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## Groupe Caisse des Depots et Consignations

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# Groupe Caisse des Depots et Consignations

## Major Rating Factors

### Issuer Credit Rating

AA/Stable/A-1+

Strengths:	Weaknesses:
<ul style="list-style-type: none"><li>• Critical public policy role.</li><li>• Integral link with central government.</li><li>• Diversified operations.</li></ul>	<ul style="list-style-type: none"><li>• Structural volatility in earnings.</li><li>• Capitalization constrained by sizable equity investments.</li></ul>

### Outlook

The stable outlook on Groupe Caisse des Depots et Consignations (CDC) reflects S&P Global Ratings' outlook on France. We believe that CDC will retain its critical role for and integral link with France, and therefore expect our ratings on the group will move in line with those on France.

#### Downside scenario

We would lower our ratings on CDC following a similar rating action on France, if we perceived a weakening of the group's link with or role for the French government, or if CDC's financial profile deteriorated such that we revise our assessment of the group's financial standing importance to the government.

#### Upside scenario

We would raise the long-term rating on CDC if we upgraded the sovereign and the likelihood of support for the group's remained almost certain.

## Rationale

We equalize our ratings on CDC with those on France (unsolicited; AA/Stable/A-1+) because, based on our view of the group's critical role for and integral link with the French government, we believe that there is an almost certain likelihood that the government would provide timely and sufficient extraordinary support to CDC in the event of financial distress. Because we do not see the likelihood of government support as subject to transition risk, we expect that the ratings and outlook on the group will move in line with those on France.

***CDC conducts key public missions and implements government policies, as we have seen during the pandemic.***

Reflecting its critical role to the government, CDC has been largely involved in the public support schemes to combat the social and economic impacts of the COVID-19 pandemic, directly and indirectly through its subsidiaries. This notably includes its €26 billion recovery plan. We understand that the aim is to invest 80% of these €26 billion in the next two years. This plan focuses on four areas, as follows:

- €11.1 billion to accelerate housing construction. CDC has launched a call for projects for the construction of 40,000 social and intermediate housing units, via its subsidiary and social and intermediary housing operator, CDC Habitat.
- €8.3 billion to support businesses, especially in the most affected sectors such as tourism. CDC owns 50% of the French public investment bank, Bpifrance, which supports private sector and small and medium-sized enterprises (SMEs) through direct lending, investment, and export financing. Bpifrance has been managing the €300 billion state guarantee scheme on bank loans to corporates since March.
- €6.3 billion to support environmental sustainability, investing, for example, in sustainable infrastructure across the country.
- €500 million to support social cohesion, through investments in healthcare and medico-social sectors.

The Plan d'Action pour la Croissance et la Transformation des Entreprises (PACTE) law in April 2019 affirmed CDC's public interest mandate, carried out on behalf of the French government. The group's prime public role is to guarantee the financial security of the funds it manages. Its key mandates include:

- Centralizing and managing most regulated savings deposits collected by French banks (primarily the Livret A) and providing long-term financing to general interest programs, including social housing and local investments entrusted to Direction des Fonds d'Epargne (DFE).
- Administering several public retirement schemes, and deposits of legal professions, including notaries.
- Supporting social security institutions funding through short-term liquidity instruments provided to Agence Centrale des Organismes de Securite Sociale (AA/Stable), which manages national social security cash flows and collects social contributions from employers.
- Supporting regional and local development, and providing long-term funding to local authorities, including through direct lending (from DFE) and investments in local projects, and indirectly through public development bank SFIL (AA/Stable) and CDC's 35% stake in Banque Postale Collectivités Locales, a joint venture with La Banque Postale (A/Stable) that distributes loans to LRGs and public hospitals, and whose loans are being partly refinanced by SFIL.
- Acting as a long-term investor in affiliates and through strategic shareholdings to support government policies. Jointly owned by CDC and the French government, Bpifrance's key role is to support and fund investments by French SMEs. In addition, CDC has become the majority shareholder (66%, together with the government at 34%) in postal operator La Poste (A/Stable) since March 2020, under a central government-initiated project to create a major French public financial group. CDC also took over SFIL in September 2020 (99.99%, with the state retaining one ordinary share). CDC's other major equity investments include CDC Habitat, real-estate developer Icade, transport operator Transdev, ski resorts operator Compagnie des Alpes, and electricity transmission system operator Réseau de Transport d'Electricité (through Coentreprise de Transport d'Electricité). The group also has a portfolio of highly rated bonds and equities in large listed French companies and, to a lesser extent, operates as a private equity investor.

