

190

1816-2006

years

Caisse des Dépôts ■ Continuity and evolution

■ 2006, the 190th anniversary of Caisse des Dépôts, was a timely occasion to reflect on the institution's contributions to the economic and social development of France over the years.

Caisse des Dépôts was established by the Law of 28 April 1816 to restore the State's finances after the indiscipline of the First Empire and has since played a central role in all of France's major modernisation projects.

In placing Caisse des Dépôts "under the supervision and guarantee of the legislative authority" in 1816, the French Parliament exercised sound, forward-looking judgment. From the outset, the institution's governance was configured to guarantee the independence of the Supervisory Board, the autonomy of the Chairman and Chief Executive Officer and the inviolability of administered funds. This governance model has stood the test of time, surviving all of the regimes and crises that have marked France's history.

Yet, Caisse des Dépôts is by no means a conservative organisation. Its operational framework accommodates both institutional stability and adaptation to the changing needs of France and to the furtherance of the country's modernisation.

190 years of continuity, 190 years of evolution.



Royal Decree
for the implementation
of the Law of 28 April 1816
(3 July 1816)

“Under the supervision and guarantee of the legislative authority”

After the fall of the Empire, Louis XVIII formed a government tasked with three objectives: the restoration of the French economy, the liquidation of the public deficit accumulated post-Revolution and the settlement of war-related debt. As taxation alone would have been insufficient to meet these goals, the then Finance Minister was obliged to borrow funds. This necessitated the prior restoration of public confidence in the creditworthiness of a State diminished by a succession of financial and political crises.

The Law of 28 April 1816 was passed precisely to lay the foundations for the financial restoration of France. Section X of the Law, which remains in force to this day, created two entities: Caisse des dépôts et consignations for the purpose of safeguarding private funds, and Caisse d’amortissement dedicated to the management of public debt. Article 115 of Section X of the Law of 28 April 1816 protects the two funds from arbitrary actions on the part of the State’s executive power by reaffirming that “under no circumstances and under no pretext whatsoever may the funding of these institutions be undermined, for they are placed under the specific supervision and guarantee of the legislative authority”.



**“Today, we are laying the first stone
of an edifice whose usefulness will increase
with time.”**

COUNT LOUIS-EMMANUEL CORVETTO,
FRENCH MINISTER OF FINANCE (1815-1818),
FOUNDER OF CAISSE DES DÉPÔTS

■ The 19th century was a period of sweeping change in France. From 1850 onwards, the nation saw economic growth of 8-10% annually under the impetus of the industrial revolution. Infrastructure development became a primary concern and Caisse des Dépôts played a significant, multi-faceted role in its financing.

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Territorial development

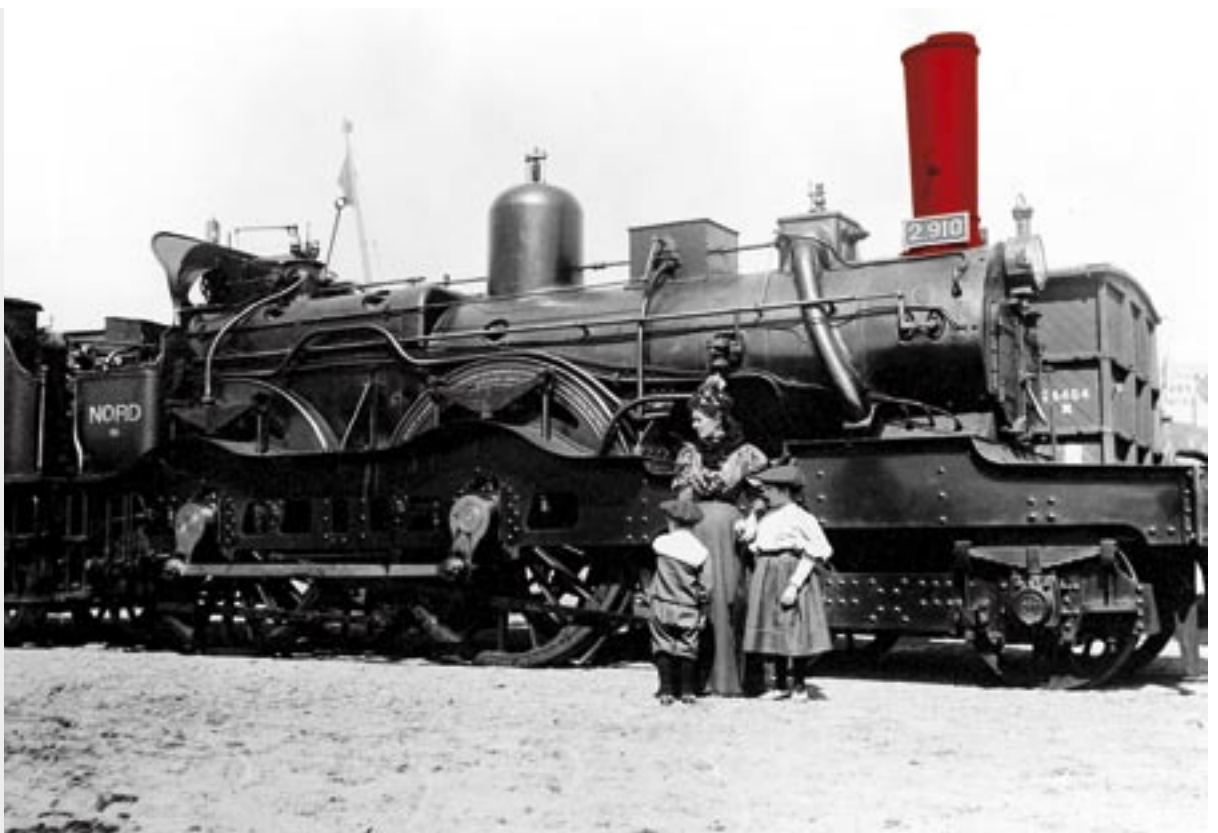
In 1822, Caisse des Dépôts granted its first loan, for local development at the port of Dunkirk. The institution also provided loans to local and regional government agencies, ports and chambers of commerce, and subsequently to municipalities and departments. Caisse des Dépôts also managed various ad hoc funding bodies like the Caisse des écoles for the financing of schools and participated in all of the key stages of nationwide infrastructure-building: water distribution, construction of primary and secondary schools, rural sanitation and electrification programmes, telephone network installation and so forth.

