01 | 7.28 | 5.13 | -3.40 |

* Home purchase savings, Livret Jeunes and PEP deposits centralized at Caisse des Dépôts relate only to those distributed by the branches of La Poste.
For 2002: provisional amounts subject to adjustment.
Livret Bleu: gradual centralization of deposits from 1991 through 1999.

**Total deposits centralized by Caisse des Dépôts
(capitalized interest included) (€ billions)**



subsequent decline in rates did not favor an extension of fixed-income securities, and the portfolio sensitivity decreased once again by 0.4 points.

The fixed-income portfolio gained 7.2% last year, which was higher than the 5.7% gain recorded by the i-Boxx Etat-France 1-3 year index but lower than the 8.5% performance of the i-Boxx Etat-France 3-5 year index. The portfolio's average maturity is situated between these two benchmarks. With the opening of investment opportunities to the entire European Union, it became possible to diversify the portfolios within the context of the new investment code and stepped-up prudential rules implemented by the Ministry of the Economy and Finance early 2002. The initial diversification transactions focused on sovereign issuers in the euro zone (net purchases of €5 billion), followed by corporate bonds and asset-backed securities. French Treasury bonds still account for the bulk of the portfolios, 62% in all. The credit quality

Savings funds portfolio structure

| | 12/31/02 | 12/31/01 | 12/31/00 | 12/31/99 | 12/31/98 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Fixed rate < 1 year and cash | 16.9% | 17.7% | 15.5% | 12.5% | 25.7% |
| Fixed rate 1 – 5 years | 35.0% | 37.7% | 42.4% | 39.7% | 31.6% |
| Fixed rate > 5 years | 28.0% | 32.9% | 32.6% | 39.3% | 33.7% |
| Other fixed-income instruments | 14.0% | 6.0% | 4.0% | 4.3% | 6.0% |
| Equities | 6.1% | 5.8% | 5.4% | 4.1% | 3.1% |
| TOTAL | 100% | 100% | 100% | 100% | 100% |



of the portfolios remains very high, with an average rating of AA.

The savings funds' equities portfolio contracted by 29.5%, but nevertheless outperformed the CAC 40 by 4.25 points, as the benchmark index fell by 33.75% in 2002.

The savings funds continued to increase the relative share of equities in the portfolios. Equity investments were concentrated on deeply discounted stocks of companies retaining fundamentally sound balance sheets. The book value thus increased by €788 million to reach €6.8 billion.

Financial equilibrium of savings funds

Thanks to the strong inflows and the overall stability of the loan volume, the savings funds enjoyed ample liquidity. Financial assets accounted for nearly 51% of total assets. The liquidity ratio (financial assets relative to deposits) stood at 38% for the Livret A and 88% for the LEP.

Net income for the entire protected funds business fell considerably last year, dropping from €2,210 million in 2001 to €527 million last year. Indeed, the net interest margin continues to narrow, largely as a result of the decrease in market rates and average loan rates, whereas the cost of funds remains high in the absence of adjustments in the regulated rates paid to depositors. In addition, despite the prudential practices employed by the savings funds and their above-average performance relative to the market, the equities portfolios recorded an increase in impairment provisions of €1.3 billion.

The State levy for its guarantee totaled €2.9 billion last year, compared with €3.05 billion in 2001. ■

Financial equilibrium of savings funds (€ millions)

| | Actual 2002 | Actual 2001 | % Change |
|----------------------------------|----------------|----------------|--------------|
| Sources | | | |
| Centralized deposits | 4,327 | 3,588 | 20.6% |
| Revenues, repayments | 16,764 | 15,275 | 9.7% |
| TOTAL SOURCES, GROSS | 21,090 | 18,863 | 11.8% |
| Commissions* | (3,348) | (3,187) | 5.1% |
| State levy | (2,893) | (3,049) | (5.1%) |
| TOTAL SOURCES, NET | 14,850 | 12,628 | 17.6% |
| Early repayments | 910 | 588 | 54.9% |
| TOTAL AVAILABLE RESOURCES | 15,760 | 13,215 | 19.3% |
| Uses | | | |
| Loans | 8,346 | 7,701 | 8.4% |
| Financial assets, net | 7,413 | 5,514 | 34.4% |
| TOTAL USES | 15,760 | 13,215 | 19.3% |

*Including deposit interest for Codevi and Livret Bleu.

