

CNP Assurances SA

Key Rating Drivers

Strong, Resilient Credit Profile: The rating reflects CNP Assurances SA's strong capitalisation and leverage, very strong business profile, and stable record of financial performance. CNP's capital and leverage measures compare favourably to Fitch Ratings' 'A+' criteria guidelines and to similarly rated large European peers. These strengths are partly offset by a fairly high asset risks for the rating, and sensitivity to the low interest-rate environment.

Changing Ownership Structure: The rating factors in our expectation that La Banque Postale SA (LBP; A/Stable) will complete the acquisition of CNP's remaining minority shareholding and become CNP's sole shareholder in 2022. Our view is that the transaction will establish CNP as a key and integral part of LBP, which is supportive of an alignment of the Issuer Default Ratings (IDRs) and Outlooks of CNP and LBP.

Very Strong Company Profile: We rank CNP's business profile as 'Favourable' compared with other French insurers', mostly due to the group's very strong and well-established franchise in the French life insurance sector. CNP is the second-largest French life insurer by premiums, and ranks highly among the largest European insurers by assets. It is the third-largest insurer in Brazil and the fifth-largest in Italy.

Improving Business Mix: Fitch views CNP's accelerating business mix shift from traditional general accounts savings to unit-linked and pension products as positive for the credit profile. This ongoing business transformation gradually reduces the company's capital requirements and interest-rate sensitivity and is positive for the earnings profile, ultimately helping the company to strengthen its credit profile, amid prolonged low interest rates.

Capitalisation Strong for Rating: CNP's Prism Factor-Based Capital Model (Prism FBM) score was estimated at 'Very Strong' at end-June 2021 and was also 'Very Strong' at end-2020. Its Solvency II (S2) ratio was 216% at end-September 2021 (208% at end-2020). CNP's capital metrics are sensitive to low interest rates, with a duration gap of under three years.

Low Leverage: The financial leverage ratio (FLR), as calculated by Fitch at end-1H21, was generally stable at 22%, which is consistent with Fitch's benchmark of 10%–23% for the 'AA' rating category. We estimate that the October EUR500 million new issue will raise FLR by around 1pp.

Stable Earnings Record: CNP's stable history of strong net profits supports the rating. Despite lower business volumes in France, due to the pandemic, and the volatility of the Brazilian real, CNP's return on equity (ROE) for 2020 was 6.7% (2019: 7.6%), as calculated by Fitch, and in line with the lower end of the 'a' category. CNP's net profit for 9M21 rose 10% on 2020 and 2.4% on 2019. We believe CNP will maintain a stable financial performance in the next 12–24 months.

Asset Risks High for Rating: Asset risks are fairly high for the rating, with a risky assets ratio of 98% in 2020, although in line with those of large French bancassurers. The ratio is mainly driven by a high exposure to equity investments, but this is mitigated by CNP's ability to share investment losses with policyholders and a sustained equity-hedging strategy.

Rating Sensitivities

Sustained Prism FBM Score: An upgrade is possible if the Prism FBM score remains comfortably in the 'Very Strong' category in 2021, with current financial performance being maintained.

Capital, Earnings Deterioration: The rating could be downgraded if the Prism FBM score deteriorates to the lower end of the 'Strong' category, with limited prospects for recovery. The rating could be downgraded if the ROE decreases to below 5% for a sustained period.

LBP's Rating: Post-acquisition changes in LBP's IDR could lead to related changes in CNP's ratings.

Rating

CNP Assurances SA

Insurer Financial Strength Rating	A+
Issuer Default Rating	A

Outlooks

Stable

Financial Data

CNP Assurances

(EURbn)	2020	2019
Gross written premiums	27.0	33.5
Total assets	443	440
Net income	1.4	1.4
Return on equity (%)	6.7	7.6
S2 ratio (%)	208	227

Source: Fitch Ratings, CNP

Applicable Criteria

[Insurance Rating Criteria \(November 2021\)](#)

Related Research

[Moderate Capital Impact from LBP's Increased Shareholding in CNP \(October 2021\)](#)