Later on, in the 1950s, Caisse des Dépôts served as banker to the “Government Plan”, a high-level planning commission tasked with providing loans for urgent construction and development projects subsidised by the State. 1966 saw the creation of Caisse d’aide à l’équipement des collectivités locales (CAECL), which provided financing to top up the savings funds-backed loans granted to local authorities by Caisse des Dépôts. CAECL raised funds on the market and its management was entrusted to Caisse des Dépôts. In 1987, CAECL became Crédit local de France, which in turn became Dexia.

In recent years, Caisse des Dépôts’ business focus has shifted resolutely towards investment. The institution makes equity investments in sectors and regions overlooked by the market – housing and urban regeneration, real estate, digital infrastructure, environment, tourism, and health and social services. In general, Caisse des Dépôts prefers to provide financing within the scope of public-private partnership initiatives.

“There is no stage in the effort to modernise and improve France that is not recorded in your balance sheet.”

FRANÇOIS MITTERRAND,
PRESIDENT OF THE FRENCH REPUBLIC,
ON THE OCCASION OF CAISSE DES DÉPÔTS’
175TH ANNIVERSARY IN 1991



Caisse des Dépôts subscribed to the bond issues of all of France's major railway companies, of which it was also a shareholder. Further financing was provided to local authorities for the construction of secondary lines.

Transport system development

The French transport system underwent considerable development during the 19th century. Caisse des Dépôts' role in the financing of transport infrastructure took a number of forms, including the acquisition of direct stakes in companies, the provision of financial assistance to departments and municipalities undertaking infrastructure projects, and the management of dedicated funding bodies.

In 1822, Caisse des Dépôts purchased shares in Compagnie des Quatre Canaux and subsequently acquired stakes in all of the major shipping and railway companies.

1868 saw the creation of Caisse des chemins vicinaux, which was financed and managed by Caisse des Dépôts, to fund the modernisation of the rural road network.

Caisse des Dépôts also provided support for the development of navigable waterways and for the construction of main railway lines to open up regions, thereby paving the way for the creation of the SNCF national railway company.

Subsequent development efforts focused on the construction of motorway systems. In 1963, State-owned Caisse nationale des autoroutes (CNA) was created and entrusted to the management of Caisse des Dépôts. CNA was tasked with issuing debt securities to raise financing for semi-public motorway operating companies of which Caisse des Dépôts was a shareholder.

Today, Caisse des Dépôts continues to provide lending for transport infrastructure projects. An amount of nearly €5 billion from savings funds has been earmarked for the financing of public transport projects over the 2004-2008 period (tramways and "TGV" high-speed railway lines).

■ With the creation of the Caisses d'Épargne network in 1818, personal saving for contingencies gradually gained currency among new segments of the population. Amounts held in “Livret A” tax-exempt passbook savings accounts surged from 6 million French Francs (€0.9 million) in 1822 to 60 million (€9.1 million) in 1835 and 100 million (€15 million) in 1837.

