

Groupe Caisse des Depots et des Consignations (CDC)

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This report does not constitute a rating action.

Credit Highlights

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Overview

Key strengths

Key public general interest missions.

A public agency that we see as an extension of the French government with links to the state enshrined in law, and subject to the supervision of the French parliament.

Key risks

Volatile financial markets and the hit to the French economy from the Russia-Ukraine conflict, posing indirect risks to the valuation of strategic holdings and several subsidiaries.

A large equity portfolio, which can lead to sizable swings in net income.

We regard Groupe Caisse des Depots et des Consignations (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 its integral link with the government as a public agency with strong links to the state, enshrined in law.

Outlook

The stable outlook mirrors that on **France** (unsolicited; AA/Stable/A-1+).

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 remained almost certain.

Rationale

CDC conducts key public missions and implements government policies

The CDC's critical role for the French state is underpinned by its mission serving the general interest and promoting French government economic policies.

It conducts activities on behalf of the French state:

- CDC's saving funds (Fonds d'épargne) centralizes, custodies and manages most regulated savings deposits (mostly the Livret A) and invests these funds in long-term projects supporting public policies, especially social housing.
- CDC's pensions and solidarity division administers several public-sector retirements schemes and manages the public training scheme (CPF).

Its other activities also serve a general interest purpose:

- CDC is France's leading public sector asset manager and 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.
- Through its local areas division (Banque des Territoires), it supports local developments with direct lending and investments in local projects.
- CDC also supports 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.

It manages strategic holdings, including:

- A 66% stake in the postal operator La Poste (A/Stable/A-1) since March 2020, and an 99.9% stake in a leading local financing institution SFIL, in a bid to create a central government-initiated project to create a major French public financial group.
- A 50% stake of the French public investment bank, Bpifrance, which supports private-sector and small and midsize enterprises through direct lending, investment, and export financing.

CDC's other business units and major equity investments include its social and intermediary housing operator, CDC Habitat (100%), the real estate developer Icade (39.6%), transport operator Transdev (66%), ski resorts operator Compagnie des Alpes (41.45%), and electricity transmission system operator Réseau de Transport d'Electricité (29.9%).

CDC administers deposits of some legal professions, including notaries.

High involvement in managing the pandemic's impact and supporting the economic recovery

Reflecting its critical role to the government, CDC has been highly involved in public-sector support schemes to deal with the pandemic's impact and support the economic recovery, directly and indirectly through its subsidiaries. This notably includes the organization's €26 billion recovery plan over 2020-2024. CDC has already invested about 60% of this amount by December 2021 and is expected to have implemented 80% by end 2023.

The plan focuses on the following 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 CDC Habitat.

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- €8.3 billion to support businesses, especially in the most affected sectors such as tourism. 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. Around 75% 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.

The group's consolidated profits increased to €4.6 billion in 2021, compared with €777 million in 2020 and €2.5 billion in 2019, as valuation of strategic holdings and several subsidiaries recovered, CDC received higher dividends due to the economic recovery, and the financial performances of its assets improved. The net profit of the saving funds recovered to €710 million from €210 million in 2020. Of these, €2.5 billion will be transferred to the state's budget, compared with €514 million in 2020 and €1.4 billion in 2019. The effect of the Russia-Ukraine conflict on France's economic performance will likely affect CDC's performance, through more volatile financial market performance and an impact on its subsidiaries' activities due to the expected downturn in economic growth. Higher interest rates will improve the performance of assets and the collect of the regulated saving deposits.

Integral link with the French government and strong state supervision

In our view, CDC benefits from an integral link with the French government as a state public agency ("Etablissement public"). We consider this legal status, which we do not expect to change, makes the government ultimately responsible for the organization's solvency. By law, CDC is not subject to liquidation and bankruptcy laws, and its creditors have ultimate recourse to the French state. The government sets by decree, after the supervisory board's review, the level of dividend paid to the state.

CDC's management and organizational structure reflects strong state supervision and oversight. The French president appoints the organization's CEO for a five-year term, which must then be approved by the Parliament. The group is subject to parliamentary supervision. CDC's supervisory board (CS), responsible of ensuring the adequacy of CDC's strategy with its mandate and financial soundness, comprises members of the French parliament and senior civil servants. The Action Plan for Growth and the Transformation of Firms law (PACTE), approved in 2019, strengthened the CS by increasing its members to 16 from 13, and added representatives of the CDC within the composition of the CS. However, it did not alter the links between CDC and the government, in our view.

Although CDC is not a bank, the French banking regulator has reviewed its capital adequacy

The Autorité de contrôle prudentiel et de résolution (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.

Before the pandemic started in 2020, the PACTE law in April 2019 affirmed CDC's public interest mandate, carried out on the French government's behalf.

Environmental, Social, And Governance

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 June 2021, following one in 2020, 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 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.

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--	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net banking income	2,127	1,260	N/A	N/A	33,878	25812	460	113	897	822	6,887	6,493	44,249	34,501
Gross operating income	1,191	490	N/A	N/A	3,722	271	348	88	204	13	79	(215)	5,544	647
Operating income	1,212	416	N/A	N/A	3,428	(570)	351	40	194	(3)	76	(222)	5,261	(339)
Income before tax	1,279	569	894	(48)	3,472	916	351	40	208	(122)	202	128	6,406	1,483
Net income before minority interests	1,006	420	894	(48)	2,869	18	246	29	225	(105)	156	97	5,396	410
Net income	1,000	413	894	(48)	1,539	124	246	29	67	(58)	114	108	3,861	566

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- 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
- Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of May 02, 2022)*

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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