[French Insurers - Peer Review \(August 2021\)](#)

[Fitch Rates CNP Assurances' Subordinated RT1 Notes \(March 2021\)](#)

[Fitch Rates CNP Assurances' Proposed Tier 2 Notes 'BBB+' \(October 2021\)](#)

[Insurance Diversification Benefits French Banks' Ratings \(April 2021\)](#)

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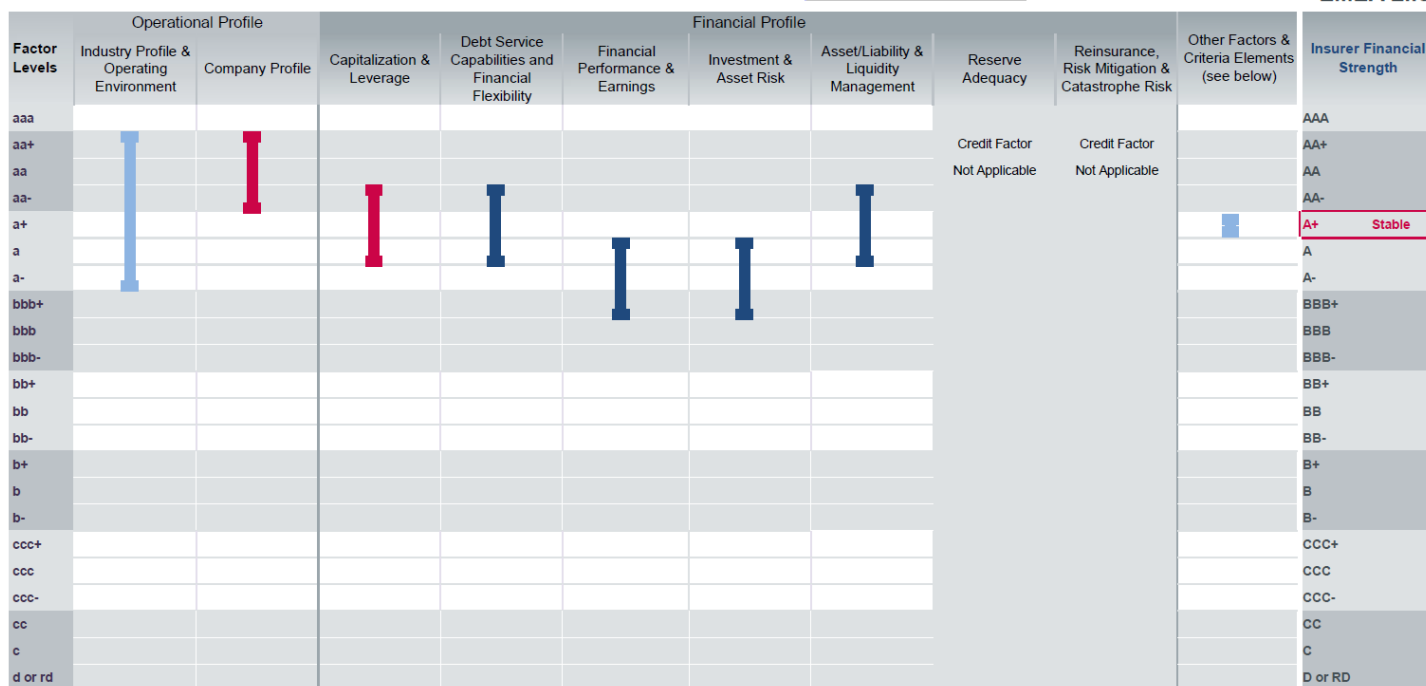
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Key Credit Factors – Scoring Summary

CNP Assurances SA



Insurance Ratings Navigator
EMEA Life



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				A+
Non-Insurance Attributes	Positive	Neutral	Negative	+0
Corporate Governance & Management	Effective	Some Weakness	Ineffective	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	No	0	+0
Insurer Financial Strength (IFS)				Final: A+
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				Final: A

Bar Chart Legend

Vertical Bars = Range of Rating Factor
 Bar Colors = Relative Importance
■ Higher Influence
■ Moderate Influence
■ Lower Influence

Bar Arrows = Rating Factor Outlook
 ↑ Positive ↓ Negative
 ⇅ Evolving □ Stable

Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarises the main factors driving the above IPOE score.