1837



Savings passbook

Centralisation of passbook savings deposits at Caisse des Dépôts

To ensure the security of funds deposited in passbook savings accounts, the French Parliament decided to entrust such funds and related lending exclusively to Caisse des Dépôts. The first account concerned was the Caisses d'Épargne passbook savings account in 1837, followed by the post office passbook savings account in 1881 and all tax-exempt deposit accounts subsequently created. Caisse des Dépôts' unique role is to use these liquid funds to provide loans over terms longer than those typically provided by banks.

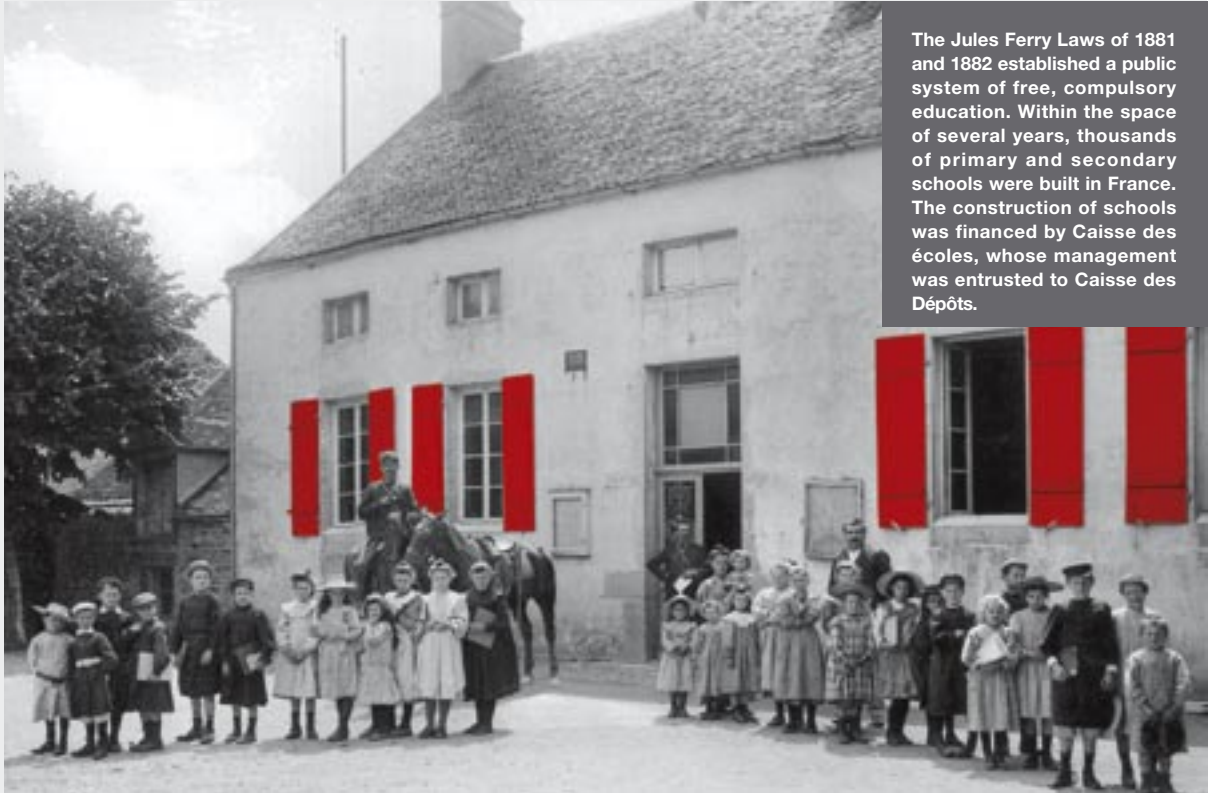
Today, Caisse des Dépôts still holds and manages a substantial portion of funds held in regulated personal savings accounts. The funds come from a variety of liquid, tax-exempt savings products whose features are determined by the State. The products are distributed nationwide, either through specific channels (such as the La Poste and Caisses d'Épargne “Livret A” passbook accounts) or by all banking networks.

Caisse des Dépôts uses the funds held in tax-exempt passbook savings accounts to provide long-term lending for public interest projects such as social rental accommodation, urban regeneration and transport infrastructure programmes. This original approach permits a high level of public financing, independent of the State budget.



At the end of the 19th century, France's road system was confined to a small number of major routes. In 1868, Caisse des Dépôts created and subsequently managed Caisse des chemins vicinaux, which provided financing for the first stages of the rural road network.

