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Research Update:

French Public Financial Institution Groupe Caisse des Depots et Consignations Affirmed At 'AA/A-1+'; Outlook Stable

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Overview

- We consider that there is an almost certain likelihood that Groupe Caisse des Depots et Consignations (CDC) would receive timely and sufficient extraordinary support from the French government in case of financial distress.
- We therefore equalize our long-term rating on CDC with our long-term sovereign rating on France.
- Consequently, we are affirming our 'AA/A-1+' ratings on CDC.
- The stable outlook on CDC reflects that on France.

Rating Action

On April 16, 2018, S&P Global Ratings affirmed its 'AA' long-term and 'A-1+' short-term issuer credit ratings on Groupe Caisse des Depots et Consignations (CDC). The outlook is stable.

Rationale

We equalize our ratings on CDC with those on France (unsolicited, AA/Stable/A-1+) because, based on our view of CDC's critical role for and integral link with the French government, we consider 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.

Moreover, we do not see the likelihood of government support as subject to transition risk. As a result, we expect that the ratings and outlook on CDC will move in line with those on France. Furthermore, we consider the French government's contingent liabilities to be limited and unlikely to constrain its capacity and willingness to support CDC in a timely manner in case of financial distress. We consider that the French government's general propensity to support its government-related entities is not in doubt.

Our opinion of an almost certain likelihood of government support reflects our view of CDC's:

- Critical role for the French government, since CDC contributes to many public policy missions on behalf of the French government and acts as a long-term investor supporting the French public's interest; and
- Integral link with the French government, of which we consider CDC to be an extension. CDC has the status of a public-sector institution, established by a special law that only the French parliament can modify. Procedures in place ensure effective governance, monitoring, and controls over CDC.

CDC is a public-sector institution ("Etablissement public") defined by a special law dating from 1816. As an Etablissement public, we understand that CDC is immune to liquidation and bankruptcy law, and decisions on dissolution would revert to the French government, which we view as ultimately responsible for CDC's liabilities (under Law 80-539 enacted on July 16, 1980). The French government and CDC have integral links, in our view. CDC's CEO is appointed by the French president for a five-year term, most recently in November 2017. Under the French Monetary and Financial Code, CDC is subject to parliamentary supervision. Its supervisory board comprises members of the French parliament and senior civil servants, and is responsible for ensuring that CDC's strategy is in line with its mission, and that its financial policy remains defined under sound principles.

Reflecting its critical role for the French government, CDC conducts key public missions and provides support in the implementation of government policies. Since its creation, CDC's prime public role has been to guarantee the financial security of the funds it manages. Its mandates notably include:

- Centralizing and managing most of the 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). We note that DFE is not consolidated into CDC's balance sheet. DFE's regulated savings portfolio amounted to a very large €265 billion as of year-end 2017. About 70% of this total routinely funds long-term loans to support public investments, the balance being invested in a portfolio of securities under prudent guidelines;
- Administering several public retirement schemes, and deposits of legal professions, including notaries;
- Supporting regional and local development; and
- Acting as a long-term investor in affiliates and strategic shareholdings to support government policies.

CDC is also a key stakeholder in the long-term funding of local authorities in France. In addition to providing direct lending, it holds a 20% stake in SFIL (Société de Financement Local), a public-sector entity that provides loans to local and regional governments (LRGs), and CDC is committed to providing funding to SFIL up to a maximum of about €10 billion. CDC also has a 35% stake in La Banque Postale Développement Local, a joint venture with La Banque Postale that distributes loans to LRGs and public hospitals, and whose loans are partly being refinanced by SFIL.

The creation of the Banque Publique d'Investissement (BPI France) in 2013 exemplifies CDC key public role. Jointly owned by CDC and the French government, BPI France's main mission is to support and fund investments by French small and midsize enterprises. CDC's other major equity investments include leading French life insurer CNP Assurances, postal operator La Poste, real-estate operators CDC Habitat and Icade, and electricity transmission system operator Réseau de Transport d'Electricité through its holding company Coentreprise de Transport d'Electricité. In addition, CDC 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's financial profile displays distinctive features. Its balance sheet is typified by limited lending activity and generally low counterparty risk. CDC's equity portfolio is large and can lead to large swings in net income, reflecting valuation changes, exceptional gains on sales, and impairments. CDC's deposit base is stable, with deposits exceeding loans almost fourfold over recent years. Although CDC is not a bank, French regulators review its capital adequacy. In our opinion, CDC's capitalization remains constrained by its large investments in equities.

Outlook

The stable outlook on CDC reflects our outlook on France. We believe that CDC will retain its critical role for and integral link with France, and therefore expect our ratings on CDC will move in line with those on France.

Although we consider these possibilities to be remote, we would lower our ratings on CDC following a similar rating action on France, if we perceived a weakening of CDC's link with or role for the French government, or if we saw continued deterioration in CDC's financial profile that we believed would cause us to review our assessment of the importance of its financial standing to the government.

We would raise the long-term rating on CDC if France's credit quality were to improve and the likelihood of support for CDC remained almost certain.

Related Criteria And Research

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Guarantee Criteria - October 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Related Research

- Research Update: France 'AA/A-1+' Ratings Affirmed; Outlook Stable - April 6, 2018

Ratings List

	Rating	
	To	From
Groupe Caisse des Depots et Consignations		
Issuer Credit Rating		
Foreign and Local Currency	AA/Stable/A-1+	AA/Stable/A-1+
Certificate Of Deposit		

Ratings List Continued...

Foreign and Local Currency	AA/A-1+	AA/A-1+
Senior Unsecured		
Foreign and Local Currency [#1]	AA	AA
Foreign and Local Currency	AA	AA
Short-Term Debt		
Local Currency	A-1+	A-1+
Commercial Paper		
Local Currency	A-1+	A-1+

[#1] Issuer: Natixis S.A., Guarantor: Groupe Caisse des Depots et Consignations

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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