Company Profile

Company Profile Scoring Summary

	Assessment	Sub-Score/Impact
Business profile assessment	Favourable	'aa'
Corporate governance assessment	Moderate/favourable	0
Company profile factor score		'aa'

Source: Fitch Ratings.

Favourable Business Profile

Fitch ranks CNP's business profile as 'Favourable' compared with that of all other French insurance companies, mostly due to its very strong and well-established franchise in the French life insurance sector. Given this ranking, Fitch scores CNP's business profile at 'aa' under its credit factor scoring guidelines.

CNP is the second-largest French life insurer, and one of the largest European insurers by assets. It is also France's leading creditor insurer. It aims to gradually develop a retail P&C franchise in France, building on the integration of LBP's activities (approximately EUR1 billion in premiums) planned for 2022. In addition, Caixa Seguradora, the group's Brazilian subsidiary, is the third-largest insurer in Brazil. Finally, with the acquisition of the life business of Aviva in Italy, CNP will be the fifth-largest life insurer in the country. We rank CNP's competitive positioning as 'most favourable' against that of other French insurers.

We believe CNP's business risk profile is 'favourable' compared with French peers. CNP's main business lines are in France, which are mature, and in which CNP has been holding a prominent market position for many years. Premium income fell significantly in 2020 but recovered strongly in 9M21 to slightly above pre-pandemic levels. Strategic business transformation continues at a steady pace, with unit-linked representing 50.6% of savings premiums at end-September globally. CNP is exposed to economic turbulence in Brazil, its rapidly growing market for premiums and earnings.

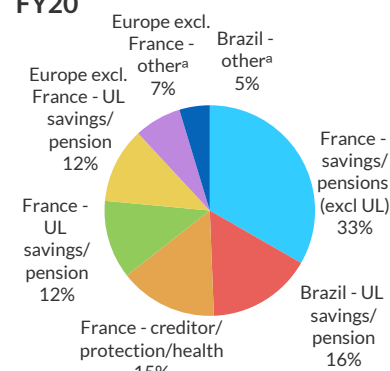
CNP's diversification ranks as 'moderate' compared with French peers, which are traditionally well-diversified between life, health and P&C products. In 2020, CNP's business mix was mostly skewed towards savings and pension products (80% of 9M21 premium income, with the remainder being mainly creditor insurance/protection). CNP's international growth has mostly been driven by Caixa Seguradora in Brazil in the past few years. The French market accounted for 63% of CNP's 9M21 premium income (2020: 60%), while Brazil accounted for 20% of premiums. We believe CNP's acquisition of Aviva plc's Italian life business and planned integration of LBP's P&C business is positive for diversification.

As a multi-partnership bancassurer, CNP has robust and diversified distribution networks, benefitting from long-term distribution agreements with its banking partners, including LBP and Groupe BPCE (A+/Negative) in France, Caixa Economica Federal (BB-/Negative) in Brazil and UniCredit S.p.A. (BBB-/Stable) in Italy.

Corporate Governance – Moderate/Favourable

Fitch ranks CNP's governance as 'Moderate/Favourable'. We view CNP's group and governance structure, as well as its financial transparency, as better than or in line with the norm. We do not expect this evaluation to change materially when LBP becomes sole shareholder of CNP.

Business Mix Per Product - FY20



^a Savings/Pensions (excl. UL), creditor, Protection, Health, P&C
Source: Fitch Ratings, CNP

