

Caisse des Dépôts et Consignations

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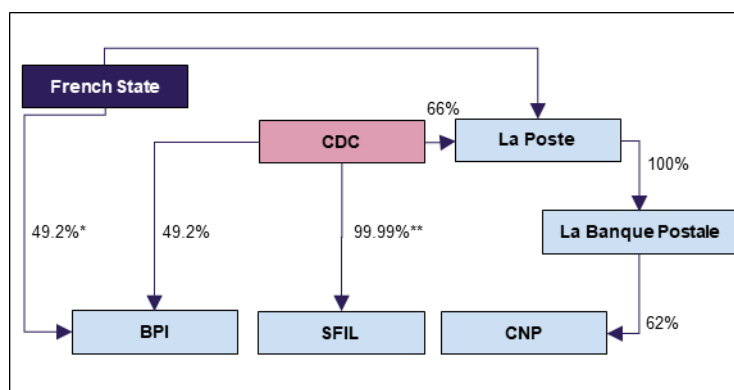
	Issuer Rating	Outlook
Moody's	Aa2	Stable
S&P	AA	Stable
Fitch	AA	Negative

Source: Moody's, S&P and Fitch;

Background

Caisse des Dépôts et Consignations (CDC) is a French government-related financial institution which performs a range of financial functions on behalf of the government, and engages in long-term investments, intended to support economic development in France.

It plays an important role in supporting the French government's policy, most recently via a EUR26bn recovery plan established by CDC in the wake of the Covid-19 pandemic. The stimulus package was devised to counter the adverse economic and social effects of the pandemic, with more than half of the plan already implemented. Over the course of its 2020-2024 investment horizon funds will be allocated towards housing (EUR11bn), enterprises (EUR8bn), climate (EUR6.3bn) and social cohesion (EUR0.5bn).



Source: CDC Group; *via EPIC BpiFrance; ** French state retains one ordinary share

Special legal status and support

CDC has a unique legal status (*Etablissement Spécial*) as an autonomous public-sector financial institution, originally derived from a special law enacted in 1816. Even though CDC has no share capital – balance sheet capital is comprised solely of accumulated reserves – it is subject to parliamentary supervision and considered to be an extension of the French state. CDC's legal status is defined by the monetary and financial code (article L-518), providing it with immunity to liquidation and bankruptcy. It also benefits from solvency protection, granted under the law 80-539, whereby, in the event of dissolution, decisions on the institution's assets and liabilities become the responsibility of the French state. CDC's strategic importance to the French state and integral links with the public administration are reflected in the equalisation of CDC's credit rating with that of the French state by all three major agencies.

Ownership and restructuring

In August 2018, the French government announced its plan to create a new bank-insurance group comprising the French postal services (La Poste and La Banque Postale) under the umbrella of CDC. The shareholding structure was finalised in March 2020 making CDC the majority shareholder of La Poste at 66%. In return, the French government and CDC transferred their stakes in CNP Assurances to La Banque Postale, which is a subsidiary of La Poste. In September-2020, CDC took control of 99.99% of Société de Financement Local (SFIL) from an initial 20% stake. A binding agreement assigned the remaining stakes from the French state (75%) and from La Banque Postale (5%) to CDC. The integration of SFIL as the leading institution for the financing of French local authorities made CDC the seventh largest French bank by assets and the leading European public sector covered bond issuer. These restructurings underline CDC's key role for the French state as it has a significant impact on economic activity.

Main activities

CDC carries out several activities in the public interest, some of which are consolidated and some of which are carried out on behalf of the French state and not consolidated. Consolidated tasks include:

- **Legal deposits and banking services** – CDC has a state monopoly in the administration of funds protected by French law. It takes custody of deposits collected by the legal profession. CDC also acts as the institutional bank for the French social security system (ACOSS) and other public interest bodies.
- **Local development** – CDC assists the French State and local authorities by providing equity financing for public development projects in areas such as housing, transport, renewable energy and digital infrastructure. In addition, CDC supports new businesses and local job-creation schemes, provides private equity financing to SME's and is engaged in providing infrastructure finance for long-term public interest projects.