■ The spread of industrialisation in France gave birth to a new social class whose life-cycle needs in respect of sickness, accident and old age could not be met by the traditional rural solidarity mechanisms.



The Jules Ferry Laws of 1881 and 1882 established a public system of free, compulsory education. Within the space of several years, thousands of primary and secondary schools were built in France. The construction of schools was financed by Caisse des écoles, whose management was entrusted to Caisse des Dépôts.

Pensions management

Caisse des Dépôts was appointed the manager of the Caisse des retraites des fonctionnaires (pension fund for civil servants) in 1816. In 1850, the institution became the manager of the first Caisse des retraites pour la vieillesse (CRV) old-age insurance fund, which helped to popularise the concept of personal risk insurance.

In 1910, Caisse des Dépôts was chosen to administer the *retraites ouvrières et paysannes* (workers' and farmers' pension scheme) – the first compulsory pension system funded by employer and employee contributions – whose mandate was gradually extended to coverage of occupational risks.

Caisse des Dépôts currently manages 52 retirement bodies concerning 80,000 employers, more than seven million contributors and nearly three million retirees (i.e., one in five pensioners). The principal schemes include FSPOEIE for State workers (established in 1928), CNRACL for local government and hospital employees (1945) and IRCANTEC for non-titular State and local government employees (1971).

The administrative management of the Fonds de réserve pour les retraites (pensions reserve fund) was entrusted to Caisse des Dépôts in 2001 and that of the Régime additionnel de la fonction publique (supplementary pension scheme for civil servants) and of the Caisse de retraite des mines (miners' pension scheme) in 2004.

1850

CNP poster advertisements (1960)



1868

Personal risk insurance

In 1868, the first two State-sponsored insurance funds were created in France, the Caisse nationale d'assurances en cas de décès, life insurance fund and the Caisse nationale d'assurances en cas d'accidents, accident insurance fund. Caisse des Dépôts was appointed to manage these funds, which merged in 1959 to create Caisse Nationale de Prévoyance (CNP). CNP was floated on the stock market in 1998.

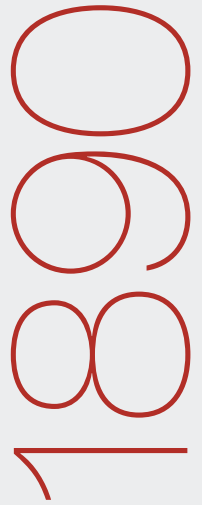
Caisse des Dépôts is currently CNP Assurances' main shareholder, alongside La Poste and the Caisse d'Epargne group. The main shareholders are bound by a shareholder agreement and commercial arrangements, which have been extended until 2015. CNP Assurances is France's leading personal insurer and is also active internationally through its subsidiaries in Argentina, Portugal, Brazil, Italy and Spain.



