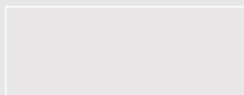




MASSIMO VITALI
Pic Nic Allée / 2000





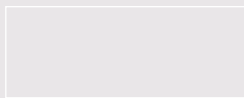
BUSINESS LINES

SUPPORT FOR A CHANGING FRENCH SOCIETY

22
Public-interest
missions

46
Competitive
businesses

GREGORY CREWDSON
“Untitled
(Concentric Circles)” / 1993



“In 2003, Caisse des Dépôts’ public-interest missions were steadily strengthened and expanded.”

Public-interest missions

Banking activity serving client-partners

Since its creation, Caisse des Dépôts has been charged with the secure management of private-sector funds serving the public interest. These activities, which have changed over the years, have been strengthened in the past six years, in particular through the extension of mandatory third-party deposits of court-appointed receivers and agents (1998) and the imposition of a monopoly for notary deposits (2000).

A specialized bank for professional clients

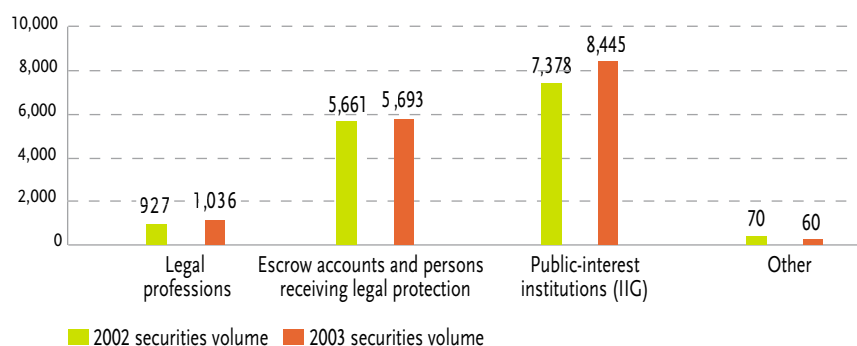
— **Currently, the Banking Department** has €36.9 billion in cash deposits and manages €15 billion in securities. Its 50,000 clients are served by the savings departments of the 140 local French Treasury offices and the Paris-based branches of Caisse des Dépôts. Clients also have access to CDC-Net, a comprehensive online service adapted to the needs of professionals. At the regional level, client services are provided by dedicated teams within the regional branches of Caisse des Dépôts.

The Banking Department is a specialized bank for professional clients (legal professions, public-interest institutions, etc.). It offers clients a highly secure service. It is designed to channel major payment flows toward the banking centers, and operates on the principles of quality management and a partnership with the client.

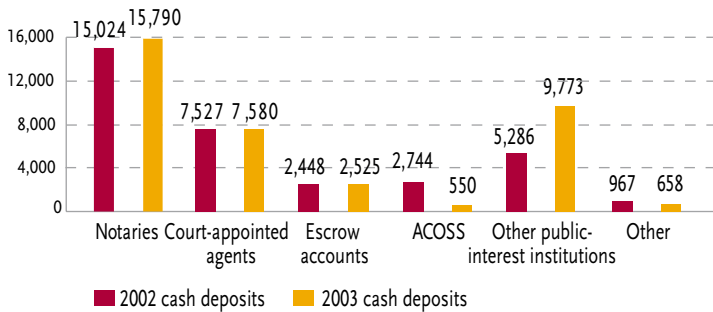
Consolidate the role of banker to the judiciary system

— **Escrow accounts continued** to grow in 2003, with average annual deposits up 3.15% to €2.53 billion, thanks to a modernization of the department and better communication on the use of escrow deposits.

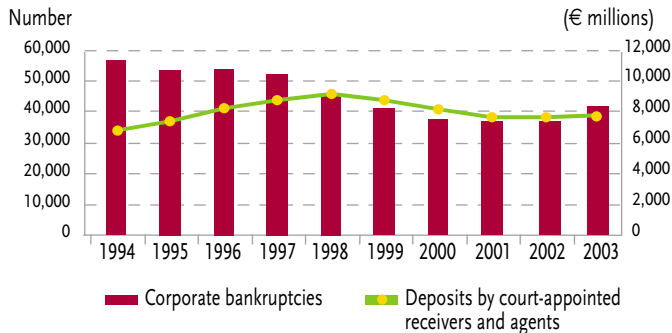
Changes in securities volume (€ millions)



Change in cash deposits (€ millions)



Number of corporate bankruptcies and deposits by court-appointed receivers and agents



The volume of notary deposits (€15.8 billion) continued to grow, sustained by the real estate market's favorable performance.

Deposits from court-appointed receivers and agents remained relatively stable at €7.6 billion, despite the poor economic environment.

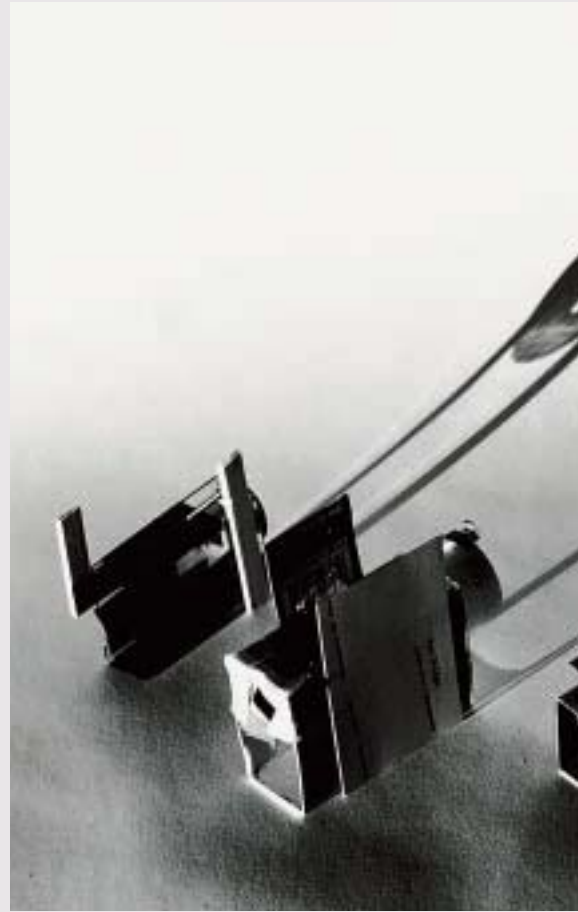
Meanwhile, Caisse des Dépôts helped the legal professions to modernize: training and apprenticeships, quality measures, implementation and use of new technologies, spread of European civil law abroad.