- **Affiliates and strategic shareholdings** – CDC acts as long-term investor in affiliates through strategic shareholdings to support government policies. Since the integration of La Poste, these have been conducted via five business units:
 - **La Poste Groupe:** provides postal and local banking services via La Poste and La Banque Postale, insurer CNP Assurances, GeoPost and other industrial and commercial services
 - **Banque des Territoires:** A platform that provides social housing support and sustainable developments in French territories;
 - **Bpifrance:** A development bank for efficient funding towards technological innovation, SME's and mid-caps;
 - **Strategic Shareholdings and Asset Management:** CDC has several stakes in real estate and tourism entities as well as companies specialising in engineering services, long-term infrastructure projects and transportation. CDC also acts as asset manager through six subsidiaries and entities it has major stakes in.

In addition, CDC undertakes the following activities on behalf of the French state on a non-profit basis. These are strictly segregated from the rest of CDC's operations and are not consolidated in CDC's group financial statements.

- **Savings funds management** – centralises the custodianship and management of regulated tax-exempt savings collected by retail banking networks in France (main product is known as a "Livret A" account). These funds are primarily used to finance public housing initiatives.
- **Retirement plan management** – CDC manages several public retirement programmes, as well as having responsibility for the administrative management of the national pension fund reserve.

Financial strength indicators

Profitability – CDC's profitability has a track record of volatility due to its large securities holdings. In FY21, CDC reported consolidated group net income of EUR5.4bn, up significantly from EUR410m the year before. The strong result was driven significantly by higher income from financial instruments, which was up 236% yoy to EUR14.9bn as well as significantly lower risk costs of EUR283m that fell by 71% yoy as pandemic related effects subsided. CDC contributed 19% (EUR1bn) to the group net income result compared to EUR420m one year prior, similar to its 2019 pre-Covid level. Net income contributions from Bpifrance (EUR894m) and La Poste (EUR1.7bn) recovered from 2020 losses, which were incurred in part due to elevated risk costs.

Asset quality – At end-2021, CDC Group had total consolidated assets of EUR1.06tr compared to just EUR181bn in 2019. CDC's balance sheet grew significantly following the integration of Groupe La Poste and SFIL, which account for 75% and 9% of the group total while CDC as a standalone accounts for 15%. The majority of assets comprise of financial assets at FVOCI, which are mostly bonds, debt securities and government paper, reflective of its role as a prominent institutional investor (25% of total assets). This is followed by financial assets at FVPL (23%), customer loans (18%), loans to credit institutions (9%) and cash and equivalents due from central banks (7%). CDC records the credit risk concentration of its financial assets via counterparty credit ratings, the majority of which are investment grade (55%).

CDC – Key Data		
EURm - Balance Sheet	FY21	FY20
Total assets	1,066,670	1,015,044
Customer loans outstanding	187,681	186,855
Customer deposits	319,639	310,674
Debt securities	132,599	128,521
Subordinated debt	10,104	10,325
Total equity	69,810	61,441
EURm – P&L	FY21	FY20
Total income	44,249	34,501
Total expenses	-38,705	-33,854
Net income	5,396	410
CDC contribution	1,006	420
Subsidiaries contribution	4,390	-10
<i>Groupe BpiFrance</i>	894	-48
<i>Groupe La Poste*</i>	2,869	17
<i>Strategic holdings**</i>	627	21

Source: Investor Reports; *(La Poste, La Banque Postale, CNP Assurances); **(SFIL, Real Estate & Tourism, Infrastructure & Transport)

Funding & Liquidity – CDC's main source of funding lies with the legal deposits it is entitled to as part of its custodian role, including deposits from notaries and the wider legal profession, unclaimed bank accounts and life insurance funds. Deposits from notaries are closely correlated to the real-estate markets and as such sensitive to seasonal variations and general changes in real-estate transactions. CDC also maintains good access to capital markets through its EUR18.5bn EMTN programme under which it is likely to issue EUR3bn-5bn per year in maturities ranging from 2 to 30 years. While the majority of outstanding benchmark issues have come in EUR (58.5% of total) and USD (20.5%), this has been complemented by smaller benchmarks in CHF, GBP, NOK and JPY. CDC also conducts some 40 private placements per year with sizes of EUR10m-300m across a variety of currencies. Funding and liquidity needs are further supported by a EUR20bn NEU CP programme (EUR14bn outstanding as of December-2021) and a EUR30bn global CP programme (EUR12bn outstanding). At FY21, customer deposits made up 32% of total non-equity liabilities, followed by debt securities (13%) and interbank funding (5%).