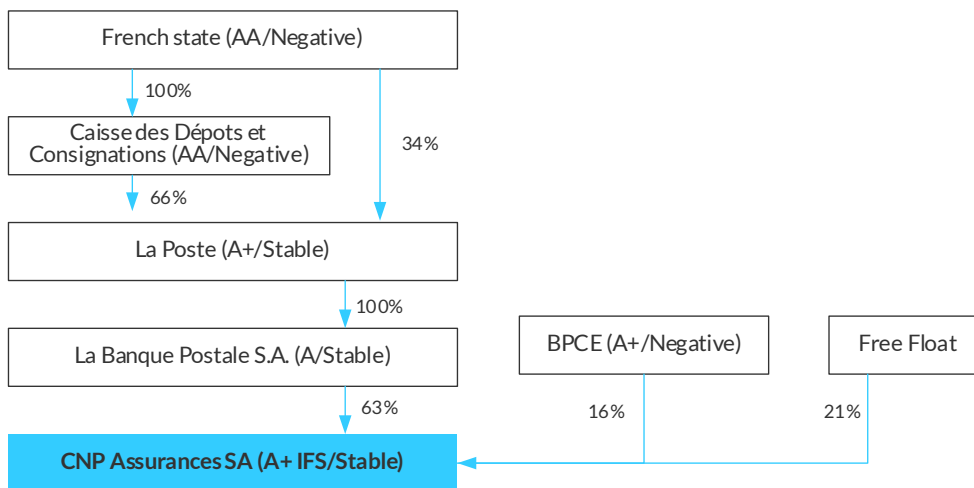
Ownership

LBP is CNP’s majority shareholder with a 78.9% stake at end-2021. LBP is 100% owned by La Poste and therefore ultimately owned by the French state.

On 28 October 2021, LBP announced its intention to acquire CNP’s minority shareholding and become CNP’s sole shareholder. It completed the acquisition of BPCE’s 16% stake in December 2021 and will acquire the remainder on the French stock exchange in 1H22.

Our view is that the transaction will establish CNP as a key and integral part of LBP, which is supportive of an alignment of the IDRs and Outlooks of CNP and LBP.

Structure Diagram



Source: Fitch Ratings, CNP, as at December 2021

Capitalisation and Leverage

Strong Capitalisation and Leverage for the Rating

CNP's capitalisation is a key rating strength. We estimate the Prism FBM score to be 'Very Strong' at end-June 2021, at a higher level in the category than at end-2020. The company's S2 ratio, calculated using the standard formula and without transitional measures, was very strong at 216% at end-September 2021. The ratio had decreased to 208% at end-2020 from 227% in 2019, due to the ultra-low interest rates environment, similarly to other French life insurers.

Capitalisation Adequacy



Source: Fitch Ratings

Financial Highlights

	2020	2019
Prism score	Very Strong	Very Strong
Prism total AC	42,897	44,653
Prism AC/TC at prism score (%)	106	115
Prism AC/TC at higher prism score (%)	88	96

AC – Available Capital, TC – Target Capital
Source: Fitch Ratings, Company

Financial Highlights

(%)	2020	2019
Financial leverage ratio	21	21
S2 ratio	208	227
Asset leverage ^a (x)	9	10
Operating leverage ^b (x)	7	8

^a Total assets to equity capital

^b Total insurance liabilities to equity capital

Source: Fitch Ratings; CNP

CNP's capital metrics are sensitive to low interest rates, due to the duration gap between assets and liabilities as well as policy holders guarantees on the liability side. Furthermore, over 50% of CNP's total available capital, as measured by Prism FBM, comprised PPB ('Provision pour Participation aux Benefices'; French profit-sharing reserves), subordinated debt and value of in-force business, which are of lower quality than paid-up capital. These factors constrain our view of CNP's capitalisation to some extent.

The FLR, as calculated by Fitch, was 22% at end-June 2021, which is consistent with Fitch's benchmark range of 10%-23% for the 'AA' rating category. This was similar to end 2020 and 2019 figures. We estimate that the October EUR500 million new issue will increase FLR by around 1pp.

Fitch Expectations

- We expect capitalisation to remain robust in the next 18-24 months and supportive of the rating, as the group continues to shift its business mix towards less capital-intensive products, while continuing to generate steady organic capital. The Prism FBM score should remain 'Very Strong' in 2021. The end-2021 S2 ratio should be slightly higher than the 1H21 ratio.
- The transfer of assets to a "FRPS" (segregated pension fund) will have a 10%-15% positive effect on S2 ratio coverage in 2022 when completed.
- We expect the FLR to remain lower than most large European peers, but to be stable over the next 18-24 months.