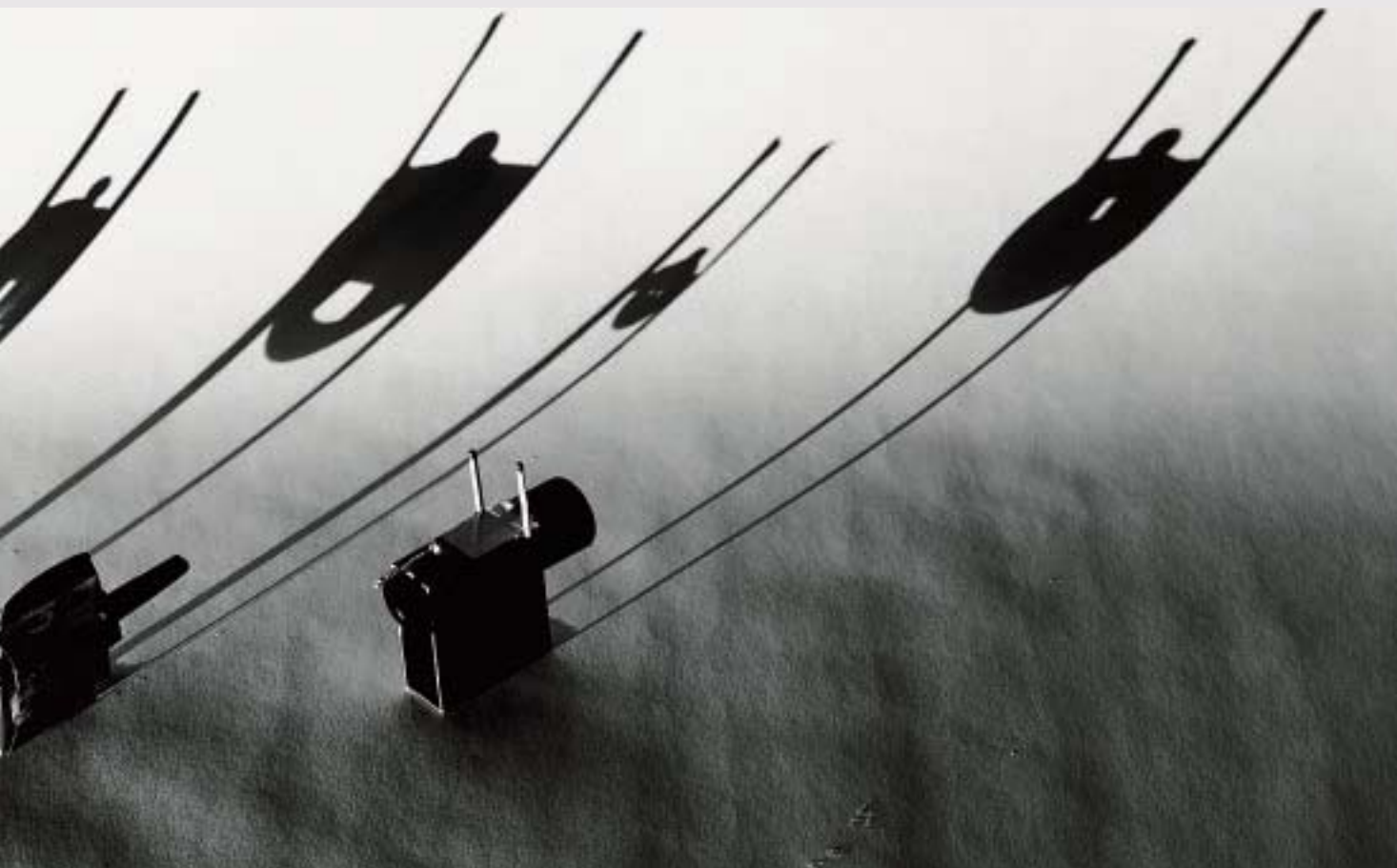
The Banking Department, working with the Justice Ministry, is developing a monitoring project that will result in a better understanding of the legal profession's economic impact.

Renew the mission of administrator of public-sector mandates

— **The French State, administrative authorities and local and regional governments use** Caisse des Dépôts to administer and manage the finances of national public-sector funds and funds granted by the European Commission as part of specific programs. These funds and services include:

- stabilization funds in the telecommunications and electricity sectors, as well as funds intended to secure payments to certain beneficiaries (public enquiry commissioners);
- the issuing role of Caisse Nationale des Autoroutes (rated AAA);





- indemnification of illegally confiscated Jewish assets during World War II through the funds that it administers, as part of an international agreement, under a mandate granted by all French financial institutions.

A separate department was created to consolidate all these administrative mandates. Acting as a payment agent and supporting local governments, this department also participates in the administration of European structural funds. At end-2003, nearly 30 programs, including Interreg, Urban, Objectif 2, PRAI (regional innovation initiative programs), were administered by the regional departments. Finally, the department manages research consortiums selected by the European Commission as part of the sixth European Union Research and Development Program.

CDC-NET IN ACTION

Launched at end-2000, the bank's online site dedicated to Caisse des Dépôts clients is continuously being improved. In 2003, it was reconfigured to be more user-friendly following a customer satisfaction survey by IFOP. Currently, clients can perform real-time transactions in the same professional conditions as the account representatives. In 2003, the number of clients increased by 28%, to reach 6,000 contracts.

