

CREDIT OPINION

20 May 2020

Update

 Rate this Research

RATINGS

Domicile	Paris, France
Long Term CRR	Not Assigned
Long Term Debt	Aa2
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Roland Auquier +33.1.5330.3341
 VP-Senior Analyst
 roland.auquier@moodys.com

Victor Henimann +33.1.5330.3352
 Associate Analyst
 victor.henimann@moodys.com

Alain Laurin +33.1.5330.1059
 Associate Managing Director
 alain.laurin@moodys.com

Nick Hill +33.1.5330.1029
 MD-Banking
 nick.hill@moodys.com

» Contacts continued on last page

Caisse Des Depots et Consignations

Update to credit analysis

Summary

We assign long-term deposit and senior unsecured debt ratings of Aa2, with a stable outlook, to [Caisse Des Depots et Consignations](#) (CDC). We consider CDC a government-related issuer. From the perspective of its credit risk profile, CDC is intrinsically linked with the [Government of France](#) (Aa2 stable) given the governance structure, as well as its operational and financial ties. Therefore, CDC's deposit rating results from the application of a credit substitution approach, as described in our [Government-Related Issuers](#) rating methodology, published in February 2020.

While from a legal standpoint CDC is a separate entity from the state, it essentially provides its support to government policies. CDC's savings funds (called Fonds d'Epargne) conduct activities on behalf of the French State, such as the investment of regulated savings deposits¹ in long-term projects (for example, social housing). CDC's central section (Section Générale) is in charge of the collection of legal deposits (for example, from notaries), provides custody services, notably for ACOSS², and invests in local development projects. The investment strategy of the central section remains independent from that of the French government. CDC also holds a large portfolio of strategic investments such as Bpifrance S.A. (jointly owned by CDC and the state), which are made essentially in France, including in major listed companies.

CDC is a public-sector financial institution (Etablissement Public) with a specific status derived from a law dating back to 28 April 1816. Although there is no explicit guarantee on its debt, CDC is not subject to liquidation laws (articles L. 631-2 and L. 640-2 of the French Commercial Code), while its creditors have ultimate recourse to the French State (Law 80-539 enacted on 16 July 1980).

The parliament has to approve the nomination, which is decided by the French president, of CDC's chairman and chief executive officer for a period of five years. The institution is subject to parliamentary oversight. The supervision of CDC is carried out by the Commission de Surveillance, which is comprised of members of the parliament and high-ranking state officials who are in charge of vetting strategic decisions and monitoring CDC's activities. A French law (loi PACTE), which was passed on 22 May 2019, strengthens the Commission de Surveillance's role by increasing its responsibilities in the approval of CDC's strategic plan, the definition of its investment strategy and the endorsement of its budget. This law also submits CDC to the direct supervision of the French banking supervisory authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR), although it is not a credit institution per se, and hence, not required to comply with banking regulations.

Credit strengths

- » CDC has an ad hoc public status enshrined in law.
- » CDC has very close ties with the French State through both executive and legislative branches.
- » It is not subject to liquidation laws.
- » Its creditors have an ultimate recourse to the French State.

Credit challenges

- » The institution's large portfolio of fixed-income assets is affected by the low-interest-rate environment, which weighs on its net interest margin.
- » The French government's solicitations of CDC's financial resources can be significant.

Outlook

The outlook is stable, in line with the outlook on the rating of the French government, which was returned to stable from positive on 21 February to reflect more limited fiscal progress than expected. Similar to other European countries, France is heavily affected by the coronavirus outbreak. We assume that the pandemic will have a significant, but eventually transitory impact on France's economy and fiscal metrics.

Factors that could lead to an upgrade

Upward pressures on the rating of the government of France, and in turn on CDC's, are limited at this stage. While unlikely in the short term, the outlooks could return to positive and the ratings ultimately upgraded if France's fiscal and debt metrics were to improve materially on the back of more significant structural measures on the state's spending policies.