Debt Service Capabilities and Financial Flexibility

Strong Coverage, Very Strong Financial Flexibility

CNP's debt service ability is strong, with a stable record of FCC ratios in line with the 'a' category, including realised and unrealised gains. FCC is vulnerable to operating earnings volatility, particularly on CNP's Brazilian operations, with some sensitivity to fluctuations of the real despite the company's hedging programme.

CNP is an established frequent bond issuer, as recently shown with Tier 1 and Tier 2 debt issuances in 2021. As such, its financial flexibility is very strong. The maturities of CNP's outstanding subordinated notes are well spread over the next 15 years, thus refinancing risks remain limited. The group has ample issuance capacity under S2.

Fitch Expectations

- We expect CNP's FCC to remain in line with the 'a' category, while financial flexibility will remain very strong.

Financial Performance and Earnings

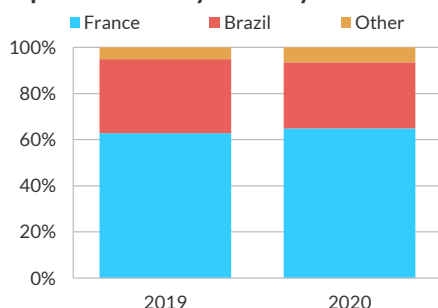
Stable, Strong Earnings Record

CNP has a record of strong profitability, which supports the rating. The pandemic amplified pressures on the group's earnings in 2020, amid prolonged ultra-low interest rates, lower business volumes in France, and volatility of the Brazilian real, amongst other factors. Despite these turbulences, CNP's ROE was 6.7% (2019: 7.6%), as calculated by Fitch. This is in line with the lower end of the 'a' category.

For 1H21, CNP reported an annualised ROE of 7.4%, supported by a rebound in premium income and improved margins. The 9M21 net income was up by 10.0% versus 2020 and 2.4% versus 2019. Premium income recovered strongly in 9M21, and was slightly above the pre-pandemic levels of 9M19. The strategic business mix transformation towards unit-linked products, as well as personal risk and protection products continues to be strong, which is positive for CNP's earnings profile, along with its improving cost discipline.

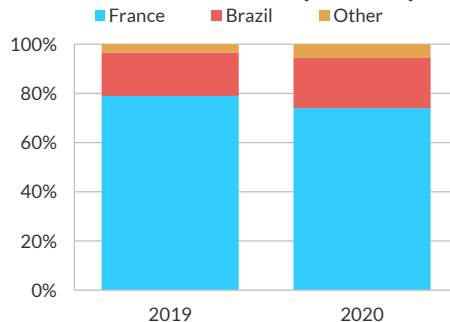
CNP's earnings are vulnerable to fluctuations in the real. However, the adverse currency impact in 2020, and 2021 to date, although material for turnover and EBIT figures, is mitigated by net earnings. This is due to the specificities of the group's currency hedging strategy, allowing for a stable earnings record. The group's potential earnings vulnerabilities are factored in its financial performance and earnings score of 'a-', which is low for the rating.

Reported EBIT by Country



Source: Fitch Ratings

Attributable Net Income by Country



Source: Fitch Ratings

Fitch Expectations

- CNP's operating earnings will continue to face pressures from interest rates and fluctuations in the real.
- We believe the company's increasing diversification, both internationally and into unit-linked and non-life products in France, will ultimately benefit its earnings profile. Thus, we expect net earnings to remain robust, although in the lower end of the 'a' category.

