

CREDIT OPINION

16 December 2022

Update



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RATINGS

Caisse Des Depots et Consignations

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

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.

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Caisse Des Depots et Consignations

Annual update

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 a credit risk profile perspective, the governance structure of CDC as well its missions and modus operandi reflect CDC's close ties with the [Government of France](#) (Aa2 stable). Therefore, CDC's ratings are aligned with the rating of the Government of France, as described in our [Government-Related Issuers](#) rating methodology, published in February 2020.

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).

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 - FE) undertake activities on behalf of the French State, mainly the investment of regulated savings deposits¹ in long-term projects (e.g. social housing which accounts for the bulk of the FE's activity). CDC central section (Section Générale)'s remit consists in collecting legal deposits (for example, from notaries), providing custody services, notably for ACOSS², and investing the proceeds in missions of public interest in support of the public policies implemented by the State and local government bodies. The investment strategy of the central section remains independent from that of the French government. CDC also holds a large portfolio of strategic investments which are made essentially in France, including in major listed companies.

The appointment of CDC's chief executive officer rests with the President of the French Republic, and is subject to parliamentary approval. The institution is subject to parliamentary oversight, which is carried out by the Commission de Surveillance. This body 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 remit 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 all 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

- » CDC is exposed to a prolonged situation of low interest rates because fixed rate liabilities far exceed fixed rate assets. The current environment of rising interest rates is however supportive of net interest income.

Outlook

The outlook is stable, in line with the outlook on the rating of the French government. The stable outlook on France reflects Moody's view that risks to France's credit profile are balanced at this stage. France continues to reap the benefits of structural economic reforms, particularly to the labour market, that have been implemented in recent years and it aims to implement further reforms to the pension system under this government that could address still-low labour-force participation rates for older workers.

On the other hand, there is little prospect of material debt reduction during the term of this government and there are risks that improvements in debt affordability will begin to reverse themselves more quickly than other highly rated euro area countries.

Factors that could lead to an upgrade

The rating of the government of France, and in turn CDC's, could come under upward pressure if the government were able to pass and implement measures that would start to produce meaningful debt reduction and mitigate upward pressures on debt affordability metrics.

Factors that could lead to a downgrade

The rating of the government of France's, and in turn of CDC's, would come under downward pressure if we were to conclude that the deterioration in debt affordability will be significantly larger in France than its rating peers. France's elevated debt burden heightens its exposure to rate rises, which could lead to a faster deterioration in debt affordability metrics, which have a larger weight in our assessment of France's credit profile given its reserve currency status. A weakening commitment to fiscal consolidation during the mandate of this government would also increase downward credit pressures. An escalation of Europe's energy crisis or a further, material escalation of geopolitical risks in Europe could also generate negative credit pressures.

Additionally, should we perceive a weakening in CDC's operational or financial integration with the French State, the long-term ratings could be downgraded.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 1

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

	12-21 ²	12-20 ²	12-19 ²	12-18 ²	12-17 ²	CAGR/Avg. ³
Total Assets (EUR Million)	1,066,670.0	1,015,044.0	180,628.0	163,002.0	173,543.0	57.5 ⁴
Total Assets (USD Million)	1,208,650.1	1,241,963.1	202,754.6	186,334.8	208,390.0	55.2 ⁴
Tangible Common Equity (EUR Million)	28,686.0	25,414.0	30,919.0	29,609.0	23,577.0	5.0 ⁴
Tangible Common Equity (USD Million)	32,504.3	31,095.4	34,706.5	33,847.4	28,311.2	3.5 ⁴
Problem Loans / Gross Loans (%)	1.2	1.4	2.2	6.5	22.2	6.7 ⁵
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.5	9.1	0.3	0.9	5.0	4.6 ⁵
Net Interest Margin (%)	0.5	0.6	0.2	0.4	0.2	0.4 ⁵
Net Income / Tangible Assets (%)	0.5	0.0	1.3	1.2	1.2	0.9 ⁵
Cost / Income Ratio (%)	87.5	97.5	82.8	91.1	82.9	88.4 ⁵
Market Funds / Tangible Banking Assets (%)	21.4	22.7	27.5	29.9	32.1	26.7 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	47.3	49.1	29.6	28.9	64.5	43.9 ⁵
Gross Loans / Due to Customers (%)	61.6	61.3	6.0	6.5	8.4	28.7 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 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 (from notaries) 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. CDC provides financing for local development through a single department named "Banque des Territoires" (bank for local areas). This is not a bank per se but rather a department of CDC focusing on local areas' needs and does business through 16 regional directorates and 37 local representative offices.

The institution also holds a large portfolio of investments that target French entities, 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 oversight powers. It also strengthens controls over CDC by transferring the prudential oversight to the ACPR from the Commission de Surveillance.