Factors that could lead to a downgrade

A downgrade is unlikely, as evidenced by the stable outlook currently assigned to the government of France's, and in turn CDC's, long-term ratings. However, both ratings would come under downward pressure if the reforms implemented since 2017 were to be reversed over the coming years with materially negative medium-term implications for growth, or if the unavoidable temporary increase in the budget deficit and debt ratio due to the coronavirus outbreak were not corrected again over the coming years.

Similarly, should we perceive a weakening in CDC's operational or financial integration with the French State, a downgrade of the institution's long-term ratings could be triggered.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 1

Caisse Des Depots et Consignations (Consolidated Financials) [1]

	12-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg. ³
Total Assets (EUR Million)	180,628.0	163,002.0	173,543.0	166,510.0	155,844.0	3.8 ⁴
Total Assets (USD Million)	202,754.6	186,334.8	208,390.0	175,626.8	169,292.6	4.6 ⁴
Tangible Common Equity (EUR Million)	30,919.0	29,609.0	23,577.0	22,604.0	22,167.0	8.7 ⁴
Tangible Common Equity (USD Million)	34,706.5	33,847.4	28,311.2	23,841.6	24,079.9	9.6 ⁴
Problem Loans / Gross Loans (%)	2.2	6.5	22.2	15.2	8.1	10.8 ⁵
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	0.3	0.9	5.0	3.8	3.8	2.8 ⁵
Net Interest Margin (%)	0.2	0.4	0.2	0.3	0.4	0.3 ⁵
Net Income / Tangible Assets (%)	1.3	1.2	1.2	1.1	0.8	1.1 ⁵
Cost / Income Ratio (%)	82.8	91.1	82.9	60.8	69.2	77.4 ⁵
Market Funds / Tangible Banking Assets (%)	27.5	29.9	32.1	34.8	36.6	32.2 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	29.6	28.9	64.5	64.1	60.5	49.5 ⁵
Gross Loans / Due to Customers (%)	6.0	6.5	8.4	9.9	19.1	10.0 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel II; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime.

Sources: Moody's Investors Service and company filings

Profile

Created in 1816, Caisse Des Depots et Consignations (CDC) is a public-sector financial institution that is 100% owned by the French State.

Under its unique legal status, CDC's mission is to serve the general interest and promote the economic development of France. CDC's savings funds (Fonds d'Epargne) carry out activities on behalf of the French State, such as the investment of regulated savings deposits (for example, Livret A) in long-term projects, mainly social housing. CDC's central section (Section Générale) collects legal deposits and raises funds in the markets and invest in local development projects (that is, infrastructure, renewable energy and others). The investment strategy of the central section remains somewhat independent from the French government's policy. In May 2018, CDC merged some of its departments and subsidiaries that were in charge of financing local development in a single department named "Banque des Territoires" (bank for local areas) to create a one-stop shop for all customers. This bank for local areas will rely on 16 regional directorates and 35 local representative offices.

The institution also holds a large portfolio of investments that are made essentially in France, including in major listed companies, and real estate and infrastructure (notably in transportation, energy, telecommunications and environmental projects).

The law of 22 May 2019 (Loi PACTE) strengthens the governance of CDC by expanding the Commission de Surveillance's membership and reinforcing its powers. It also strengthens controls over CDC by transferring the prudential oversight to the ACPR from the Commission de Surveillance.

Finally, the law allows the transfer of the shares of the French State and CDC in the insurance company [CNP Assurances](#) (IFSR A1 stable) to the French postal services' (La Poste) banking subsidiary (La Banque Postale [LBP]) and the subsequent transfer of part of the state's shares in La Poste to CDC. As a result, CDC is the main shareholder of La Poste and its banking subsidiary LBP and insurance subsidiary CNP Assurances (which is the main French life insurer, with €440.4 billion of total assets as of December 2019). The binding agreement was signed in March 2020.

Detailed credit considerations

CDC breaks down its consolidated financial reporting into (1) the central section (Section Générale), which notably takes legal deposits from notaries and manages a large portfolio of equities; and (2) subsidiaries and strategic shareholdings. CDC also reports the activities undertaken on behalf of the French state, including managing the savings fund (Fonds d'Epargne) and social housing financing, as well as the administration of retirement schemes.