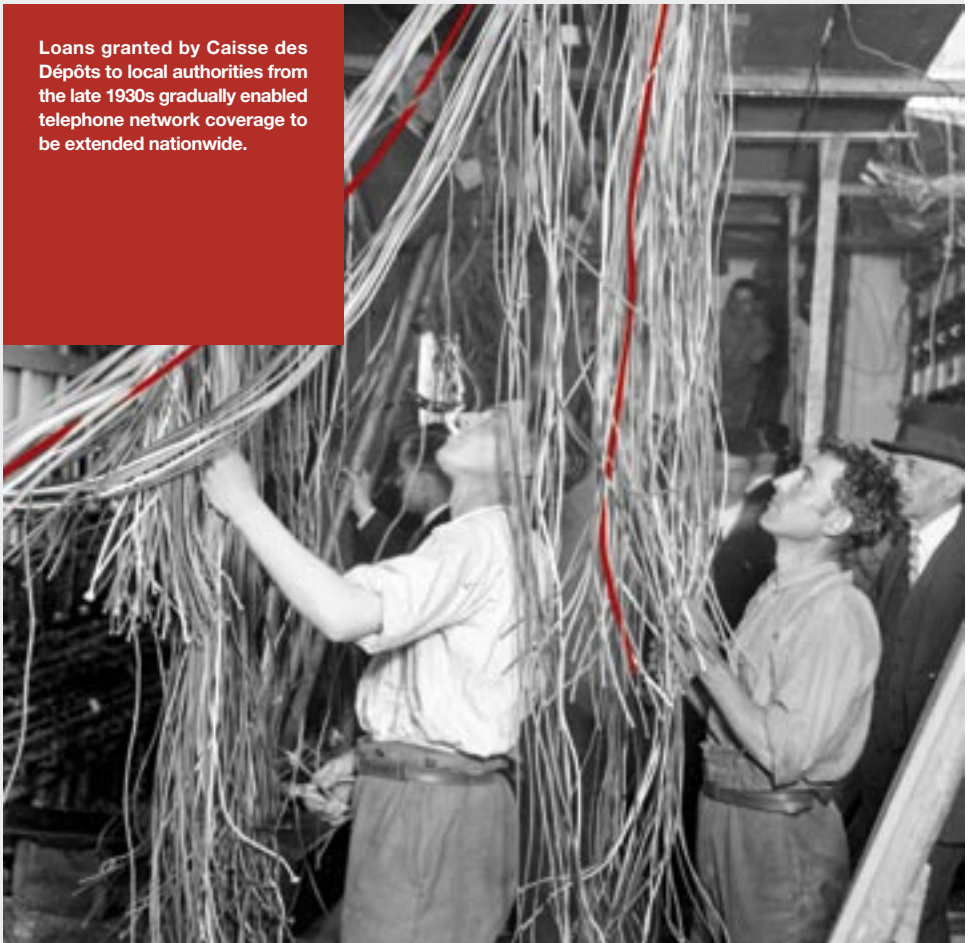
Banker to the legal professions

Since 1890, Caisse des Dépôts has fulfilled the role of trusted administrator of private funds subject to special protection such as those in the temporary custody of notaries (for example, pending the settlement of an estate or of a property transaction).

The gradual extension of this role to escrow deposits held by other legal professions (court-appointed receivers and attorneys, clerks of the court, bailiffs, etc.) has made Caisse des Dépôts the banker to the judicial system in France. Caisse des Dépôts also provides cash management services for the Social Security system and banking services to social protection and public interest organisations such as foundations, social housing bodies and semi-public companies.



Loans granted by Caisse des Dépôts to local authorities from the late 1930s gradually enabled telephone network coverage to be extended nationwide.



■ In France, as in most other European countries, State intervention in housing provision essentially dates from the end of the 19th century. The first housing-related measures coincided with the emergence of new social policies.