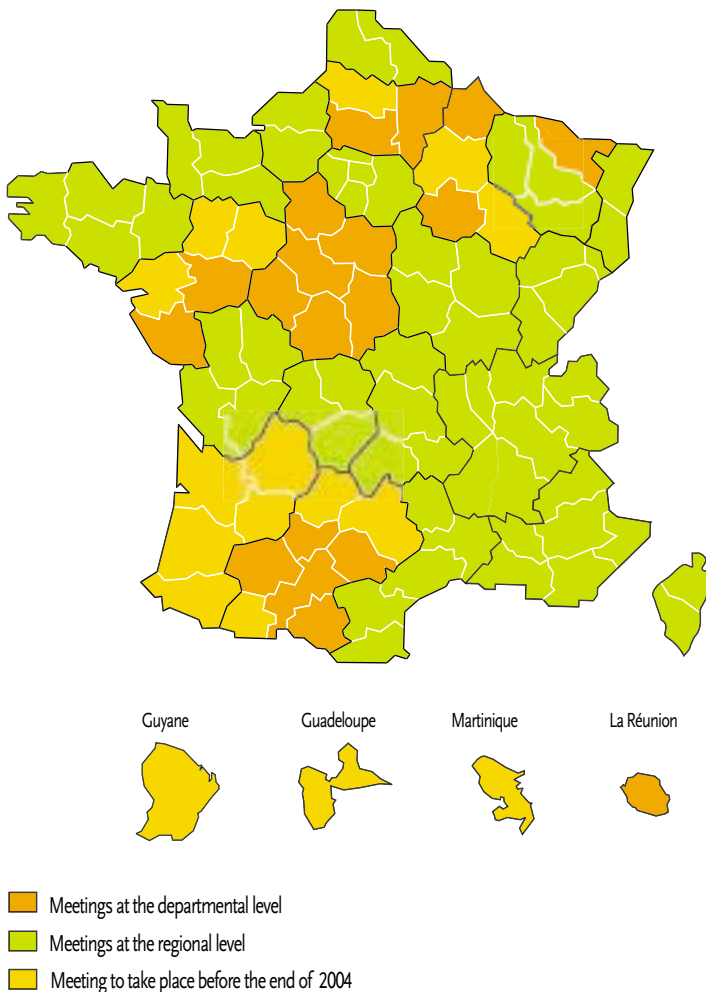
Seventy percent of notary offices are now equipped. The technical linkage between CDC-Net and Réal, the intranet for notaries, was achieved in 2003 and will be deployed broadly in 2004. Use of CDC-Net is growing three times faster than the number of clients. The number of hits increased by 77% in 2003, while the number of payment transfers was up by 93%, with a total of €1.2 billion in December.

PROMOTING THE FIGHT AGAINST MONEY-LAUNDERING

Beyond the regulatory requirements governing employee checks and training, Caisse des Dépôts wanted to make a contribution to the commitment of the legal professions for this major cause. Caisse des Dépôts and its clients share the values of social responsibility, a necessary condition for the sustainable development of our economies. In that respect, each link in the chain of real estate transactions must pay close attention to

the risk of money-laundering related to drug trafficking and other illicit gains. Together with Tracfin and the judiciary, notary agencies and Caisse des Dépôts have organized more than 35 regional informational meetings since 2003. These meetings enabled more than 2,800 notaries, court-appointed receivers and agents, bailiffs, etc. to be informed as to the requirements of the new legislation.

Map of France: since 2003, 35 meetings at the departmental or regional level



Providing financial assistance to France's social security system

— **Caisse des Dépôts serves as the banker** for ACOSS (the central body for France's social security system), which centralizes the cash management of the social security system's four service agencies (sickness, workplace injuries, pensions and family) and the collection branch (URSSAF).

Caisse des Dépôts ensures high-value-added custody and cash management services on behalf of the various entities. In that context, it enables optimized cash management of France's social security system.

Caisse des Dépôts finances ACOSS's overdraft requirements, which in 2003 reached a high of nearly €15 billion.

Offer a complete banking service to public-interest organizations

— **As the traditional banker** for public/private companies and low-income housing organizations, Caisse des Dépôts also serves foundations, national associations for the public good and public institutions.

Caisse des Dépôts provides custody services for funds entrusted to it by the above-mentioned institutions, and offers them a complete range of investment products to meet their security needs.

The administration of public savings and transformation to public-interest financing

Within Caisse des Dépôts, the savings funds administer tax-exempt savings deposits and finance public-interest investments, in particular low-income housing and urban development. France thus has a unique means of transforming public savings into investments serving the public interest.

Strengthening the financial equilibrium of the saving funds

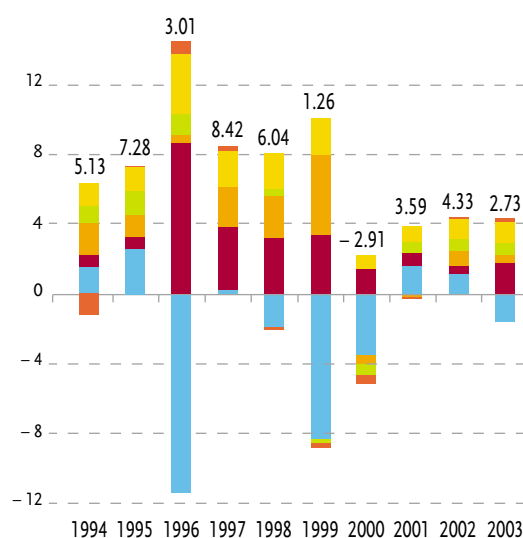
— The Noyer/Nasse report on the financial equilibrium of the savings funds was submitted in January 2003. This report, which was prepared by these two experts at the request of the Minister of the

Economy, Finance and Industry, supports the mission of the Caisse des Dépôts with regard to the savings funds.

Many of the recommendations to strengthen the long-term financial equilibrium of the savings funds were quickly implemented in 2003:

- the creation of a Savings Funds Committee, charged with examining and controlling, under the authority of the Supervisory Board of Caisse des Dépôts, the implementation of the public-interest policies carried out by the funds;
 - the change in interest rates on the regulated savings deposits, approved on July 21, 2003 by the Minister of the Economy and effective August 1, 2003, as well as the implementation of an indexation formula for the livret A passbook savings rate (and related rates, including the LEP and home-purchase savings) beginning August 1, 2004;
 - the renewal of the management agreement with La Poste, finalized in early 2004, for the home-purchase savings funds;
 - the pooling of loans, in particular the experimental loans with the greater Lyon region and Nancy.
- The implementation of the report's other recommendations will continue in 2004, notably:
- the development of a fee scale for the distributors, which only the government can decide;
 - strengthened financial security for the savings funds, which depends on more balanced coverage and the appropriate level of retained earnings.

Inflows and outflows of savings funds centralized by Caisse des Dépôts (excluding interest) (€ billions)



- Livret A
- LEP
- Livret Bleu ***
- CODEVI **
- Home-purchase
- Other funds*

For 2003: provisional amounts subject to adjustment
 * Other funds: livret B, livret jeunes, PEP
 ** Capitalization included in financial flows
 *** Livret Bleu : gradual centralization of deposits from 1991 through 1999



Resources: savings deposits centralized by Caisse des Dépôts

— **Net inflows centralized** by Caisse des Dépôts totaled €2.73 billion in 2003, down nearly 37% from €4.33 billion in 2002. This decrease was mainly due to outflows on the livret A savings accounts after the deposit rate was lowered from 3% to 2.25% on August 1, 2003.

