

Research Update:

La Poste, La Banque Postale, And CNP Assurances Outlooks Revised To Negative After Same Action On France; 'A+' Affirmed

December 7, 2022

Overview

- On Dec. 2, 2022, we revised our outlook on France to negative from stable and affirmed the unsolicited 'AA/A-1+' sovereign ratings.
- La Poste (LP) group continues to benefit from a very high likelihood of extraordinary support from the French government in the event of financial distress.
- Our ratings on CNP Assurances (CNP) do not benefit from the support of the French government but are capped by those on ultimate parent LP.
- The outlooks on LP, La Banque Postale (LBP), and CNP ultimately mirror the outlook on France.
- Therefore, we revised the outlooks on the three entities to negative from stable and affirmed the 'A+/A-1' ratings on LP and LBP and the 'A+' rating on CNP.

PRIMARY CREDIT ANALYST

Clement Collard
Paris
+33 144207213
clement.collard
@spglobal.com

SECONDARY CONTACT

Mathieu Plait
Paris
+ 33 14 420 7364
mathieu.plait
@spglobal.com

Rating Action

On Dec. 7, 2022, S&P Global Ratings revised its outlooks on La Poste (LP) and its core subsidiaries La Banque Postale (LBP) and CNP Assurances (CNP) to negative from stable. The outlook revisions follows a similar action on France (see "France Outlook Revised To Negative On Rising Budgetary Risks; 'AA/A-1+' Ratings Affirmed," published Dec. 2, 2022, on RatingsDirect).

At the same time, we affirmed our 'A+/A-1' long- and short-term issuer credit ratings on LP and LBP and the 'A+' long-term issuer credit rating on CNP. We also affirmed all our issue ratings on the three entities' debt.

Rationale

LP's government ownership remains a key rating strength. LP is 100% directly, and indirectly, owned by France (unsolicited AA/Negative/A-1+). In our view, the group maintains a very high likelihood of receiving extraordinary support from the French government in the event of financial distress, even after expanding its activities beyond public service obligations. The 'A+' long-term rating on LP includes four notches of uplift for expected government support. This support also benefits our ratings on LBP, since we consider LBP core to LP group and therefore equalize the ratings on LBP and CNP with those on LP. We view the stand-alone credit strength of CNP to be in line with the long-term ratings on LP and LBP and, as such, our ratings on CNP do not benefit from direct or indirect government support. Nevertheless, as a core member of the LP group that is fully owned by LBP, the ratings on CNP are equalized with those on LP.

The revision of our outlook on France to negative from stable triggered the same action on LP group members. This is because LP benefits from expected government support, and LBP in turn benefits from LP's parental support. Although we would lower the issuer credit ratings on the three entities if we downgraded France, the group stand-alone credit profile (SACP) is not directly affected, and we expect it will remain resilient at 'bbb'.

If we lowered the rating on France it would directly affect the ratings on CNP and the hybrids but not the respective entities' SACP or our ratings on LP and LBP's hybrids. Our starting points to notch down the ratings on LP and LBP's hybrids are LP's group SACP and LBP's SACP. A downgrade of France would not directly affect the SACP on LP and LBP or our ratings on the hybrids. A downgrade of CNP would bring the rating level below the SACP, and could lead to a downgrade of the hybrids.

Outlook

La Poste

The negative outlook on LP mirrors that on France. We expect the group to continue to benefit from a very high likelihood of receiving extraordinary support from the French government.

We expect steady financial performance for the group's key businesses and further progress on the 2030 strategic plan, which aims to consolidate and optimize historical activities and its public service missions; accelerate the development of the bank, insurance, parcels, and e-commerce activities that spur growth and profit generation; and continue its digitization.

Downside scenario: We could lower the ratings in the next two years if we take a similar rating action on France.

Although more remote at this stage, we could also lower our ratings if we see a material decline in the group's overall financial performance that reduces diversification benefits and strains the 'bbb' group SACP.

Upside scenario: A revision of the outlook on France to stable would lead us to revise the outlook on LP to stable.

La Banque Postale

The negative outlook on LBP mirrors that on LP. We continue to see LBP as a core subsidiary of LP

group, and any rating action on the parent would lead to a similar action on LBP. We expect LP group will maintain a strong, lasting interest in LBP in the near future. LBP is an integral part of the group's strategy, and we see it as strongly integrated within the group.