ESG funding

CDC developed its [Sustainable Bond Framework](#) in 2019 and subsequently updated it in April 2022, permitting the issuance of green, social and sustainability bonds. The framework carries a second party opinion by Moody's ESG

Solutions, deeming it credible and aligned with the four core components of ICMA's Green and Social Bond Principles and its Sustainable Guidelines. As per Bloomberg data, CDC has EUR1.5bn in ESG themed debt outstanding across three sustainability transactions. It's inaugural green bond from 2017 matured in March-2022. CDC states that it is committed to maintaining a regular presence within the ESG space by issuing at least EUR1bn in sustainable, benchmark-sized bonds per year. The EUR26bn recovery plan in response to the pandemic is expected to entail a healthy pipeline of themed bond issuance over the medium term.

Capitalisation – Although CDC is not a bank and is not subject to BRRD regulation, it reports to the French banking regulator (ACPR) as of 2020. This was stipulated under the PACTE law that also affirmed CDC's public interest mandate on behalf of the French government. CDC's internal prudential models, derived prior to the PACTE law taking effect, were deemed appropriate and suitable to the group's overall business model and activities by ACPR. S&P states that the use of the internal model will continue to prevail over standard regulatory solvency ratios. Total equity attributable to owners stood at EUR48.1bn (2020: EUR39.bn), mostly due to higher realised gains. Total equity (incl. non-controlling interests) to assets stood at 6.5% at end-2021 (2020: 6%). Following the integration of La Poste, CDC's capital structure at the consolidated level changed materially as the newly integrated entity is more reliant on financial debt, thus seeing the 'equity to asset' ratio decline strongly from 25% back in 2019.

Rating agencies' views

Moody's – In December 2021, ratings were affirmed at 'Aa2/Stable'. Moody's considers CDC a government-related issuer. From a credit risk profile perspective, the governance structure of CDC as well as 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 its Government-Related Issuers rating methodology.

S&P – The rating from May 2021 ('AA/Stable') reflects the agency's view that CDC is a government related entity (GRE) that, if under financial stress, would benefit from an almost certain likelihood of extraordinary support from France. This is based on S&P's 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.

Fitch – In November 2021, Fitch affirmed the ratings of CDC at 'AA/Negative'. Fitch Ratings views Caisse des Depots et Consignations (CDC) as a government-related entity (GRE) of the French state (AA/Negative) 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 its GRE rating criteria. The Negative Outlook reflects that of the state.

Recent Benchmark Transactions

Issue Date	Security	Maturity/Call	Currency	Size (m)	Coupon	Yield	Final Spread (bps)
19/01/2022	Sr. Unsecured	3Y	USD	1,000	1.375%	1.493%	SOFR MS + 21
11/01/2022	Sr. Unsecured	Dec-2024	GBP	300	1.125%	1.225%	G + 36
09/11/2021	Sr. Unsecured	3Y	USD	1,000	0.875%	0.886%	SOFR MS + 19
25/05/2021	Sr. Unsecured (Sustainable)	5Y	EUR	500	0.01%	-0.234%	OAT + 13
18/01/2021	Sr. Unsecured	5Y	GBP	250	0.25%	0.273%	G + 26

Source: BondRadar

This is an issuer profile and contains factual statements only. All statements are sourced from the issuer's financial reports, which can be found at <https://www.caissedesdepots.fr/en/you-are-investor>

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- 3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
- 4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 5: Underperform TOPIX/benchmark index by more than 15% over the next 12 months.

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- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

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