The relative share of the CNE livret A and livret B savings deposits in the total resources of the savings funds fell from 54.2% in 2002 to 52.8% in 2003, even as total volume increased by a slight 1.4% to €114.82 billion.

This relative decline in the share of the livret A deposits benefited:

- home-purchase savings funds, whose volume of €29.26 billion now represents 13.5% of the total outstanding volume, up from 13% in 2002 (total volume in 2002 was €27.22 billion);
- the LEP, whose volume stood at nearly €48 billion, or 22% of outstanding volume instead of 21.2% in 2002.

Uses

HOUSING AND URBAN DEVELOPMENT LOANS

— **Savings fund** loans for housing and urban development totaled €4.2 billion in 2003, up 5% from the previous year, with an emphasis on low-income housing construction and renovation loans.

- **Net increase in disbursements aimed at the supply of new low-income rental housing.**

Continuing the recovery observed beginning in 2002, disbursements in 2003 totaled €2.7 billion, thanks to the combined effects of the stimulus plan, the steady progress of demolition/construction loans, which rose by 28%, and the continued strong volume of low-income rental housing (PLS) loans. Loans for new construction and purchase/renovation of low-income rental housing accounted for 64% of all disbursements for the year.

- **Trend in financing for very-low-income housing.**

All programs related to low-income housing loans reserve at least 30% of the total for households with the most limited means. These loan disbursements rose by a substantial 16% to nearly €200 million in 2003.

- **Continued support for middle-income rental housing loans,** which totaled €270 million in 2003.

- **Slight easing in major renovation loans for low-income housing.** The reduction in renovation loans was less pronounced last year than in 2002, as €499 million was disbursed in 2003, compared with €550 million in 2002.

This activity depends mainly on arbitrage decisions by developers between renovation and demolition projects.

- **Housing loans for the disadvantaged.** These loans, which target housing construction and renovation



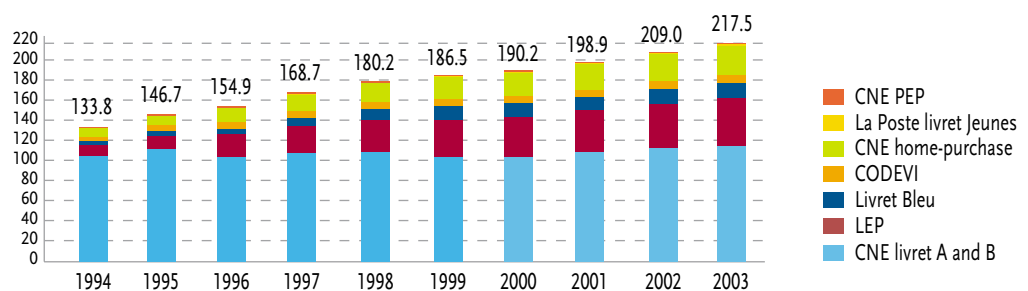
needs for the elderly, handicapped and first-time job seekers, totaled €464 million last year, in an environment marked by unfavorable rates during the first seven months of the year.

• **Continued financing of urban development and urban renewal.** Disbursals for urban development and urban renewal loans totaled €741 million last year, down from €795 million in 2002.

Total disbursals on urban renewal loans (PRU) reached €471 million last year. The portion of these loans targeting urban development in low-income neighborhoods fell by 31% to €197 million. By contrast, urban renewal loans for demolition/reconstruction increased by 6% to €274 million.

Urban development loans (PPU) increased by 8% last year to €270 million.

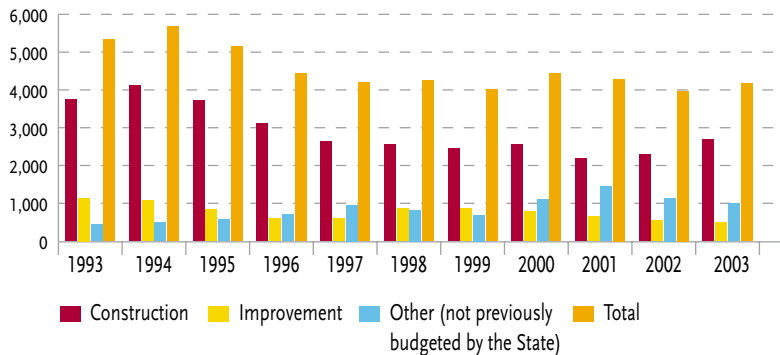
Total deposits centralized by Caisse des Dépôts (€ billions)



Relative share of products within centralized savings funds (as a %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CNE livret A and B	78.4	76.3	67.3	64	60.7	55.7	54.7	54.6	54.2	52.8
LEP	8.9	9.1	14.8	16.4	17.9	19.8	20.9	21.2	21.2	22.0
Livret Bleu	2.9	3.5	3.5	4.6	5.6	7.8	7.5	6.9	6.9	6.9
CODEVI	3	3.7	4.3	4	4	3.7	3.4	3.5	3.7	3.8
Home-purchase	6	6.6	8.8	9.7	10.5	11.7	12.3	12.7	13.0	13.5
Livret Jeunes	0	0	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
CNE PEP	0.8	0.9	0.9	1	0.9	0.8	0.7	0.6	0.5	0.5
Total	100	100	100	100	100	100	100	100	100	100

Loan disbursement trends since 1993 (€ millions)



- **Continued growth of low-income housing and urban project loans.** Loans financed by the savings funds and benefiting low-income housing and urban projects continued their steady growth of the past three years. In 2003, the volume of these loans increased from €78.2 billion to €79.3 billion.

- **Other loans.** In 2003, the sustained volume of home-purchase loans administered by La Poste resulted in an approximately 10% increase in loan volume to €15.3 billion, up from €13.9 billion in 2002. CODEVI deposits centralized by Caisse des Dépôts were used mainly to refinance BDPME, a specialized entity that lends to small businesses, whose loan volume from Caisse des Dépôts totaled €3.4 billion.

FINANCIAL ASSETS

— **As of December 31, 2003**, the book value of financial assets totaled €118.6 billion, with €7.2 billion invested in equities and the bulk in fixed-income securities (bonds and money market instruments). The book value of the portfolios rose by 3.7% in 2003, compared to a 7.2% gain in 2002.

