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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">• Key public general interest missions as observed during the COVID-19 pandemic.• A public agency with a highly protective legal status and subject to the supervision of the French parliament.	<ul style="list-style-type: none">• The pandemic's impact on the valuation of strategic holdings and several subsidiaries.• A large equity portfolio, which can lead to sizable swings in net income.

Outlook

The stable outlook on Groupe Caisse des Depots et Consignations (CDC) reflects S&P Global Ratings' outlook on France (unsolicited; AA/Stable/A-1+). We believe that CDC will retain its critical role for and integral link with France, indicating an almost certain likelihood of extraordinary support. Therefore, we expect our ratings on the group will move in line with those on the sovereign.

Downside scenario

We would lower our ratings on CDC following a similar rating action on France or if we perceived a weakening of the group's link with or role for the French government.

Upside scenario

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

Rationale

We regard CDC as a government-related entity that, if under financial stress, would benefit from an almost certain likelihood of extraordinary support from France. This is based on our assessment of CDC's critical role for the French government in conducting key public general interest missions, and integral link with the government as a public agency with a highly protective legal status.

CDC conducts key public missions and implements government policies, as most recently observed during the COVID-19 pandemic. Reflecting its critical role to the government, CDC has been highly involved in public-sector support schemes to deal with the impact of the pandemic and support economic recovery, directly and indirectly through its subsidiaries. This notably includes CDC's €26 billion recovery plan. CDC has already invested about 30% of this amount since September 2020, with the aim of investing 80% over the next two years. This plan focuses on four areas:

- €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 midsize enterprises through direct lending, investment, and export financing. Bpifrance has been managing the €300 billion state guarantee scheme on bank loans to corporates that the French government put in place in March 2020 to support companies in the wake of the pandemic. More than half has been approved so far.
- €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 health care and medico-social sectors.

We forecast the French economy will rebound by 5.6% in 2021 and show 4.2% growth in 2022 as authorities gradually phase out social-distancing requirements, and global travel and trade volumes start picking up. This follows an unprecedented real GDP contraction of 8.2% in 2020, induced by the pandemic's impact on external and domestic demand (see "France 'AA/A-1+' Ratings Affirmed; Outlook Stable," April 2, 2021).

Before the pandemic started in 2020, 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 primary 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 the saving fund division (Direction des Fonds d'Epargne; DFE). Deposits on the Livret A jumped by a record €26.4 billion in 2020. We expect the gradual release of demand accumulated since the start of the health emergency will support private consumption. The 18.2% rise in household spending in third-quarter 2020 after social restrictions were lifted implies significant propensity for households to consume once they have the opportunity to do so.
- Administering several public-sector 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 (ACOSS) (AA/Stable/A-1+), 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/A-1+) and CDC's 35% stake in Banque Postale Collectivités Locales, a joint venture with La Banque Postale (A/Stable/A-1) that distributes loans to local and regional governments 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. CDC

has become the majority shareholder (66%, together with the government's 34%) in postal operator La Poste (A/Stable/A-1) 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 business units and major equity investments include Banque des Territoires, a platform serving the regions (CDC Habitat is part of this business unit), 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 is a public agency with a highly protective legal status and is subject to the supervision of the French parliament.

As a public agency ("Etablissement public") defined by a special law dating from 1816, CDC 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. CDC's supervisory board (CS) comprises members of the French parliament and senior civil servants. The CS is responsible for ensuring that CDC's strategy is in line with its mandate and that its financial policy remains defined under sound principles. Although 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 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 so that CDC's solvency is preserved.

The COVID-19 pandemic has hit CDC's profits. The net profit of the savings funds halved in 2020 to €210 million, mainly because of lower inflation and dividends. The group's consolidated net profit fell to €566 million in 2020 from €2.06 billion in 2019, as the pandemic hit the valuation of strategic holdings and several subsidiaries, such as transport operator Transdev and ski resorts operator Compagnie des Alpes. However, the exceptional, positive impact of creating the major French public financial group (€978 million from la Poste and €19 million from SFIL) has compensated for the loss. As a result, CDC's contribution to the state budget decreased to €514 million in 2020 from €1.4 billion in 2019. We expect the performance of CDC and its subsidiaries will recover along with the expected rebound in the French economy.

Although CDC is not a bank, the French banking regulator (ACPR) has reviewed its capital adequacy over recent years.

ACPR is in charge of prudential controls over CDC under the PACTE law. The group does not disclose the standard regulatory solvency ratios. We understand that CDC's internal prudential model--which ACPR reviewed at the CS' request before the PACTE law took effect--suits its overall business model and activities, especially its equity activities. ACPR now fully regulates the group under the PACTE law, but we understand this internal model will continue to prevail over standard regulatory solvency ratios.

Environmental, Social, And Governance Factors

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.

Selected Indicators

Groupe Caisse des Depots et Consignations--Key Figures														
Mil. €	--CDC Pole--		--Bpifrance Group--		--La Poste Group--		--SFIL Group--		--Real estate and tourism--		--Infrastructure and transport--		--Total--	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net banking income	1,260	2,225	N/A	N/A	25,812	N/A	113	N/A	822	1,318	6,493	7,094	34,501	10,637
Gross operating income	490	1,338	N/A	N/A	271	N/A	88	N/A	13	452	(215)	62	647	1,852
Operating income	416	1,293	N/A	N/A	(570)	N/A	40	N/A	(3)	463	(222)	59	(339)	1,815
Income before tax	569	1,337	(48)	502	916	239	40	N/A	(122)	440	128	369	1,483	2,887
Net income before minority interests	420	902	(48)	502	18	239	29	N/A	(105)	409	97	311	410	2,363
Net income	413	902	(48)	502	124	239	29	N/A	(58)	143	108	270	566	2,056

N/A--Not applicable. 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

- Societe de Financement Local (SFIL), April 30, 2021
- Agence Centrale des Organismes de Securite Sociale, April 16, 2021
- France 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 2, 2021
- La Poste, Jan. 13, 2021

Ratings Detail (As Of May 31, 2021)***Groupe Caisse des Depots et Consignations**

Issuer Credit Rating	AA/Stable/A-1+
Commercial Paper	
<i>Local Currency</i>	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+

*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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