Caisse des Dépôts finances public-interest investments through savings funds.

In 2002 as in previous years, financing activities focused on social housing and urban projects. Loan volume totaled €4 billion, down 7.4% compared to 2001.

This overall trend masks contrasting sub-trends. Social housing

loans increased by 4.7% to reach €2.3 billion, while those aimed at urban projects declined by 27%.

As of December 31, 2002, Caisse des Dépôts had social housing and urban project loans outstanding of €78.7 billion, up from €77.6 billion at end-2001.



Austerlitz building, Caisse des Dépôts - Paris

Caisse des Dépôts, public lender

Loans for social housing and urban development

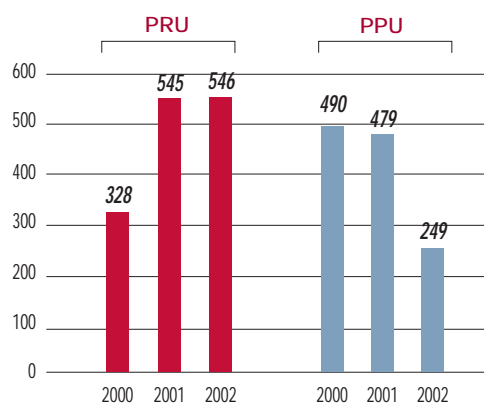
Drawdowns on social housing and urban project loans financed by the savings funds totaled €4 billion in 2002, down 7.4% from the previous year.

In 2002, the lending business was reoriented more toward its traditional base, namely social housing. Loans targeted new construction and purchase/renovation projects, which together increased their share of the total loans outstanding from 50.8% to 57.4%.

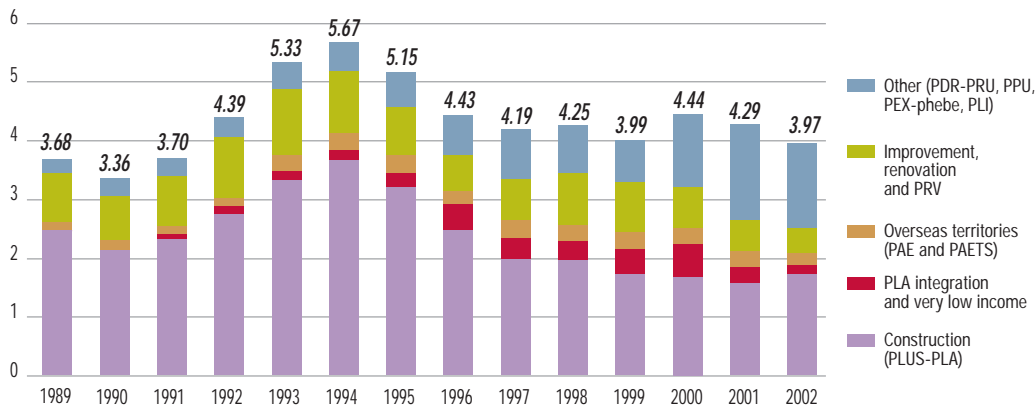
Social housing construction loans up 4.7% to €2.3 billion
After a five-year period in which the volume of construction and purchase/renovation

loans contracted, 2002 marked a turnaround. Loan volume rose by 4.7% to €2.3 billion thanks to the combined effect of the government's stimulus package

Urban renewal loans (PRU) and Urban project loans (PPU)
Loans granted (€ millions)



Housing and Urban Financing Trends (€ billions)



launched in the spring of 2001, a 109% increase in demolition/construction loans. In 2002, the volume of middle-income loans (PLI) increased by 7% to €80 million, up from €75 million.

The favorable impact of the government's stimulus package should continue to be felt over the next two years and ensure robust demand for purchase/construction financing.

Very low income housing

Housing for the destitute is financed by specific loans, benefiting from very low interest rates and State subsidies.

Housing for the disadvantaged: 20% increase in loans

PHARE loans, which were successfully launched in 2000, posted continued growth in 2002, rising by 20% to reach €258 million. This growth confirms the strong demand for housing on behalf of the elderly, disabled and young people entering the workforce.

Home improvement loans fall by 21%

Home improvement loan volume fell substantially for the second consecutive year. Last year's €434 million in loans issued was 21% below the €549 million recorded in 2001.