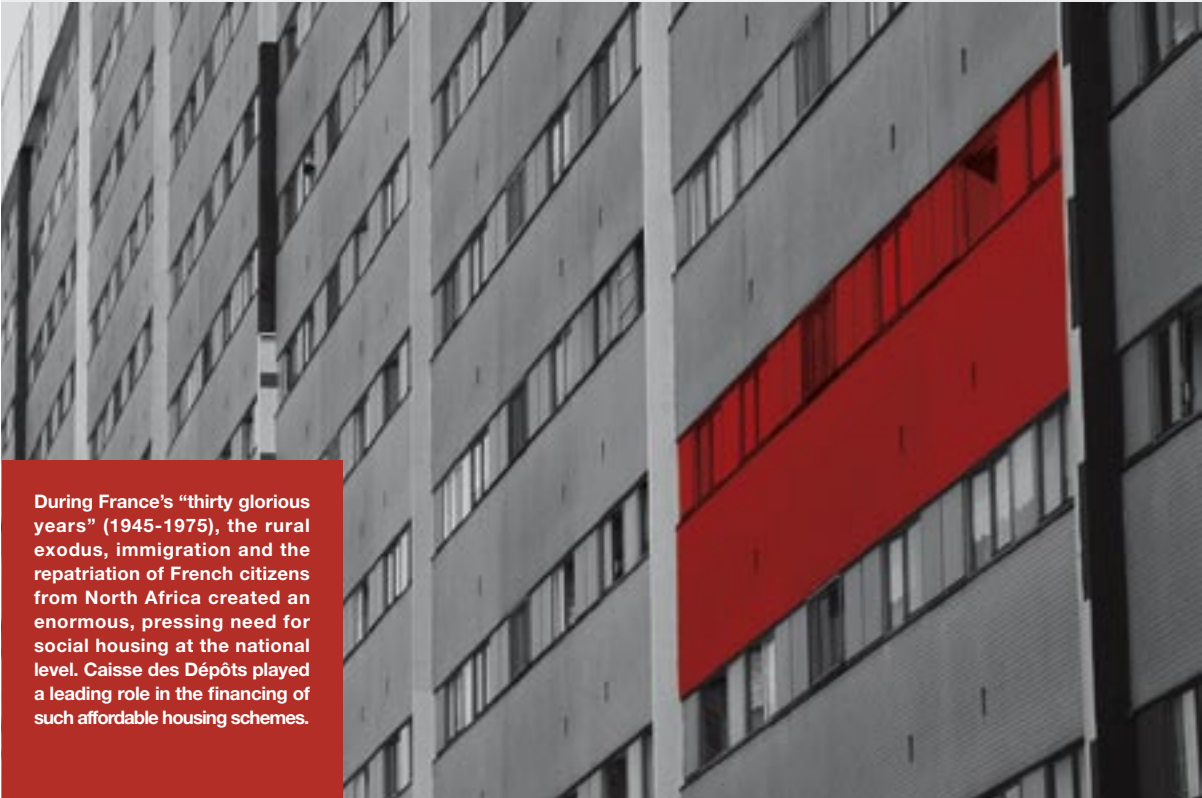
1905

Financing of social housing

In 1905, Caisse des Dépôts granted its first social housing loans out of its own funds. In 1908, the State entrusted the management of its property loans to the institution and the Law of 26 February 1921 authorised Caisse des Dépôts to use savings funds to finance *Habitations à bon marché* (low-rent housing). Since then, Caisse des Dépôts has become the principal provider of social housing financing in France, thanks to the centralised savings that it manages. Loans are granted at the same rate paid on deposits, without any interest margin, in order to ease the financial burden for borrowers and, ultimately, for tenants. In addition to its involvement in construction, Caisse des Dépôts plays an active role in urban regeneration.

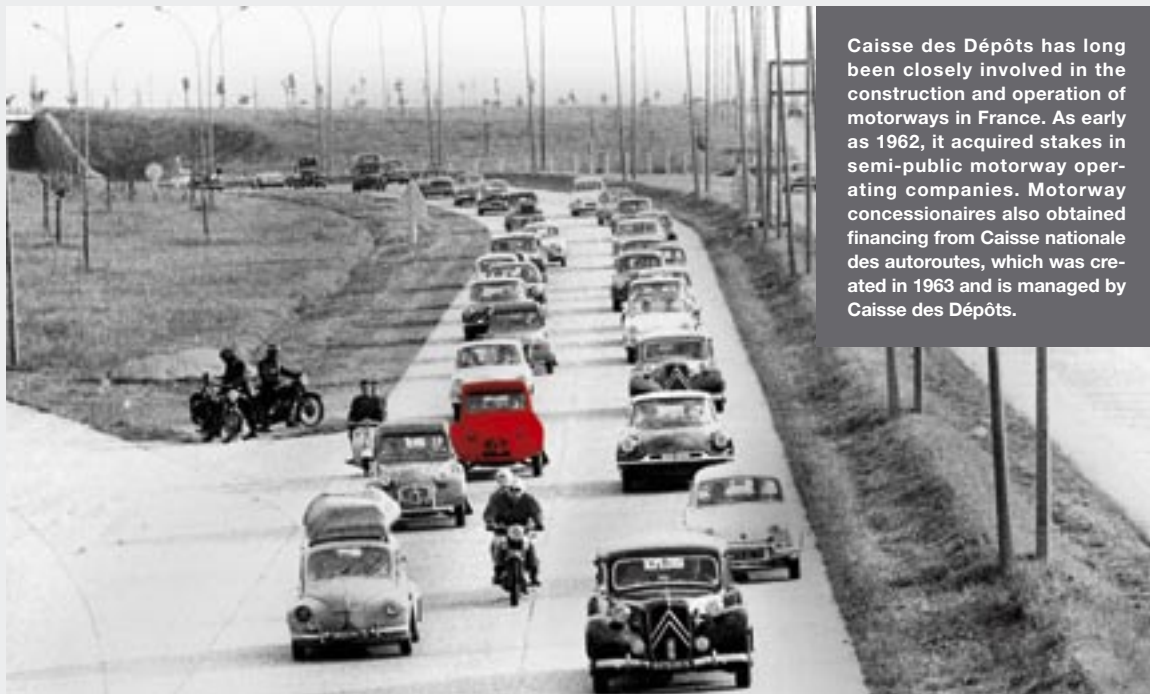
Caisse des Dépôts takes care to align its range of financing products with emerging needs. The institution uses its own resources to promote home-ownership among low-income households, notably in the form of subsidised lending. It has also launched a new loan called *Energie performance* to promote the construction of energy-efficient housing.

This framework has provided financing for more than four million social housing units since 1950. More than one in six French people currently live in social rental accommodation. Caisse des Dépôts' contribution to the financing of social housing is recognised by the European Commission as being in the general economic interest.



During France's "thirty glorious years" (1945-1975), the rural exodus, immigration and the repatriation of French citizens from North Africa created an enormous, pressing need for social housing at the national level. Caisse des Dépôts played a leading role in the financing of such affordable housing schemes.

■ Housing, local amenities and infrastructure were the primary concerns in post-war France. The emphasis on reconstruction and modernisation triggered the emergence of new operators aiming to provide a swift response to the nation's urgent needs.