Downside scenario: We would lower the rating on LBP if we take a negative rating action on its parent, LP, which could follow a negative rating action on France or a weakening of our LP group SACP.

Given the enduring, strategic, and operational integration of LBP into LP, we see limited risk of weaker interest or support from the parent in the next two years. However, such a scenario could emerge if LBP becomes a less profitable or riskier subsidiary, which in turn could lead us to reconsider its core status to LP group and result in rating pressure.

Although unlikely at this stage, we could revise down our assessment of LBP's SACP and lower our ratings on its hybrids if:

- LBP fails to deliver its new strategic plan or is unable to develop and adjust its business to the evolving interest-rate environment. This could be indicated by materially reduced earnings prospects or erosion of revenue;
- Our risk-adjusted capital metric fails to increase in line with our expectations; or
- LBP's robust funding and liquidity profile weakens compared with that of other French banks, and this is not offset by strengthening of other factors.

Upside scenario: We would revise our outlook on LBP to stable if we take a similar action on France.

We could revise our assessment of LBP's SACP upward and raise our ratings on its hybrids if the bank rebuilds its capital base significantly faster than expected, potentially through more active capital management between LBP and CNP. This would require asset quality resilience over the cycle and the maintaining of higher funding and liquidity than domestic peers. We will also take into account the potential effects of deeper integration between insurance and banking business.

CNP Assurances

The negative outlook on CNP mirrors that on LP. We view CNP as a core entity to LP group and so any rating action on LP would affect CNP. We also believe that, over the next 12-24 months, CNP will retain its strong market position, including geographical diversification of its business footprint. In addition, we expect stable capital and earnings under the reshuffled shareholding structure, including capital adequacy at least at the 'AA' level under our model. We will continue to closely monitor the progress of CNP's operational and financial integration with LBP.

Downside scenario: We could lower the ratings in the next two years if we take a similar action on LP. Although more remote at this stage, we could also lower our ratings if we see a material decline in the group's overall financial performance or capital adequacy that reduces diversification benefits and strains the 'bbb' group SACP.

Upside scenario: We would revise our outlook on CNP to stable if we take a similar action on LP and on France.

Ratings Score Snapshot

La Poste	To	From
Issuer credit rating	A+/Negative/A-1	A+/Stable/A-1
SACP	bbb	bbb
La Banque Postale	To	From
Issuer Credit Rating	A+/Negative/A-1	A+/Stable/A-1
SACP	bbb	bbb
Anchor	bbb+	bbb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Moderate (-1)	Moderate (-1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Strong and Strong (+1)	Strong and Strong (+1)
CRA adjustment	0	0
Support	(+4)	(+4)
ALAC support	0	0
GRE support	0	0
Group support	(+4)	(+4)
Sovereign support	0	0
Additional factors	0	0
CNP Assurances	To	From
Issuer Credit Rating	A+/Negative/--	A+/Stable/--

SACP--Stand-alone credit profile. CRA--Comparable ratings analysis.

La Banque Postale

ESG credit indicators: E-2, S-2, G-2

CNP Assurances

ESG credit indicators: E-2, S-2, G-2

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- 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
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- France Outlook Revised To Negative On Rising Budgetary Risks; 'AA/A-1+' Ratings Affirmed, Dec. 2, 2022
- La Poste And La Banque Postale Affirmed At 'A+' Amid Progress On Strategic Plan; Outlooks Stable; Nov. 23, 2022
- CNP Assurances, Oct. 20, 2022

Ratings List

***** La Poste *****

Ratings Affirmed; Outlook Action

	To	From
CNP Assurances		
CNP Caution		
Issuer Credit Rating	A+/Negative/--	A+/Stable/--
Financial Strength Rating	A+/Negative/--	A+/Stable/--

La Banque Postale

La Poste

Issuer Credit Rating	A+/Negative/A-1	A+/Stable/A-1
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Ratings Affirmed

CNP Assurances

Subordinated	A-
Junior Subordinated	A-
Junior Subordinated	BBB+

La Banque Postale

Senior Unsecured	A+
Senior Subordinated	BBB-
Subordinated	BB+
Junior Subordinated	BB-
Commercial Paper	A-1

La Poste

Senior Unsecured	A+
Junior Subordinated	BB+
Commercial Paper	A-1

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