The limited impact of these improvements on antiquated buildings have led housing authorities to undertake larger-scale projects that involve either the demolition of the obsolescent housing units or full-scale renovations to the housing inventory. The renovation projects are financed through

the Urban Renewal Loans (PRU), whose favorable rate terms contribute to the project's overall financial equilibrium.

Urban projects and urban renewal: contrasting trends

Urban project and urban renewal loans decreased in 2002, falling from €1 billion in 2001 to €0.8 billion last year. This trend nevertheless masks significant divergences depending on the type of financing.

Urban Renewal Loans (PRU) aimed at housing increased sharply and accounted for nearly half of all PRU loans issued in 2002, compared to only 35% in 2001. This growth was largely due to the doubling in volume of loans targeting demolition/construction projects, whereas PRU loan volume for renovations to social housing grew by only a slight 5%.

Meanwhile, PRU renovation and infrastructure loans, which local governments use to finance projects in the most distressed neighborhoods, contracted by 21% last year. The closely scrutinized management of available financing resources has in effect caused elected officials to favor housing projects that have reached a certain maturity.

The decrease in Urban Project Loans (PPU) observed in 2001 carried over to 2002, when they contracted by 48%. This decrease in PPU loan volume was due to reduced demand from low-income housing (HLM) organizations in the Ile-de-France region and the continued depressed demand from local governments as a result of a less favorable interest rate and a slow-down in their debt-financed investments. Nevertheless, the number of urban renew-

al projects and their importance for the communities remains substantial. The overall facilities for PPU (€1.5 billion) and PRU (€2.3 billion) loans were renewed through 2004 and 2005, respectively.

Social housing and urban project loan outstandings: €78.2 billion

Outstandings on housing and urban loans financed by the savings funds increased from €77.1 billion in 2001 to €78.2 billion last year. Their increase over the past three years has been due to the combined effects of new loans and the low level of early repayments (€180.9 million, or 0.2% of the total housing loans). ■

Other loans

The volume of infrastructure loans to local governments, last issued a dozen years ago, is winding down. It totaled €6 billion in 2002, down 19% from the previous year.

The distribution of primary and supplementary home savings plans by La Poste increased by 23%, to €3.55 billion, last year.

At the request of the State, Caisse des Dépôts implemented a Codevi-based loan to refinance the CEPME (public organization specialized in credit to small and medium companies), in the amount of €350 million. ■

Caisse des Dépôts has been the historical partner of local and regional governments, offering its investment and engineering expertise to local decision-makers in order to help them structure and complete their projects. In the context of national and local public policy initiatives and the decentralization of financial responsibility, Caisse des Dépôts complements and works with private-sector corporations by contributing the necessary resources to cover geographic, economic and social needs inadequately addressed by the private sector alone.



Over the long term, Caisse des Dépôts allocates approximately one-third of its consolidated net income to these activities, which for the most part consist of investments, guarantees, pre-financing of subsidies and engineering support.

Overall, €1.2 billion has been invested over the past three years, of which €448 million in 2002.

Caisse des Dépôts, long-term public investor

Small business development and innovation

The small business and innovation department (DPME) manages the activities of Caisse des Dépôts in this area primarily through CDC PME. As of December 31, 2002, this subsidiary had €1,112 million in managed assets, of which €645 million on behalf of third parties, and a portfolio of more than 120 funds and investment companies with stakes in approximately 2,500 companies. CDC PME is thus a leader in the French market and the main French partner of the European Investment Fund (EIF).

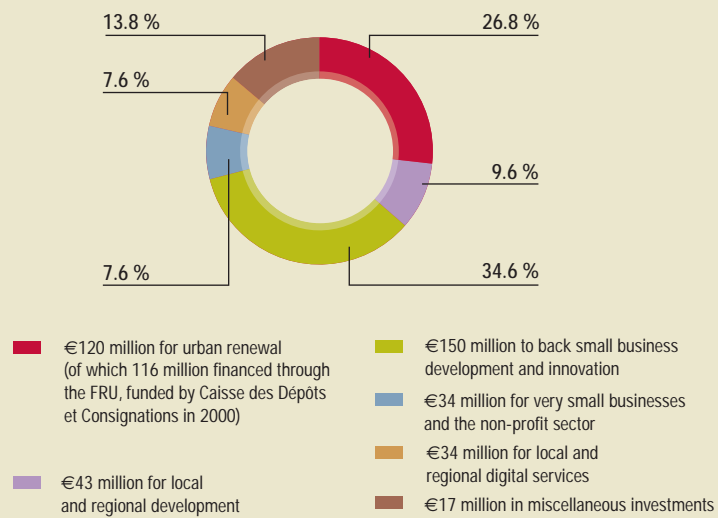
CDC PME's investments are always made jointly with private-sector investors, typically