- **Fixed-income assets.** Bond market volatility was particularly strong in 2003, although 10-year OATs finished the year unchanged (4.30% on December 31, 2003, compared with 4.29% at end-2002). Last year saw two very distinct trends, as very low interest rates in the first half gave way to signs of tension in the second.

In 2003, the government implemented an indexing formula for most of the regulated savings deposits. Thus for the livret A and LEP accounts, deposit savings rates will be revised bi-annually based on

year-on-year inflation and 3-month Euribor, beginning in August 2004. This measure enables the future cost of the savings deposits to be estimated with greater precision and links this remuneration to negotiable debt securities, which enables real coverage of the savings funds liabilities through financial instruments. The inflation-indexed bond market, which is currently experiencing rapid growth, thus takes on major significance for the savings funds.

In 2003, the fixed-income portfolio gained 3.64%, compared with gains of 3.32% and 3.90% for the CNO 1-3 year and 3-5 year indices, respectively, whose investment horizons are comparable to those of the savings fund portfolios.

Following the expansion of the investment universe in early 2002, the portfolios were further diversified. This diversification was directed more toward private-sector issuers in the European Economic Area than toward government bonds. The number of issuers in the portfolio rose by 30% last year. The portfolio's average rating remained very high at AA+, unchanged from 2002.

The credit market turned in a strong performance last year after a very poor performance in 2002. Given the portfolio's very high rating, the market downturn in 2002 had little impact on its performance. Similarly, the funds received less of a boost from the market's rise in 2003.

- **Equities.** After three years of declines posted by the equity markets, and the CAC 40 index in particular (down 0.5% in 2000, 22% in 2001 and 33.75% in 2002), last year this index gained 16.1%. Equity markets had collapsed in the first quarter of 2003 only to make a spectacular technical recovery in the second. From its low in March 2003, the CAC 40 gained 48% by end-December.

After taking a beating in the first quarter, the savings funds' equity portfolio, which is positioned in stocks of financially sound companies trading at a discount, took full advantage of the market rebound. At end-December 2003, the equity portfolio was up 21.32% in absolute terms, thereby outperforming the CAC 40 by 5.2 percentage points.

As of December 31, 2003, the book value of the equities in the financial asset portfolio was €7.16 billion, after net investment of €218 million was taken into account. Equities thus represented 6% of total assets, unchanged from 2002. The value of net unrealized capital gains was €1,928 million, which was 3.4 times higher than the €571 million on December 31, 2002, as unrealized capital losses fell sharply from €1,617 million to €1,019 million.

THE FINANCIAL EQUILIBRIUM OF THE SAVINGS FUNDS

• **Continued growth of total assets.** Total assets continued to grow in 2003, rising by 2.29%, or €5.2 billion, compared to 3% growth, or €6.8 billion, in 2002.

Centralized deposits continue to represent the bulk of the liabilities (94% of the total). For the full year 2003, total inflows (excluding capitalized interest) increased by a slight €2.7 billion. Thanks to interest capitalization, the outstanding volume of all the funds grew or remained constant (including livret A deposits). Total deposits grew by €8 billion, rising from €209 billion to €217 billion, thanks in part to capitalized interest.

• **Satisfactory liquidity.** Given the growth in total assets and the relative stability in loan volume, the share of financial securities in total assets increased from 50.7% in 2002 to 51.7% last year.

Approximately €3 billion in early loan repayments were made last year.

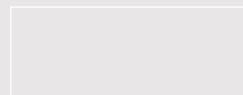
The liquidity of the various funds remained satisfactory. The liquidity ratio (total financial assets relative to total deposits) increased sharply for the LEP accounts from 88% to 92.7% in 2003. The liquidity ratio for the livret A accounts fell slightly from 38% to 36.7% in 2003.

The levy on the savings funds, which corresponds to the remuneration for the State guarantee, €1.55 billion in 2003, of which €1.345 billion from the FRFL (housing financing reserve fund) and €205 million from the livret A reserve fund. This levy was down sharply from the previous years: €2.93 billion in 2002; €3.049 billion in 2001. This decrease reflected the declining earnings trend at the savings funds, whose cost of funds is now very close to the average return on the assets, as well as a more temporary factor, namely the weakness of 2002 earnings (largely as a result of the equity market downturn), which totaled €526 million.

• **2003 results.** Net income for all the funds was up sharply last year, rising from €0.53 billion in 2002 to 1.13€ billion. The bulk of this increase was due to the improvement in net banking income, which rose from €0,258 billion in 2002 to €1.56 billion in 2003.



THIBAUT CUISSET
Théâtre
des Champs-Élysées / 1998



Interest expense related to the savings deposits remained essentially unchanged, but contrasting price and volume effects in equal measure underlay this result:

- the decrease in the regulated rates in 2003 trimmed €500 million from interest paid on deposits;
- this was almost entirely offset by the increased interest expense resulting from the overall growth in funds managed; moreover, households quite understandably selected the highest-yielding funds, which happen to be the costliest for the savings funds, such as the LEP and home-purchase funds.

Meanwhile, commissions for the fund distributors remained unchanged, which suggests that these payments are growing in proportion to deposits. In 2002, the savings funds recorded a non-recurring reduction of more than €70 million in commissions to distributors following overpayments on home-purchase deposits for the years 1998 to 2000. As a result, in 2003 commissions paid to distributors rose by nearly €200 million in the income statement, and their relative share in total expenses also increased.

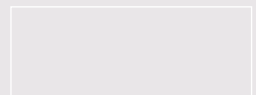
Loan revenues contracted slightly by 2.3%, mainly as a result of the extinction of high-rate loans (infrastructure loans).

Net income for the fixed-income portfolio contracted from €4.76 billion in 2002 to €4.58 billion last year, while for the equities portfolio it contracted from €172 million in 2002 to €166 million last year. The changes in net banking income for the savings funds were due entirely to gains and losses on investment transactions, which remain very volatile. Capital gains realized in 2003 totaled €740 million, up from €609 million in 2002, while provisions contrasted sharply: write-backs on equity provisions totaled €600 million, and a provision charge of €36 million was recorded on bonds. Overall, the available-for-sale portfolio recorded a net write-back of €559 million last year, compared with a net charge of €1.126 billion in 2002.