Caisse des Dépôts has long been closely involved in the construction and operation of motorways in France. As early as 1962, it acquired stakes in semi-public motorway operating companies. Motorway concessionaires also obtained financing from Caisse nationale des autoroutes, which was created in 1963 and is managed by Caisse des Dépôts.

1954

Creation of real estate and services subsidiaries

Caisse des Dépôts first created specialised subsidiaries Scic and Scet in 1954 and 1956 respectively to meet new, specific needs.

Scic initially focused on rental accommodation in the Paris area and then branched out into the regions. Scet was tasked with providing services for local semi-public companies in the sphere of national and regional development. In 1958, Caisse des Dépôts founded VVF, specialised in social and family tourism. 1970 saw the creation of motorway equipment specialist Scetauroute.

Today, Caisse des Dépôts' subsidiaries help to spearhead the institution's strategy of partnering local authorities in real estate (SNI and Icade), public transport (Transdev), infrastructure engineering (Egis) and the leisure market (Compagnie des Alpes and VVF/Santoline).

VVF leisure facility in the 1960s



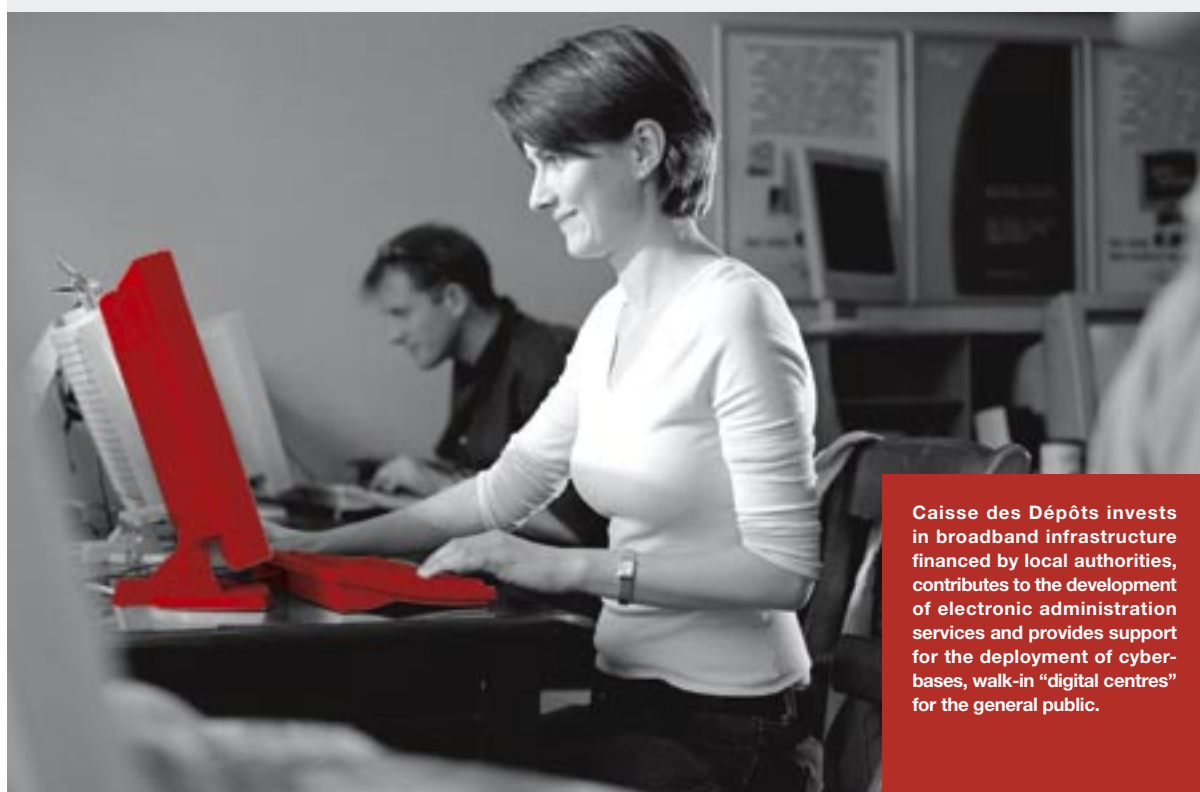
■ The volume of funds administered by Caisse des Dépôts expanded in parallel with the missions entrusted to the institution. Funds were invested principally in companies, for example, in the newly-created railway companies from 1850 onwards. The 1931 Finance Act authorised Caisse des Dépôts to invest inflows to the savings funds in corporate shares and bonds.

Investment in companies

Caisse des Dépôts currently owns shares in 250 listed companies (mainly French) and is the no. 1 or no. 2 shareholder of thirteen CAC 40 companies. The institution also manages substantial bond portfolios. Investment proceeds make up a large component of annual earnings, and the institution's investment policy is geared towards steady income generation to support the financing of public interest activities.

