

Research Update:

# La Poste, La Banque Postale, And CNP Assurances Downgraded After Similar Action On France; Outlook Revised To Stable

June 4, 2024

## Overview

- On May 31, 2024, we lowered our unsolicited long-term sovereign credit rating on France by one notch to 'AA-' and revised the outlook to stable from negative.
- La Poste (LP) continues to benefit from a very high likelihood of extraordinary support from the French government in the event of financial distress.
- Our rating on CNP Assurances (CNP) is capped by the ratings on ultimate parent LP.
- Therefore, we lowered by one notch to 'A' our long-term issuer credit ratings on LP and its core subsidiaries La Banque Postale (LBP) and CNP. At the same time, we revised the rating outlooks on the three companies to stable from negative.

## Rating Action

On June 4, 2024, S&P Global Ratings lowered to 'A' from 'A+' its long-term issuer credit ratings on LP and its core subsidiaries LBP and CNP. We also revised the rating outlooks on the three companies to stable from negative. The rating action follows a similar action on France (see "France Long-Term Rating Lowered To 'AA-' From 'AA' On Deterioration Of Budgetary Position; Outlook Stable," published May 31, 2024).

At the same time, we lowered all our long-term issue ratings on LP, LBP, and CNP's unsecured debt by one notch, excepted for LP's junior subordinated debt, which we affirmed at 'BB+'. We have affirmed all our short-term issue ratings on LP and LBP.

## Rationale

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**LP's government ownership remains a key rating strength.** LP is 100% directly and indirectly owned by France (unsolicited; AA-/Stable/A-1+). In our view, the likelihood of the company receiving extraordinary government support in the event of financial distress is very high, even after LP expanded its activities beyond public service obligations. The 'A' rating on LP includes three notches of uplift for expected government support. The ratings on LBP also benefit from this support since we consider LBP and CNP are core subsidiaries of LP. We therefore equalize the ratings on LBP and CNP with those on LP. This rating equalization constrains the rating on CNP as CNP's 'a+' stand-alone credit profile (SACP) is one notch above the rating on LP, which caps the rating on CNP at 'A'.

**The downgrade of France and the revision of our rating outlook on France triggered the same action on all LP group members.** Our recent rating action on France lowered our expectation of potential government support for LP and, in turn, parental support, which benefits LBP. Therefore, we also downgraded CNP as its parent LP might need to rely more on CNP's support in the event of financial distress, considering that government support has reduced. The lower-rated parent LP constrains the rating on CNP and means its below its SACP.

**We do not consider CNP is insulated from LBP.** This is because of the alignment of LBP's and CNP's regulatory capital management, which enables LBP to include CNP's capital in its core tier 1 ratio. Similarly, LBP is not insulated from its corporate parent since its banking activities rely on LP's retail footprints and employees. Hence, we equalize the ratings on all three companies, even though the SACPs of LP and CNP differ.

**LP's group SACP and CNP's SACPs remain unchanged and we consider the ratings on LP, LBP, and CNP are resilient at their current levels.** The downgrade of France did not affect LP's group SACP, which we affirmed at 'bbb'. We also affirmed the 'BB+' ratings on LP's hybrid debt, which is notched down from the group SACP since LP's hybrid debt holders are supported by the overall group's intrinsic creditworthiness. We downgraded by one notch all hybrids of LBP since we notch them down from the issuer credit rating on CNP as we expect CNP will upstream capital to support LBP hybrids' creditors if necessary.

CNP's SACP remains unchanged at 'a+', reflecting its market-leading life insurance activities in France and Brazil, as well as its increasing profitability (€1.55 billion net income in 2023, a 65% increase over 2022 on a pro-forma basis) and very strong capitalization. CNP has increased its regulatory Solvency 2 ratio by 21 percentage points to 253% in 2023, despite announcing about €2 billion in dividend payments to LBP, of which €1.2 billion were exceptional. Although we project that CNP will further release some policyholder capital reserves to uplift crediting rates on life savings policies in France, we forecast internal capital generation will remain strong. This is because of premium growth, mainly in capital-light products, and a moderate 50% dividend policy.

## Outlook

### La Poste

The stable outlook on LP mirrors that on France. We expect the group will continue to benefit from a very high likelihood of extraordinary support from the French government if necessary. 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 LP's 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 view a downgrade of LP as very remote because it would require a downgrade of France and a weakening of LP's group SACP. The latter could arise from a material decline in LP's overall financial performance that impairs diversification benefits and erodes the 'bbb' group SACP. Albeit very unlikely, we could also lower our ratings on LP if its role for and link with France weakened, which would lower our expectation of state support.