***CDC retains its integral link with the French government.*** We understand that the group, as a public agency (Etablissement public) defined by a special law dating from 1816, is immune to liquidation and bankruptcy law and decisions on its dissolution would revert to the French government, which we view as ultimately responsible for CDC's liabilities. Strict procedures ensure effective governance, monitoring, and control of the group. The French president appoints CDC's CEO (for a five-year term), most recently in November 2017. Under the French Monetary and Financial Code, the group is subject to parliamentary supervision.

Its supervisory board (CS) comprises members of the French parliament and senior civil servants, and is responsible for ensuring that CDC's strategy is in line with its mandate, and that its financial policy remains defined under sound principles. While the PACTE Law modified the composition and activities of the group's CS, it has not altered the links between CDC and the government, in our view. CDC is placed under the protection and oversight of the French parliament. The law also indicates that a government decree sets the level of dividends paid to the state, although after CS review and so that CDC's solvency is preserved.

***CDC's financial profile keeps distinctive features.*** CDC has comparatively limited lending activity and generally low counterparty risk. The group's deposit base is steadily increasing, with deposits exceeding loans almost fourfold over recent years. The consolidated net profit of CDC group reached €2.06 billion in 2019, up from €1.77 billion in 2018, backed by solid capital markets, strong performance of subsidiaries, and large gains on investments portfolio, despite continued very low interest rates. CDC posted a net loss of €0.36 billion in first-half 2020, as the pandemic hit postal services (La Poste), public transportation (Transdev), and equity markets. The group's capitalization remains constrained by large investments in equities, which can lead to sizable swings in net income.

While CDC is not a bank, the French banking regulator (ACPR) has reviewed its capital adequacy over recent years, and ACPR is in charge of prudential controls over CDC, under the PACTE law. The group does not disclose the standardized regulatory solvency ratios. We understand that CDC's internal prudential model--which ACPR reviewed at the request of the CS--suits its overall business model and activities, especially its equity activities. While ACPR now fully regulates the group under the PACTE law, we understand this internal model will continue to prevail over standard regulatory solvency ratios. We still think CDC's solvency ratios would suffer if it implemented the forthcoming Basel IV ratios--with higher risk weights on the equities portfolios.

## **Environmental, Social, And Governance Factors (ESG)**

Environmental factors are mainly reflected in our analysis of CDC's public policy mandates and its related critical importance to the government, with the group making environmental factors an integral part of its strategy. This translates into its mandates for funding environmentally friendly activities--notably funding and promoting public transportation, land regeneration, and renewable energy and energy efficiency--and also informs its investment strategy for managed assets. On the liability side, CDC issued a €500 million sustainability bond in September 2020, following an inaugural benchmark sustainability bond (€500 million) in June 2019 and an inaugural benchmark green bond (€500 million) in February 2017.

External social factors are important to CDC's funding of local projects of public interest, especially regarding local governments and social housing operators. We believe that internal social factors are low risk for the group, with strikes generally having a limited effect on its activities in recent years.

Governance factors are generally neutral to our assessment given CDC's integral link with the state, which also informs its objectives and mandates as a key public finance institution.

Key figures												
€ mil	CDC Pole		Bpifrance Group		Real Estate & Tourism		Infrastructure & Transport		La Poste Group		Total	
	H1 20	H1 19	H1 20	H1 19	H1 20	H1 19	H1 20	H1 19	H1 20	H1 19	H1 20	H1 19
Net banking income	305	1,190	N/A	N/A	549	610	3,194	3,480	9,718	N/A	13,767	5,280
Gross op. income	(120)	718	N/A	N/A	99	167	(156)	12	(563)	N/A	(739)	897
Operating income	(126)	718	N/A	N/A	96	175	(157)	12	(942)	N/A	(1,128)	905
Income before tax	(28)	685	(625)	301	97	173	24	139	493	(25)	(37)	1,273
Net income before minority interests	(56)	384	(625)	301	75	136	17	114	(98)	(25)	(686)	910
Net income	(59)	384	(625)	301	20	43	18	104	288	(25)	(357)	807

Source: CDC

## Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- France 'AA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 2, 2020
- French Public Bank SFIL 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 21, 2020
- La Poste, La Banque Postale Outlooks To Stable As COVID-19 Impact Offsets New Structure Benefits; Affirmed At 'A/A-1', March 27, 2020

## Ratings Detail (As Of December 21, 2020)\*

### Groupe Caisse des Depots et Consignations

Issuer Credit Rating	AA/Stable/A-1+
Commercial Paper	
Local Currency	A-1+
Senior Unsecured	AA
Short-Term Debt	A-1+

### Issuer Credit Ratings History

25-Oct-2016	AA/Stable/A-1+
14-Oct-2014	AA/Negative/A-1+
12-Nov-2013	AA/Stable/A-1+

**Ratings Detail (As Of December 21, 2020)\*(cont.)**

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

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