with majority stakes and in most cases indirectly. Their goal is to achieve the highest possible return in market segments that entail particular risk or difficulties and are therefore acknowledged as insufficiently developed.

In 2002, the commitments of Caisse des Dépôts, mainly through CDC PME, totaled €155 million, not including the acquisition of the equity interest in BDPME held by Banques Populaires. These investments broke down as follows:

- €22.5 million in regional private equity entities;
- €13.4 million in seed and venture capital funds. Overall, CDC PME is a shareholder

**Public investor:
€448 million invested in 2002**



Caisse des Dépôts, 56, rue de Lille – Paris

or underwriter in 64 regional private equity organizations with €160 million invested, and a sponsor of 15 regional or national seed funds, with €49.5 million invested;

- €20.2 million in national private equity entities, mainly for buy-in/buy-out capital;
- €20 million for growth stocks, i.e. small-cap stocks with a market value of less than €700 million;
- €45 million to purchase the equity interest of Banques Populaires in BDPME;
- €23.2 million in the Small Business Investment Guarantee Fund managed by Sofaris.

Two major investment categories

● **Regional and national private equity funds** that invest alongside CDC PME (Siparex, Alliance Entreprendre, Avenir Entreprises) and focus on the start-up, development and sale of small and medium-sized manufacturing and service companies that have not benefited from the market's double-digit growth.

Last year, volume in this traditional business sector developed by CDC PME remained sustained. The company is the driving force behind the local private equity market in France and maintained its commitments to the 64 regional organizations in which it owns shares. Moreover, the company further developed its support for regional investors by helping to launch the Regional Investment Capital Fund (FCIR), which is capitalized with €70 million underwritten by the European Investment Fund (EIF) (€20 million), Sanpaolo IMI (€10 million) and CDC PME (€40 million). This fund is held by FP Gestion, a subsidiary that handles third-party investments, and had already invested €12 million as of December 31, 2002.

● **Technology companies** still in the early development stages when they receive the least amount of financing. The investments are focused on seed capital, venture capital targeting young innovative companies, and small-cap shares held in the Caisse des Dépôts investment

portfolios. These investments, which are made in conjunction with private-sector investors and in support of governmental policies, are implemented by CDC PME or, in the case of listed companies, by FP Gestion and CDC PME Gestion.

Venture capital fund management

In addition to FCIR, FP Gestion also manages two funds of funds and a co-investment fund open to third parties, mainly the French government and the European Investment Fund:

- **FPCR:** the Public Funds (€91.5 million), EIB Fund (€45.7 million) and the Venture Capital Promotion Fund (€150 million) have already invested a total of €145.9 million in 27 funds. These 27 funds have a combined investment potential of €1,057 million, which is equivalent to a leverage effect of 7x;

- **FCJE:** the Co-Investment Fund for Young Companies.

This €90 million fund created in 2002 by Caisse des Dépôts, the French government and the European Investment Fund

invests in young high-tech companies at the request of and alongside other investment vehicles, typically in the second stage of financing. At end-2002, the FCJE had examined 281 business plans and made 18 investments for a total of €13.1 million.

Participation in the development of markets for growth stocks

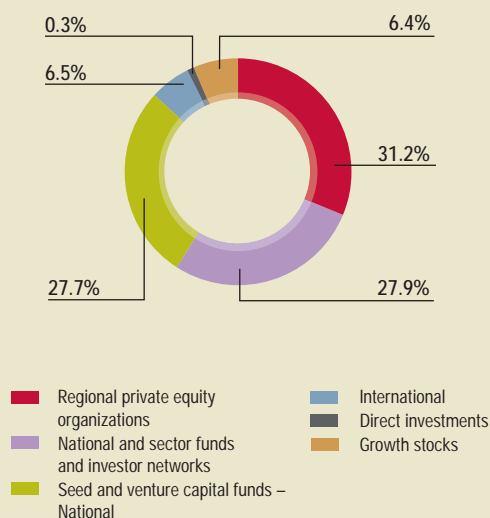
CDC PME Gestion, a mutual fund management company created in December 2001, manages the CDC PME Croissance mutual fund.