After taking operating costs and cost of risk into account, operating income totaled €1.44 billion. The FGBR charge totaled €307 million, after a write-back of €245 million in 2002, as a result of the equity market rebound, which created the need for additional capital.



THIBAUT CUISSET
Théâtre des Champs-
Elysées / 1998



An experienced investor supporting local and regional governments

The Decentralized Finance Department was created to develop the long-term investment activities of Caisse des Dépôts in two useful sectors for local governments: real estate, housing and urban renewal on the one hand and infrastructure and digital services on the other. It also creates partnerships with local governments and provides local services. For all of these activities, it relies on a network of 25 regional departments.

Local and regional digital development

INVESTMENTS IN TELECOMMUNICATIONS NETWORK PROJECTS

— **The year 2003 was marked by the debate** over the legislative framework that would enable local governments to operate telecom networks in France.

Meanwhile, the portfolio of projects being monitored by Caisse des Dépôts was further expanded, notably through its expertise at the regional level. Public/private partnerships were structured with private-sector investors (operators, equipment suppliers, construction and civil engineering firms). Last year, the public-service delegation (PSD) model for local and regional digital upgrade projects became the standard. Caisse des Dépôts reaffirmed its positioning as a private-equity or quasi-private-equity investor in companies selected as laureates by the PSDs. Some 30 local government projects supported by Caisse des Dépôts have entered the active phase, representing an investment potential of €700 million.

INVESTMENTS IN INTERNET SERVICES

• **Achatpublic.com online purchasing.** The “Achatpublic.com” online purchasing site was created in March 2003 by Caisse des Dépôts along with UGAP, France Télécom, Dexia Crédit Local and Moniteur Group. Since its launch, this online service for the public sector has been operating in a test phase with some 20 local governments.

• **Local Public Service.** SPL (Local Public Service), an Internet service completed its first year of operations last year. Caisse des Dépôts is involved in the preparation of a national strategic plan for online administration. As part of this endeavor, the CVQ (*Carte de vie quotidienne*) card project, for a multi-function card designed to facilitate dealings with all branches of government, was launched by the State Secretariat for State Reform and Caisse des Dépôts.

• **FAST (Secure Internet transaction provider).** In February, Caisse des Dépôts received a mandate from the Ministry of Internal Security and Local Liberties to develop a “secure infrastructure” enabling online control of legality among local and regional governments. FAST received the Best European Project award by the European Commission at the RSA Conference in Amsterdam (global computer security trade show).



INTERNET PORTAL FOR LOCAL GOVERNMENTS

— **The Localtis portal**, for local government completed its first year online.

PROMOTING ONLINE USE

• **The Cyberbases program.** Last year, the pace of the cyberbases projects was accelerated and more contracts were signed. By the end of the year, some 100 public online access points launched by local governments were open and 18 tender bids for 289 cyberbases had been concluded.

• **Electronic schoolbag project.** In early 2003, Caisse des Dépôts and France's National Education system decided to implement a joint program to disseminate an electronic schoolbag throughout the country. Tender bids were launched. Eight select regions are currently being examined for a launch of the schoolbags in the fall of 2004.

Partnerships and local services

— **In 2003, the Public Institution** consolidated its activities for very small businesses, socially oriented economic development and support for decentralization in the Partnerships and Local Services Department.

Last year, Caisse des Dépôts committed €24 million toward very small businesses and socially oriented economic development, and €5 million toward decentralization. Since the launch of the very small businesses program in 1998, a total of €127 million has been committed toward these businesses and socially oriented economic development as of end-2003.



FINANCING COMPANY START-UPS

— Since 1998, Caisse des Dépôts has financed company start-ups through interest-free loan associations, thus helping to launch more than 20,500 companies, which in turn have created more than 43,500 jobs. It has thus enabled the attribution of approximately 22,000 interest-free loans.

SUPPORT FOR THE PROFESSIONALIZATION AND CONSOLIDATION OF ASSOCIATIONS

— In addition to its support for the France Active network, made up of 33 local and regional funds that provided bank loan guarantees and equity to nearly 500 solidarity and job training companies, Caisse des Dépôts enabled the development of bank guarantee services for associations through Sogama-Crédit Associatif: €36 million has been committed to associations since 2000.

MAIRIE-CONSEILS: 15 YEARS OF SUPPORT FOR ELECTED REPRESENTATIVES

— Over the past 15 years, elected representatives from more than 14,000 rural villages and 1,400 rural village associations have made more than 100,000 calls to the information call center established by Caisse des Dépôts, a gateway for other services offered by Mairie-Conseils.

Mairie-Conseils, which is appreciated by the representatives for its rapid, reliable, objective and educational services, received ISO 9001 (version 2000) certification for all its departments in December.



MARIO MILIZIA
 "Paris # 1" / 1999

The development of local investments and equity interests

THE DEVELOPMENT OF PUBLIC/PRIVATE COMPANIES AND LOCAL INVESTMENT

— **As part of its long-term investment activities** to help local governments implement local and regional structural projects and to expand their range of tools, Caisse des Dépôts invested nearly €30 million last year in the creation and development of public/private companies (SEMs) and local investment companies.

The portfolio of holdings in more than 500 local SEMs plays a central role in the area of support services for local governments, with these services handled on site through the regional network.

The projects supported in 2003 can be broken down into three main categories:

- renovations, with the establishment of local and regional structures and tools dedicated to major structural projects (the Renault plant in Boulogne-Billancourt);

- the revitalization of former industrial sites and development of a local and regional supply of business real estate, as in La Ciotat, with the development of a new naval repairs activity, and Nîmes, with the creation of a business division specialized in biotechnology;

- structural projects geared toward sustainable development, notably in the leisure, tourism and environmental protection sectors, as well as a program to acquire private forest land damaged by the 1999 storms in order to replant and return the land to productive use.

SUPPORT FOR URBAN RENEWAL

— **Through its financing and investing activities**, and more specifically through real estate transactions with private-sector partners, Caisse des Dépôts stands out as the leading public-sector finance company in the area of urban renewal.

- **A diverse range of project actions.** The actions taken by Caisse des Dépôts target the priority neighborhoods in urban policy. Thus out of 300 projects identified, more than 150 are operational.

The priority neighborhoods targeted by project contracts with the State include so-called GPV (large-scale urban projects), ORU (urban renewal transactions) and ZUS (sensitive urban zones). The projects involve mainly demolition and reconstruction of large tracts of low-income housing, public infrastructure and improvements, transportation infrastructure designed to increase access, and economic and commercial developments.