We could lower our rating on LP's junior subordinated debt if we revised downward the group SACP.

**Upside scenario:** We would upgrade LP if we took a similar action on France, provided the idiosyncratic credit strengths of the company do not weaken.

Albeit unlikely, we could raise our rating on LP's junior subordinated debt if we revised upward the group SACP.

## La Banque Postale

The stable outlook on LBP mirrors that on LP. We continue to see LBP as a core subsidiary of LP, meaning any rating action on the parent would lead to a similar action on LBP. We expect LP will maintain a strong, lasting interest in LBP over the near term. LBP is an integral part of LP's strategy and we see it as strongly integrated within the group.

**Downside scenario:** We would lower the ratings on LBP if we took a negative rating action on LP. We view this scenario as very remote at this stage. Given the enduring, strategic, and operational integration of LBP in LP, we consider the risk of reduced support from the parent over the next two years is limited. However, such a scenario could emerge if LBP became less profitable or took on more risks, which could lead us to reconsider its importance to LP and result in rating pressure.

**Upside scenario:** We would upgrade LBP if we took a similar action on LP.

## CNP Assurances

The stable outlook on CNP mirrors that on LP. We view CNP as a core subsidiary of LP, meaning any rating action on LP would affect CNP. We think that, over the next 12-24 months, CNP will retain its strong market position, including a wide geographical footprint and increasing business diversification. Moreover, we expect very strong capital and earnings, underpinned by a capital adequacy exceeding the highest 99.99% confidence level, as per our risk-based model.

**Downside scenario:** We could lower the rating on CNP over the next two years if we downgraded LP. We view this scenario as very remote at this stage.

**Upside scenario:** We would upgrade CNP if we took a similar action on LP. We could also upgrade CNP if we considered the insurance group is insulated from LBP. We view the second scenario as remote because it would require LBP to limit capital fungibility between CNP and LBP.

## Ratings Score Snapshot

<b>La Poste</b>	<b>To</b>	<b>From</b>
Issuer credit rating	A/Stable/A-1	A+/Negative/A-1
SACP	bbb	bbb
<b>La Banque Postale</b>	<b>To</b>	<b>From</b>
Issuer credit rating	A/Stable/A-1	A+/Negative/A-1
<b>CNP Assurances</b>	<b>To</b>	<b>From</b>
Issuer credit rating	A/Stable/--	A+/Negative/--
Anchor	a+	a+
Business risk	Strong	Strong
IICRA	Low risk	Low risk
Competitive position	Strong	Strong
Financial risk	Very strong	Very strong
Capital and earnings	Very strong	Very strong
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Modifiers:		
Governance	Neutral	Neutral
Liquidity	Exceptional	Exceptional
Comparable ratings analysis	0	0
Support		
Group support	-1	0
Government support	0	0

IICRA--Insurance Industry And Country Risk Assessment. SACP--Stand-alone credit profile.

## Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- 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
- 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: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

## Related Research

- France Long-Term Rating Lowered To 'AA-' From 'AA' On Deterioration Of Budgetary Position; Outlook Stable, May 31, 2024
- CNP Assurances Plans To Speed Health And Long-Term Care Insurance Diversification With La Mutuelle Generale JV, March 6, 2024
- CNP Assurance 'A+' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Negative, Jan. 30, 2024

## Ratings List

\*\*\*\*\* La Poste \*\*\*\*\*

### Downgraded

	To	From
<b>CNP Assurances</b>		
Subordinated	BBB+	A-
Junior Subordinated	BBB+	A-
Junior Subordinated	BBB	BBB+
<b>La Banque Postale</b>		
Senior Unsecured	A	A+
Senior Subordinated	BBB	BBB+
Subordinated	BBB-	BBB
Junior Subordinated	BB	BB+
<b>La Poste</b>		
Senior Unsecured	A	A+

**Downgraded; Outlook Action**

	To	From
<b>CNP Assurances</b>		
<b>CNP Caution</b>		
Issuer Credit Rating	A/Stable/--	A+/Negative/--
Financial Strength Rating		
Local Currency	A/Stable/--	A+/Negative/--

**Downgraded; Outlook Action; Ratings Affirmed**

	To	From
<b>La Banque Postale</b>		
<b>La Poste</b>		
Issuer Credit Rating	A/Stable/A-1	A+/Negative/A-1
<b>Ratings Affirmed</b>		
<b>La Banque Postale</b>		
Commercial Paper	A-1	A-1
<b>La Poste</b>		
Junior Subordinated	BB+	BB+
Commercial Paper	A-1	A-1

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