This activity on behalf of the Caisse des Dépôts investment portfolios helps to strengthen the equity position of small-cap companies that would otherwise not receive sufficient private sector financing. As of December 31, 2002, CDC PME Gestion had made approximately 50 investments in a market segment that includes some 800 companies with a market capitalization of less than €700 million. Since its launch, the mutual fund's investment rate has been slightly more than 55%.

Development of CDC PME's European and international activities

This development serves two purposes: to strengthen venture capital financing in emerging market countries with close ties to France, in particular in Tunisia, Algeria and Morocco (€3 million invested in 3 funds); and to establish partnerships with foreign companies that help to diversify French investment funds internationally, notably through cross-holdings. In 2002, CDC PME made two investments in Europe along with two major partners of Caisse des Dépôts Group. In Germany, it invested €1.1 million alongside Bayerische Landesbank in the BioMVC biotech venture capital fund; in Italy, it joined with Sanpaolo IMI to invest €10 million in a venture capital development fund focusing on the country's southern regions. ■

Breakdown of the portfolio as of December 31, 2002 (including off-balance sheet commitments)



Urban renewal

Last year, Caisse des Dépôts continued to implement initiatives on behalf of its Urban Renewal program. This program, launched through an October 1998 agreement with the French government and updated in June 2000, is designed to stimulate and promote investments in urban renewal through a variety of financing methods.

These investments were part of overall programs at the city and neighborhood level that are essential for the sustainable transformation of an area and its integration into the surrounding urban fabric.

Caisse des Dépôts has established itself as the key public financial player in urban renewal through its investment activities as part of public/private partnerships and in its role as a public lender.

A wide range of projects under way

Out of 300 planned projects, more than 150 are currently under way with significant involvement by Caisse des Dépôts. These projects are urban development priorities undertaken through contracts with the French government as Major Urban Projects (GPV), Urban Renewal Operations (ORU) or other urban renewal projects in the framework of urban contracts.

These projects relate mainly to: the

redevelopment of large-scale social housing complexes; project planning for the demolition and reconstruction of public housing, infrastructure and facilities, transportation infrastructure to make the sites more accessible, and economic and commercial development. The projects also involve rezoning urban and industrial lots in Seine-Saint-Denis, the Lyon suburbs, the Creil metropolitan region and elsewhere, as well as inner city neighborhoods in Roubaix, Bordeaux, Perpignan and elsewhere.

Specific initiatives were also taken with regard to the renovation of dilapidated condominium properties. Caisse des Dépôts lends under an agreement with the National Agency for the Improvement of Accommodation (ANAH) to provide local governments and others with a comprehensive financial service through local banks, which includes ANAH subsidies and Caisse des Dépôts financing.

In accordance with agreements negotiated with the government, Caisse des Dépôts also implemented a new program to promote economic activity and job development in urban renewal areas. This program involves the four major support networks for new business start-ups⁽¹⁾ and works closely with the Urban Renewal



program and the Caisse des Dépôts program to support business development and socially oriented economic development.

(1) Association pour le droit à l'initiative économique (ADIE), France Active, France Initiative Réseau, and Réseau Entreprendre.

Urban Renewal Fund (FRU) (€ millions)

| COMMITMENTS MADE | 2002 | 2001 | 2000 |
|--------------------------------------------------------|------------|------------|-----------|
| Engineering loans | 17 | 15 | 18 |
| Advances (pre-financing of subsidies) | 42 | 53 | 11 |
| Carrying of land and buildings | 2 | 6 | 0 |
| Investments in state-owned developers | 15 | 12 | 0 |
| Investments in public/private real estate transactions | 10 | 13 | 27 |
| Guarantee funds | 25 | 3 | 0 |
| SIR Batixia capitalization | 5 | 11 | 0 |
| TOTAL COMMITMENTS MADE | 116 | 113 | 56 |
| Subsidies of Urban Renewal Loans (PRU) | 0 | 0 | 95 |