The actions adopted for condominiums and run-down neighborhoods were continued last year in conjunction with the National Home Improvement Agency (NHIA) in local areas and regions targeted by project contracts and characterized by economic, social and urban decay. The goal is to offer local governments and developers a comprehensive financial service via their local banks that includes NHIA subsidies and financing from Caisse des Dépôts.

In urban areas targeted by urban development policies and offering commercial development potential, Caisse des Dépôts has successfully attracted private-sector participants by contributing financial resources and organizing the means for pooling risk. Caisse des Dépôts has spurred the creation of public/private partnerships to develop private-sector properties for use in the services, production, commercial and retail sectors.

• **Actions taken by Caisse des Dépôts in the urban renewal program.** As part of the August 1, 2003 law on urban renewal, the State created the National Urban Renewal Agency (NURA), a financially independent agency set up to direct and steer a national urban renewal program. This program offers a single project approval process. Caisse des Dépôts is on the agency's Board of Directors and is a member of its National Commitments Committee, which in 2003 processed nearly 15 applications.

• **The financial actions taken by Caisse des Dépôts.** Caisse des Dépôts has provided specific financing facilities:
– lending facilities financed by the savings funds (PRU urban renewal loans and PPU urban development loans);

TIMOTHY MASON
"We are the world" / 1996



MAC ADAMS
 "Empty spaces" / 1997



The amount of investments committed in 2003 totaled nearly €106 million. The urban renewal commitments of Caisse des Dépôts since 2001 break down as follows:

Commitments (€ millions)	2003	2002	2001
Engineering loans	18	17	15
Prefinancing of subsidies	31	42	53
Carrying of land and buildings	8	2	6
Investments in state-owned developers	19	15	12
Investments in public-private real estate transactions	20	10	13
Guarantee structures	10	25	3
Holding structures (SIR)	0	5	11
Total commitments	106	116	113

– resources for equity investments in transactions that help to complete comprehensive projects, by means of the Urban Renewal Fund (FRU) until June, then through the establishment of a new €450 million equity financing facility aimed at continuing its activities on behalf of urban renewal for the period 2003-2008.

In 2003, PRU commitments and loan disbursements totaled €612 million and €471 million, respectively, while PPU commitments and disbursements totaled €224 million and €270 million, respectively.

The regional network supporting local client relationships

The Public Institution’s regional network, made up of 25 departments in mainland France and overseas, has 600 regional employees and implements public-interest missions throughout the country.

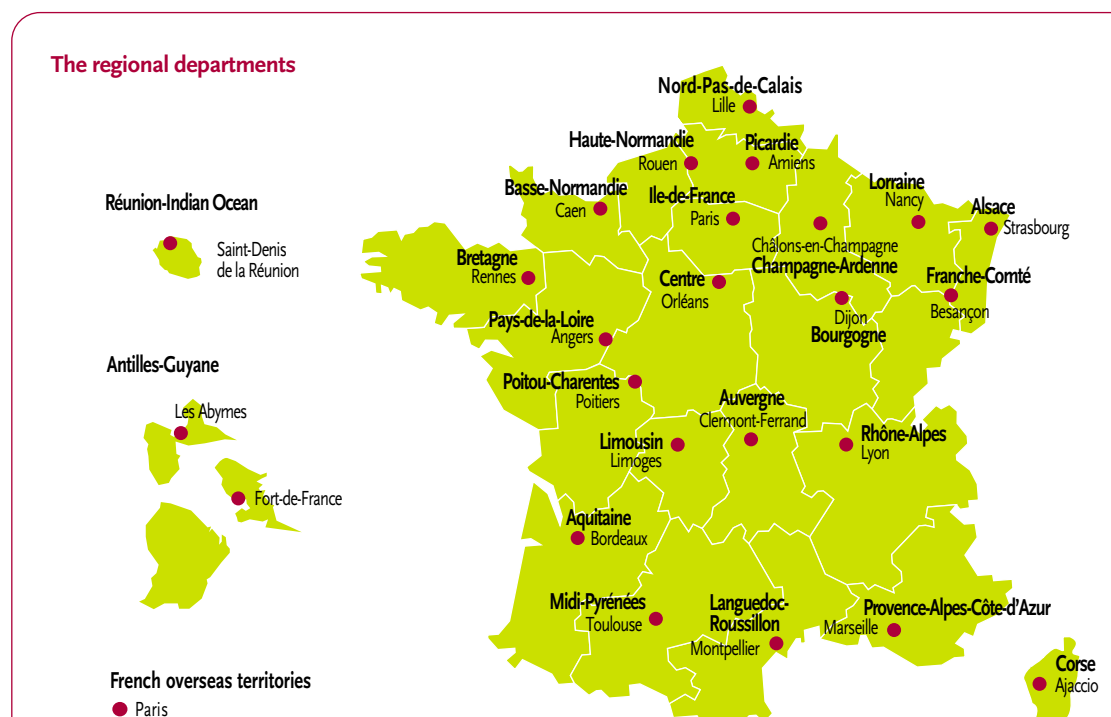
— These public-interest missions are based on three business lines:

- administration of private-sector funds requiring special protection (regulated deposits, tax-exempt passbook savings deposits, public-sector and quasi-public-sector pension funds);
- public-sector lending to finance public-interest investments, mainly low-income housing, urban renewal and transportation infrastructure;
- public-sector investing to support national and local policies in the area of private equity financing for small businesses, urban renewal, digital infra-

structure (local broadband, services and content) and support for the social economy.

For these three business areas, the regional network is responsible for the local client relationship with elected representatives, local players and operators and the legal professions.

At a time when “a new local and regional economy” is emerging, Caisse des Dépôts, the historical partner to local governments, acts as an independent service provider on their behalf, making long-term commitments in support of decentralization.



Administrative mandates for public-sector retirement funds

The Retirement Administration Division manages the retirement funds and professional risk insurance activities of social-benefit institutions, while respecting the guidelines established by the principals who control them.

In due course, management contracts will spell out the respective roles of each party more precisely.

Reforms to retirement savings funds and new management contracts

— **Last year was marked** by reforms to the retirement savings arrangements for civil servants.

As part of these reforms, Caisse des Dépôts tendered an offer to the French State for the administration of supplementary retirement savings funds based on contributions from civil servants in the three public-sector activities. This offer was accepted. The contract makes Caisse des Dépôts the undisputed leader in public-sector retirement savings fund administration. For the first time in more than 150 years, Caisse des Dépôts will have significant responsibility for civil servants' pensions. The first employee contributions to this new institution will be received in January 2005.