Caisse des Dépôts further owns a number of strategic stakes, real estate holdings and private equity assets. Since 1994, it has invested in SMEs to bolster their capital base, nurture innovation and sustain momentum in the private equity market. The CDC Entreprises subsidiary is the linchpin of the France Investissement public development programme launched in 2006.

1961



Caisse des Dépôts invests in broadband infrastructure financed by local authorities, contributes to the development of electronic administration services and provides support for the deployment of cyber-bases, walk-in "digital centres" for the general public.



Since the dawn of the 21st century, the tramway has returned to favour with towns plagued by overcrowding and pollution. Caisse des Dépôts is involved in the financing of all tramway projects launched in France.

2001

Creation of a subsidiary dedicated to competitive financial activities

In 2001, Caisse des Dépôts amalgamated all of its competitive financial activities in CDC Ixis, an investment and asset management bank. 2002 marked the first stage of the combination of the activities of CDC Ixis and the Caisses d'Épargne network, within a holding company called Eulia, equally owned by Caisse Nationale des Caisses d'Épargne (CNCE) and Caisse des Dépôts. Caisse des Dépôts retained a 43.5% direct stake in CDC Ixis.

In 2004, Caisse des Dépôts sold its majority stake in CDC Ixis to CNCE as part of a move to create a new French universal banking giant. Caisse des Dépôts became the strategic shareholder of the recently-formed banking entity via its 35% stake in the CNCE.

In 2006, the planned amalgamation of the investment banking operations of the Caisse d'Épargne and Banque Populaire groups prompted the disposal of Caisse des Dépôts' stake in CNCE, for an amount of €7 billion. The transaction yielded a capital gain of €2.2 billion.

The sale agreement contains numerous business-related provisions concerning Caisse des Dépôts' strategy and the development of its subsidiaries in the areas of personal insurance, real estate and private equity.

■ Since the early 1990s, the scientific community has endeavoured to raise worldwide awareness of the risks associated with global warming. The international negotiations initiated in 1992 culminated in the signature of the Kyoto Protocol in 1997.

Carbon finance

15002

Caisse des Dépôts has been commissioned by the French State to keep the national register of greenhouse gas allowances for the purposes of the Kyoto Protocol and the European carbon emissions trading market, which opened on 1 January 2005. The registry software developed by Caisse des Dépôts, Seringas, is also used in 13 other countries representing more than 60% of allowance allocations in the European Union.

In April 2005, Caisse des Dépôts launched the European Carbon Fund, the first private fund invested in carbon assets. To date, an amount of €143 million has been raised from private sector institutional investors. In June 2005, a partnership was forged with Powernext to create the first organised spot market for CO₂ allowance trading in Europe, Powernext Carbon, whose back office operations are managed by Caisse des Dépôts. In October 2006, Caisse des Dépôts acquired Sagacarbon, the sole broker entirely dedicated to the CO₂ allowance market in Europe, whose development it actively supports.

Caisse des Dépôts has also assisted French policy makers in the creation of a new instrument in the fight against climate change, “domestic carbon offset projects”, and will solicit project submissions in 2007 to get the new market up and running. The institution has committed to purchasing 5 mtce in CO₂ credits over the 2008-2012 period to finance greenhouse gas emission-reducing projects in sectors not subject to the allowance system (transport, agriculture, construction, waste management and small industrial facilities), which account for 75% of emissions in France.

“This anniversary, on which we salute both the old and modern Caisse des dépôts et consignations, illustrates the truth that institutions which are receptive to changing realities and ideas, but remain stable and consistent, are the arbiters of progress.”

GENERAL DE GAULLE, PRESIDENT OF THE FRENCH REPUBLIC,
ON THE OCCASION OF CAISSE DES DÉPÔTS’
150TH ANNIVERSARY IN 1966



The first “TGV” high-speed railway line entered service in 1981. Twenty five years on, the high-speed rail network boasts nearly 1,900 kilometres of track throughout France, including international lines serving London and the Benelux countries. Caisse des Dépôts provides financing at local-government level for such projects.

“In this world, the State is responsible
for laying the foundations of the future.
To do so, it must encourage and galvanise
the involvement of the private sector.
Caisse des Dépôts, an emblem of the French
social and economic model, at the confluence
of public interest and market concerns,
is the primary vector of the State’s action.”

JACQUES CHIRAC, PRESIDENT OF THE FRENCH REPUBLIC,
ON THE OCCASION OF CAISSE DES DÉPÔTS’
190TH ANNIVERSARY IN 2006

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