Two types of financing

Caisse des Dépôts provides dedicated financing:

- to the Urban Renewal Fund (FRU) established on June 29, 2000 as part of the three-year agreement between Caisse des Dépôts and the State. The FRU's initiatives are financed through the €457 million non-recurring dividend paid by Caisse des Dépôts on 2000 earnings. Last year, the company invested €116 million.
- for Urban Project Loans (PPU) and Urban Renewal Loans (PRU) financed by the savings funds. Since 1999, two PRU and PPU facilities of €1.52 billion each have been established. They were renewed in the amounts of €2.28 billion for the PRU and €1.52 billion for the PPU.

In 2002, the commitments and new loan issues were substantial, totaling respectively €379 million and €249 million for the PPU, and €776 million and €546 million for the PRU.

In addition, preliminary studies on the launch of a guarantee fund were successfully completed. This fund is designed to guarantee PRU and PPU loans in support of local governments as well as bank loans granted to developers involved in urban renewal projects alongside Caisse des Dépôts. This fund should be operational in the first half of 2003.

Lastly, the first regional investment company, SIR Batixia in the North-Pas-de-Calais region, was created in October 2002. This company, which is not licensed to operate as a bank, has €20 million in share capital subscribed by SDR (41%), the Regional Council (34%) and Caisse des Dépôts (25%). ■

Support for local and regional development

Caisse des Dépôts supports local governments in their efforts to implement promising development projects in their regions.

The regional departments identified nearly 150 projects that they are supporting with the help of the Local Development Department and the input from its network of experts.

Last year, Caisse des Dépôts invested €43 million to support local and regional sustainable development, an increase of 19% over 2001.

The company is involved:

- to support the organization and modernization of the local and regional areas further to the 2000 agreement with DATAR. This support was provided in particular through Mairie-Conseils (advisory services to city and town governments) and the Companies and Local and Regional Areas Development Association;
- through co-financing of impact studies for investment projects for cultural, economic and tourist development and environmental protection;
- by investing in real estate management companies (SEM, SA, SCI, etc.) and public works operating companies.

Last year, Caisse des Dépôts determined the areas in which it would focus its investments:

- converting the economic use of industrial sites and local and regional areas as well as company-owned properties well suited to the local strategies. This was finalized through partnership agreements with Areva,

Giat Industries and the Ministry of Defense, and the revitalization of a 15,000-square-meter industrial facility in Creusot:

- maximizing the potential of cultural heritage and tourism assets, notably through renovations to recreational properties in seacoast and mountainside villages;
- protecting the environment, in particular through waste recycling and renewable energy production, with the noteworthy participation of the Environmental and Energy Efficiency Investment Fund (FIDEME), the first such investment fund, created with the Environmental and Energy Efficiency Agency (ADEME) and private investors.

Caisse des Dépôts has invested more than €250 million in over 500 local public policy agencies (mainly public/private companies, but also investment companies and real estate companies). This investment portfolio makes a significant contribution toward implementing development projects managed by the local and regional governments. ■

Developing local and regional digital services

Caisse des Dépôts created its New Information and Communications Technology Department (DNTIC) to support local governments in their efforts to roll out digital technology and promote the use of Internet services. It broadened its means of action by actively structuring public/private partnerships (PPP), thereby reinforcing its outlook as a public-interest investor.

The local and regional digital services development program

In December 2002, CIADT renewed and strengthened the mission assigned to Caisse des Dépôts. Working with the regional departments, DNTIC provides support to local governments for their digital infrastructure and broadband projects as well as the rollout of cyberbases. Caisse des Dépôts has budgeted direct investments of €230 million in 140 infrastructure projects and 40 local services projects.

Of that total, €34 million was invested in 2002:

- currently, seven projects have been finalized. Last year, Caisse des Dépôts made

infrastructure investments in Sipperec and in the Toulouse metropolitan region, consistent with the objectives of the e-Europe 2005 program for broadband access;

- 20 projects are currently in the advanced development stage at the French department and regional level (Alsace, Poitou-Charentes, island of Reunion);
- emerging e-learning and e-health projects are being supported in the software development phase.

The plan to roll out 400 cyberbases, a task that was assigned to CISI in 2000, gave DNTIC the opportunity to bid on 10 tender offers for projects on the French department or regional level such as the Midi-Pyrénées and Côte-d'Or projects.