— **Currently, Caisse des Dépôts manages 48 retirement savings funds** and other funds covering nearly 2.5 million retirees (one retiree out of seven in France), more than 4.3 million active workers and 70,000 employers. Further growth opportunities are in the pipeline, beginning with the administration of the miners' retirement savings fund, for which a proposal was submitted to the governing authorities in November 2003.

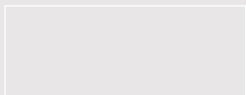
An efficient and attractive IT system

— **Last year the Retirement Administration Division** also upgraded its IT system to the latest standards in terms of systems architecture. This system will enable the department to manage the significant increase in the number of services to be provided and the attribution of new management contracts (miners' retirement savings fund, licensed tobacconists' fund, notary clerks' fund, etc.).

The Retirement Administration Division also developed its online services for clients, employers, retirees and active workers, and is currently preparing the implementation by 2006 of the right of affiliates to be informed, as prescribed by article 10 of the August 21, 2003 law.



THOMAS STRUTH
"Louvre III" / 1989



The main funds administered

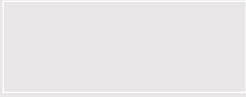
— **Three major pay-as-you-go** retirement savings funds for permanent civil servants and fixed-term public-sector employees:

- CNRACL, the basic retirement fund for permanent civil servants employed by local governments and public hospitals, with 1,797,000 contributing members and 735,000 retirees. A fund for the prevention of workplace injuries and professional illnesses was established within the basic fund;

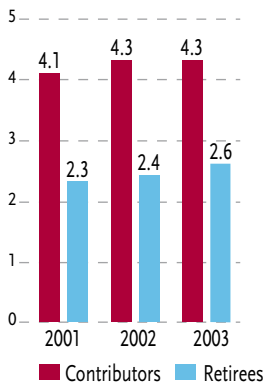
- IRCANTEC, the supplementary retirement fund for fixed-term contractual employees of France's three public-sector functions (the State, local governments and hospitals) and local elected officials. This fund covers 2,500,000 contributing members and 1,540,000 retirees;

- FSPOEIE, the special pension fund for permanent blue-collar workers of State-owned industrial establishments, with 58,000 contributing members and 111,300 retirees.

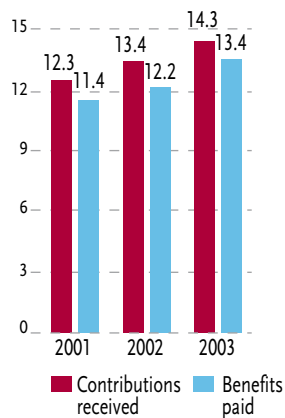
ANTONIO MUNTADAS
 "Meeting II" / 2000



Demographics
 (millions)



Cash flows
 (€ millions)



Specific values

— **Caisse des Dépôts has developed** its administrative mandate business in such a manner as to comply with specific values related to its unique public-interest mission:

- a specific code of ethics and compliance for each business;
- attention given to the public interest and common good;
- a long-term outlook based on respect for future generations.

The Retirement Administration Division aims to systematically develop all disciplines that will enable it to achieve its missions efficiently. With an unwavering commitment to quality and related security concerns, the department adopts best practices to



meet the needs of the funds under management. The processing centers in Angers and Bordeaux are focused on client needs.

Financial performance and productivity

— **Financial management** is closely monitored, with key business indicators used to measure the financial asset exposure to market risk and fund performance relative to benchmarks. The administrative management is also subject to risk management and management control, backed by detailed productivity measurements, cost comparisons and commitments to Quality policies.

Administrative mandate development

— **As part of the reorganization** of the Public Institution, the Retirement Administration Division was assigned the task of developing the administrative mandate business and European development. The growth of this business line comes in response to the State's modernization, the strengthening of skills in local governments and the development of stabilization funds among public-sector operators and equalization funds among employers. European administrative mandate opportunities will also depend on the financial measures adopted by the European Union in the future.



F. DESPATIN & C. GOBELI
Théâtre
des Champs-Élysées / 1994

The Retirement Administration Division is pursuing a development strategy for administrative mandates. Currently, the focus is on four areas: stabilization funds among operators charged with a public service; equalization funds among employers, European structural funds, and trading mechanisms (CO₂ credits, energy efficiency certificates).

In the first half of 2003, Caisse des Dépôts developed support measures for French scientists working on research projects financed by the European Union's sixth Framework Program for Research and Technological Development. The European Union is looking for a single administrative and financial coordinator in order to ensure the favorable development of this technological endeavor.

Quality and sustainable development

— **The standardization of operating processes**, the implementation of monitoring indicators and the existence of a good governance code are all factors of socially responsible management.

Last year, the CNRACL and ATIACL pension fund management and the IRCANTEC and FONPEL governance certification was renewed, while quality certification initiatives at all FSPOEIE and SASV departments will be completed in 2004.

— **The creation of a Sustainable Development Department** in the spring of 2004 is intended to streamline and promote the activities of Caisse des Dépôts in this area.

INTERNATIONAL COOPERATION

The international development of the public-interest missions of Caisse des Dépôts was assigned to the Retirement Administration Division. In 2003, Caisse des Dépôts continued its international cooperation activities, centered on three countries with which special

partnerships have been developed: Morocco, Tunisia and Poland.

This initiative focuses mainly on a strategy of support for public-sector institutions, either through co-investments favoring local economic development or the establishment of technical assistance.

Contribution to the pension reform debate

— **The Retirement Administration Division** actively participates in the debate over the future of pension systems, which has been going on for more than a decade.

It organizes a forum in Bordeaux that has become a focal annual event for all participants in the pension field.

A monthly publication *Questions Retraite* and the www.cdc.retraites.fr web site provide all the related information.

The research studies by the department's experts have substantially influenced the work of the Pensions Advisory Council (*Conseil d'orientation des retraites* – COR).

As a member of the International Social Security Association (ISSA) and a founding member of the European Association of Public-Sector Pension Institutions (EAPSPI), which it runs, the Retirement Administration Division observes, analyzes and draws conclusions from the methods adopted by the major developed countries to deal with shared challenges.



ANNA FOX
Marie-Thérèse C.,
67 ans, secrétaire / 1995