In 2019, CDC reported a consolidated net income (central section and savings funds) of €2.7 billion, which is slightly below the 2018 results (€3.3 billion). CDC's shareholders' equity (group share, the consolidated central section) was up 16% to €41.6 billion as of 31 December 2019 from €35.9 billion a year earlier.

CDC's investment strategy includes potentially reducing the stakes in companies that are not critical to fulfilling its public missions (for example, financing social housing and helping the transition to renewable energies).

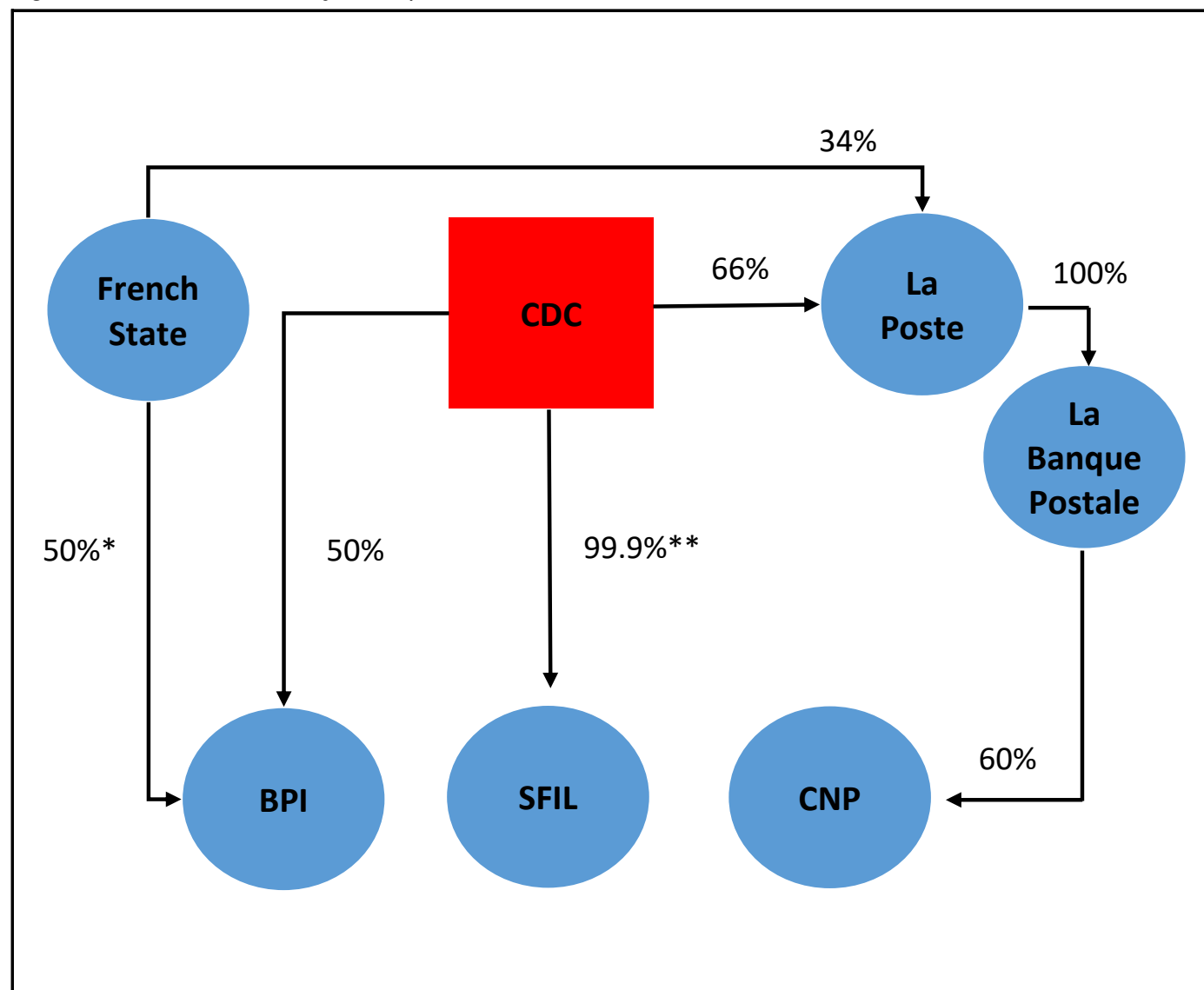
On 31 August 2018, CDC, the French postal services (La Poste) and La Banque Postale (LBP) announced the French government's plan to closely create a new bank-insurance group under the umbrella of La Poste and ultimately CDC. The new public financial institution, whose shareholding structure was finalised in March 2020, will comprise CDC, LBP and its affiliate insurer CNP Assurances, and will be in charge of financing local areas and providing financial services to public-sector entities, enterprises and households. Through this operation, CDC becomes the major shareholder of La Poste, while La Poste's bank subsidiary LBP, is the major shareholder of CNP Assurances via a transfer of the French government's and CDC's respective equity stakes in CNP Assurances to La Poste.