Internet services on behalf of local governments

In June 2002, the former "Mercure" web site was replaced by "Localtis", which offers information on 23 current topics, updated daily, and a home page that provides the essential news of the day to locally-elected officials and local and regional administrators, be they specialists or generalists.

Local government bodies and users

SPL (Local Public Service), a new Internet service developed jointly by the Caisse des Dépôts, La Documentation Française, the Interministerial Committee for Government Reform (DIRE) and the Association of French Mayors (AMF), was launched in August 2002. By December, this local version of the French civil service portal was successfully implemented in 20 local and regional government offices, and it has generated substantial interest among 50 other public-service agencies.

The Public Institution's "portal"

The development of joint web sites between the Caisse des Dépôts business lines and CDC Mercure continued in order to make these sites more user-friendly and effective, with the overriding objective of better satisfying customers of the Public Institution. Preliminary studies were thus completed on the "Public Institution portal" project, which should be implemented beginning in 2003.

The role of Caisse des Dépôts in online public-sector purchasing

AchatPublic.com is a new company whose mission is to facilitate the development of online public-sector purchasing by 2005, a goal of both the French government and the European Union. Caisse des Dépôts has invested as part of an innovative public/private partnership alongside UGAP (the centralized purchasing unit of the French government) to create Achat Public.com.

The purpose of this new company, in which Dexia, Moniteur Group and France Télécom are also investors, is to offer large and small public-sector organizations the means to handle purchasing transactions online. It is also designed to facilitate the opening up of the public-sector market to small businesses in a highly secure legal and technical environment through the Internet. The need for reliable digital transactions has led to the development of new services. These platforms, which combine transactional capabilities with security, are an essential condition for developing a paper-free exchange of administrative information. ■



Very small businesses and socially oriented economic development

In 2002, the Small Business and Socially Oriented Economic Development Department (DPES), which was created by Caisse des Dépôts in June 2001 to finance and support entrepreneurial approaches that create jobs and social

At the regional level, the regional departments participate in the Regional Plans to Create and Transfer Ownership of Companies (PRCTE). A test was conducted with the Ministry of Urban Affairs at 11 sites to promote business start-ups



cohesion, made commitments of €33.5 million, €17.9 million of which were investments. Since the launch of the PME Emplois program in 1998, the activities focused on very small businesses and the non-profit sector represented commitments of €103.4 million at year-end 2002, an increase of 80% over the past two years.

Focus on support for business start-ups

Since 1998, Caisse des Dépôts has financed Interest-free Loan Associations and supported 12,800 companies that created 27,700 jobs. It enabled €68 million in interest-free loans with a bank leverage factor of four. Caisse des Dépôts also provides direct assistance to business start-up organizations. At the national level, it signed three-year agreements with France Active and ADIE, followed in early 2003 by agreements with Réseau Entreprendre, France Initiative Réseau and Réseau des Boutiques de Gestion. It provides support to these networks within the Fédération Force.

in distressed neighborhoods. Caisse des Dépôts also plays a strong role in new business creation in rural areas. The government's determination, as evidenced by the Law on Economic Initiative, to make business start-ups one of its priorities has led the Caisse des Dépôts to increase its commitment in this area and to support the decentralization efforts.

Development and structuring of solidarity-based financing

Caisse des Dépôts helped to develop and improve the structuring of solidarity-based financing. It participated in the capital increase of the Institute for the Development of the Social Economy (IDES), a direct investment organization, and supported the establishment of a guarantee division, France Active Garantie (FAG), which now manages three IDES guarantee funds.

The structuring of guarantees for the solidarity-based economy will continue with the re-launch of Sogama Crédit

Associatif, together with France Active. Finally, for the first time Caisse des Dépôts signed an agreement with the Finance and Solidarity Association (FINANSOL), which brings together all the solidarity-based financing organizations.

Support for socio-economic initiatives

In 2002, Caisse des Dépôts implemented an agreement with the State on the business consolidation of New Services. The emphasis was placed on local and regional diagnostics and local support networks. At the national level, Caisse des Dépôts helped to create Avise, the Agency to Promote Socio-Economic Initiatives, which will provide engineering and knowledge transfer support in this sector. ■