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Fitch Affirms Caisse des Depots et Consignations at 'AA'; Negative Outlook

Fitch Ratings - Paris - 12 Nov 2021: Fitch Ratings has affirmed Caisse des Depots et Consignations' (CDC) Long-Term Issuer Default Ratings (IDRs) at 'AA' with Negative Outlook and Short-Term IDR at 'F1+'. A full list of rating actions is below.

The affirmation reflects Fitch's unchanged view that CDC is one of the key agencies of French government (AA/Negative) and that the latter has very strong incentives to extend its support to CDC in case of need, resulting in an overall score of 55 points out of a maximum score of 60 under our Government Related Entities (GRE) Rating Criteria. The Negative Outlook reflects that on the sovereign.

KEY RATING DRIVERS

Status, Ownership and Control: 'Very Strong'

CDC has the status of fully-owned special public agency (établissement spécial, a type of établissements publics), which is unique in France. CDC's legal status is defined by the monetary and financial code (article L-518) and can only be modified by law. It provides CDC with immunity to liquidation and bankruptcy law (article L 631-2 and L640-2 under the French commercial code) and decisions related to its dissolution would be made by the French state. CDC's assets and liabilities would be transferred to the state or another public entity designated by the state.

CDC is closely monitored by the state. It is under the supervision of the French parliament under the French monetary and financial code. CDC's CEO is appointed by the French president for a five-year term and a majority of its supervisory board comprises members of parliament and representatives.

Pursuant to the PACTE Law (Plan d'Action pour la Croissance et la Transformation des Entreprises) in May 2019, CDC's supervisory board is a deliberative body with strengthened prerogatives on its strategic positioning and its subsidiaries, the implementation of its public-interest mandates, investment strategy and financial position. The law ensures the presence of parliamentarians on CDC's supervisory board and its tight monitoring by the French parliament. It also provides for the supervision by French banking regulator (ACPR) of CDC from 2020 under a framework that takes into account its specificities.

Support Track Record: 'Strong'

As an 'établissement public', CDC has access to the state's emergency liquidity support mechanisms, such as emergency loans or the purchase by the French treasury of its long-term bonds or short-term notes issued through its general division. However, it has not needed any extraordinary state support

over the last decades thanks to its strong financial profile, leading Fitch to cap the assessment for this factor at 'Strong'.

Fitch views the state liable for the debt of its établissements publics, including CDC, under the Law of July 1980 (n° 80-539) on French public establishments. Fitch believes that this law is not tantamount to a first-demand guarantee but constitutes another form of support to établissements publics.

One of the key mandates under CDC's 'savings fund' division is to centralise, provide custody of and manage the funds collected in tax-exempt savings deposits by French banks, notably 'Livret A'. These funds, which amounted to EUR284 billion at end-2020, benefit from a full, unconditional and irrevocable state guarantee.

Given CDC's core activities, Fitch sees no risk of state support being considered as illegal state aid. We also see no legal or regulatory restrictions on support.

Socio-Political Implications of Default: 'Very Strong'

In Fitch's view, a default of CDC would endanger the continued provision of essential public services with significant political and social implications, notably due to the state's involvement in CDC's operations through the CEO nominated by the President of the Republic, or through the members of parliament sitting on the supervisory board.

CDC has a highly strategic role for the French state as it is mandated to perform various public-interest missions in key government policies. CDC's mandates also include the protection of legal deposits, the administration of major public pension schemes and regulated saving funds, and the management of unclaimed accounts held by French banks. It is also the institutional bank of ACOSS (AA/Negative/F1+), the French social security agency.

Fitch believes the EUR26 billion recovery plan established by CDC in May 2020 to sustain the French economy in response to the coronavirus pandemic confirms its key role for the state. In addition, CDC has strategic subsidiaries whose default would have significant socio-political implications for the state, such as Bpifrance SA, the government arm for financing French SMEs and guaranteeing export-finance contracts, La Poste (A+/Negative), the French postal operator, and Société de Financement Local (SFIL), the public development bank for French local and regional governments and public hospitals.

Fitch views CDC's majority shareholding in La Poste since March 2020, creating a major public financial group, as further evidence of CDC's key role for the state. CDC now holds 66% of La Poste in return for the sale of its 40.9% stake in CNP Assurances to La Banque Postale (LBP; A-/Stable). Following the merger of CNP Assurances and LBP activities, CDC also took over 99.99% of SFIL, with the state retaining one ordinary share. As a result, at end-2020 CDC's consolidated balance sheet represented about 44% of French GDP.

Financial Implications of Default: 'Very Strong'

Fitch considers CDC as a proxy funding vehicle for the French state, performing numerous state mandatory financial missions and also given the tight spread of its bonds versus government bonds.

Fitch considers a financial default by CDC would have a large impact on the French state's credit standing and on the borrowing capacity of other French GREs (especially établissements publics) as it would erode investors' confidence in the willingness of the state to support these entities. A default would also significantly disrupt social housing financing and pension funds management.

CDC is a large and regular issuer in both national and international markets with its EUR18.5 billion EMTN programme (EUR15.5 billion outstanding at end-June 2021), EUR1.5 billion Neu MTN programme (EUR0.7 billion outstanding), EUR20 billion Neu CP programme and EUR30 billion global CP programme (ECP and USCP). CDC also issued a EUR500 million green bond in 2017, and since 2019 has been issuing EUR500 million of sustainable bonds per year.

Derivation Summary

Fitch Ratings views CDC as a GRE of the French state and equalises its ratings with those of the sovereign. This reflects the very strong links between CDC and the state and the very strong incentives for the latter to support CDC if needed, resulting in an overall score of 55 points under our GRE rating criteria.

Issuer Profile

Created in 1816, CDC has the status of special public agency. It is mandated to perform various public interest missions, such as the financing of social housing, local and sustainable development and the protection of legal deposits. It also manages most of the regulated savings deposits and major public pension schemes.

Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade could result from weaker assessment of the strength-of-linkage or incentives-to-support factors, leading to a score below 45 points under our GRE Criteria. This could result from lower strategic importance for the state, which Fitch views as unlikely.

Negative action on the sovereign's ratings would be reflected in CDC's ratings.

Changes to CDC's IDRs would also be reflected in the entity's issuance programmes and senior unsecured bonds ratings.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Positive action on the sovereign's ratings would be reflected in CDC's ratings.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to

their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Public Ratings with Credit Linkage to other ratings

CDC's ratings are credit-linked with those of France.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Caisse des Depots et Consignations	LT IDR	AA 	Affirmed	AA 
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	AA 	New Rating	
	LC ST IDR	F1+	New Rating	
• senior unsecured ^{LT}		AA	Affirmed	AA
• senior unsecured ST		F1+	Affirmed	F1+

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Government-Related Entities Rating Criteria \(pub.30 Sep 2020\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub.01 Sep 2021\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Caisse des Depots et Consignations EU Issued, UK Endorsed

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