CDC's importance as a government agency was further reaffirmed through the creation of a large public financial conglomerate with CDC acting as the ultimate parent, concentrating a large amount of the State's strategic investments. This conglomerate includes:

- » [Bpifrance](#) (Aa2), which provides financing to French SMEs, including equity investment in innovative technological projects.
- » [La Banque Postale](#) (LBP, A2/A2 stable, baa2³), a French bancassurance group part of La Poste (the French Post office). The group became a bancassuror when the bank (6th largest in France by total assets) took control of [CNP Assurances](#) (CNP, IFSR A1, stable), which is the second largest life insurance company in France by written premiums.
- » [SFIL](#) (Aa2/Aa2 stable, a3), leading institution for the financing of the French local authorities, with a market share of around 24%. The bank also provides long-term export financing to the banking industry, backed by a 100% insurance provided by the government.

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) that are mainly invested in housing financing, as well as the administration of public retirement schemes.

On 28 October 2021, LBP announced its intention to take full ownership of CNP shares by acquiring the 16.1% stake owned by Groupe BPCE, and the remaining free float of 21.1% before delisting CNP. The acquisition of Groupe BPCE's stake was completed before year-end 2021 and LBP completed its tender offer on CNP's remaining free float at the beginning of June 2022, which brought its ownership to 97.8%. The "squeeze-out" of the shares not tendered and delisting of the shares followed suit. Since 20 June 2022, CNP is now 100% owned by LBP.

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 which will benefit from the dividends that the financial group will upstream.

We do not expect the reshaping of the ownership set up described above to have a bearing on the governance of CDC nor on its relationship with the French State.

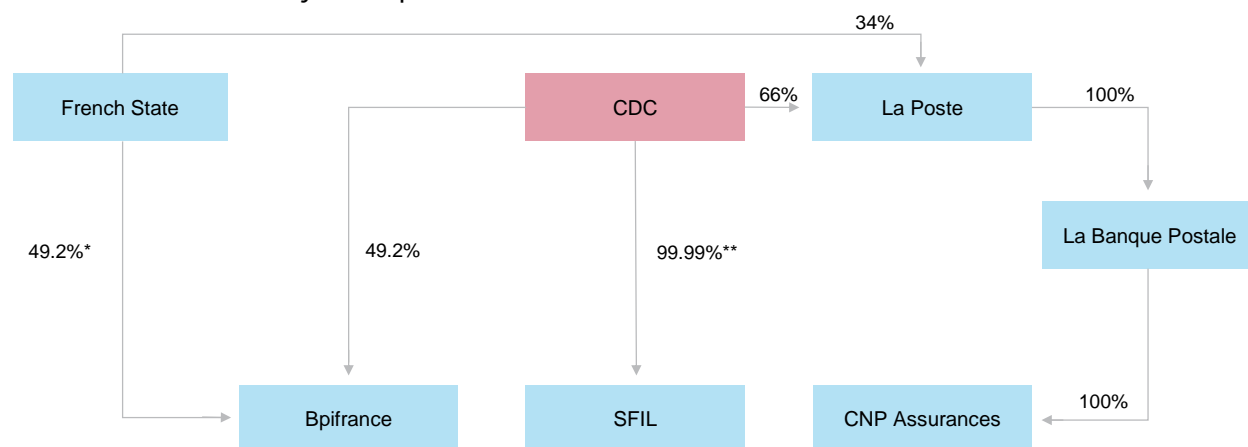
In September 2020, CDC unveiled a €26 billion stimulus package in order to finance the economic recovery. The plan articulates itself around four pillars:

- » €6.3 billion dedicated to finance the ecological and energy transition (44% completed as of end-2021).
- » €8.3 billion dedicated to the development of French SMEs and medium-sized firms (75% completed as of end-2021).
- » €500 million dedicated to supporting health and social workers and, more broadly, reinforce social cohesion (46% completed as of end-2021).
- » €11.1 billion allocated to the construction of social housing. Through its subsidiary CDC Habitat, CDC plans to construct 40,000 new dwellings (46% completed as of end-2021).

As of end-June 2022, CDC had already invested 77% of the stimulus package.

Exhibit 2

Organizational structure of the newly created public financial institution



* The French State has a 49.2% 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). In addition, CDC has been mandated by the French government to conduct investments with an environmental and energy aspect in order to preserve natural environments and biodiversity. The institution does so by managing forest assets; funding low-carbon projects, the production of renewable energies, resource (water) management systems, energy-saving solutions and companies involved in the energy and ecological transition.

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 €500 million Green Bond in 2017, and three €500 million sustainable bonds in June 2019, September 2020 and May 2021, 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
SFIL	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits -Dom Curr	Aa2/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa2
Senior Unsecured	Aa2
Commercial Paper -Dom Curr	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 et Solidaire and Livret d'Epargne Populaire.
- 2 ACOSS (Agence Centrale des Organismes de Sécurité Sociale) is a French social security agency.
- 3 The bank ratings shown in this report are the bank's deposit rating, senior unsecured debt rating (where available) and Baseline Credit Assessment

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