The combination of LBP and CNP creates a large bank-insurance group, which is a critical step for competing with local peers in the French market. That being said, this operation is also particularly important for La Poste, which has to cope with a continuous decline in its postal activities. CDC also acquired the French State's and LBP's respective participations in [SFIL](#) (Aa3/Aa3 stable, a3)³, the leading institution for the financing of French local authorities, and became its sole owner.

We do not expect it to entail major changes in the governance, or in the relationship of CDC with the French State.

Exhibit 2

Organizational structure of the newly created public financial institution



* The French State has a 50% ownership in Bpifrance S.A. through its participation in EPIC Bpifrance

** The French state retained one ordinary share in SFIL

Source: Moody's Investors Service

Environmental, social and governance considerations

In line with our general view on the banking sector, CDC has a low exposure to environmental risks (see our [Environmental risks heat map](#) for further information).

For social risks, we also place CDC in line with our general view for the banking sector, which indicates a moderate exposure (see our [Social risks heat map](#)). Given its public mandate and core activities, CDC is particularly involved in financing public infrastructures, hospitals, social housing and local development projects, which all have a positive social impact. CDC issued a EUR500 million Green Bond in 2017, and a EUR500 million Green, Social and Sustainability Bond in June 2019, consistent with the company's ambition to support the ecological and energy transition, and reduce social inequalities.

While governance is highly relevant for CDC, as it is to all competitors in the banking industry, we neither have any particular governance concern nor do we apply any corporate behavior adjustment. CDC has not shown any governance shortfall in recent years despite its rather complex set up. Nonetheless, corporate governance remains a key credit consideration and requires close ongoing monitoring.

Ratings

Exhibit 3

Category	Moody's Rating
CAISSE DES DEPOTS ET CONSIGNATIONS	
Outlook	Stable
Bank Deposits	Aa2/P-1
Issuer Rating	Aa2
Senior Unsecured	Aa2
Commercial Paper -Dom Curr	P-1
Other Short Term -Dom Curr	(P)P-1
CNP ASSURANCES	
Outlook	Stable
Insurance Financial Strength	A1
Subordinate	A3 (hyb)
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)

Source: Moody's Investors Service

Endnotes

- 1 Notably the Livret A, Livret de Développement Durable and Livret d'Epargne Populaire.
- 2 ACOSS (Agence Centrale des Organismes de Sécurité Sociale) is a French social security agency.
- 3 The ratings shown are the bank's long-term deposit rating, senior unsecured debt rating and Baseline Credit Assessment.

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Contacts

Roland Auquier
VP-Senior Analyst
roland.auquier@moodys.com

+33.1.5330.3341

Victor Henimann
Associate Analyst
victor.henimann@moodys.com

+33.1.5330.3352

Alain Laurin
*Associate Managing
Director*
alain.laurin@moodys.com

+33.1.5330.1059

Nick Hill
MD-Banking
nick.hill@moodys.com

+33.1.5330.1029