Financial Highlights

(x)	2020	2019
Fixed-charge coverage (including realised and unrealised gains)	8.3	8.7

Source: Fitch Ratings; CNP

Debt Maturities

(As of end-December 21)	(EURm)
2022	1000
2023	200
2024	500
2025	500
2026	108
2027	1500
2028	500
2029	500
2029	USD500m
2030	1500
2031	USD700m
2032	500
2036	160
Undated ^a	807

^a Undated subordinated notes for which the first call date has already passed
Source: Fitch Ratings; CNP

Financial Highlights

(EURm)	2020	2019
Net income	1,350	1,412
Net income return on equity (%)	6.7	7.6
Pre-tax operating return on assets (%)	0.6	0.7
EBIT (reported)	2,614	3,041

Source: Fitch Ratings; CNP

Investment and Asset Risk

Asset Risks High for Rating

Asset risks are high compared to most similarly rated peers', although in line with those of large French bancassurers, mostly due to a higher exposure to equity-like investments. The group's risky assets ratio (RAR) was 98% in 2020 (end-2019: 137%). This sharp decrease was largely due to Fitch's inclusion of only a 75% portion of risky assets supporting fonds euros (French traditional life products), according to Fitch's new guidelines starting in 2020. These guidelines allow the RAR to take into account the loss-sharing features of the fonds euros. On a comparable basis, the 2019 RAR would have been around 105%.

The bond portfolio is of a high quality, with a large proportion of French government bonds. Exposures to Brazilian and Italian sovereign bonds are manageable and do not create significant concentration risks to the group's bond portfolio, in our view.

Asset risks are mitigated by the group's ability to share investment losses with policyholders on its traditional life products, and also its equity hedging strategy, with hedging programmes gradually strengthening since 2016. These mitigating factors make CNP's capital position and earnings profile fairly resilient to equity-market volatility, although sensitivity to low interest rates persists.

Fitch Expectations

- Asset risks should remain high for the rating, and we don't expect any significant shifts in the company's investment strategy, although its ample capital buffers under S2 allow it to search for better yields on an opportunistic basis.

Asset Liability and Liquidity Management

Strong ALM, Very Strong Liquidity

Our assessment of asset and liability management (ALM) and liquidity supports the rating. As a historic leading French life insurer, CNP's ALM practices are sophisticated and well-established. CNP is exposed to interest-rate risk, as reflected in a duration gap maintained slightly below three years. Guaranties on its in-force portfolio are, however, low, at 0.17% at end-June 2021. Its hedging programmes help mitigate the currency risks arising from fluctuations of the real.

The group has a high sensitivity to low interest rates on its capital metrics compared with European peers, though this reflects that of other French bancassurers. This is mitigated by its interest rate hedging programme.

Liquidity is very strong, supported by large amounts of high-quality sovereign and corporate bonds, and substantial cash and money market funds on the balance sheet (amounting to over 8% of total assets). The group's liquidity ratio supports the rating.

Fitch Expectations

- We believe the group will continue a strategic shift towards products without guaranteed yields, which would be positive to our assessment of ALM, even though sensitivity to low interest rates will persist in the medium term.
- We expect liquidity to remain very strong.

Financial Highlights

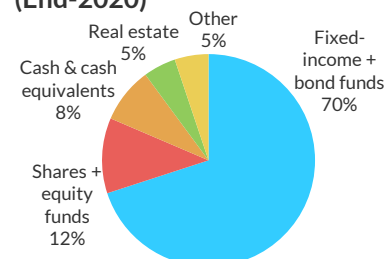
(%)	2020	2019
Risky assets to capital	98 ^a	137 ^b
Unaffiliated shares to capital	89 ^a	112

^a Ratios include a 75% portion of risky assets supporting fonds euros, as per Fitch guidelines for products with material loss-sharing features

^b 105% on a comparable basis with 2020

Source: Fitch Ratings; CNP

Breakdown of Invested Assets (End-2020)



After investment fund look-through
Source: Fitch Ratings; CNP

Financial Highlights

(%)	2020	2019
Liquid assets/net technical reserves (excl. unit-linked)	94	97

Source: Fitch Ratings; CNP

Appendix A: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's ratings criteria.

Notching

For notching purposes, the regulatory environment of France is assessed by Fitch as being 'Effective', and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.
Operating Company Debt
Not Applicable.
Holding Company IDR
Not Applicable.
Holding Company Debt
Not Applicable.
Hybrids
Not Applicable.
IFS – Insurer Financial Strength. IDR – Issuer Default Rating Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

Hybrids Treatment

Debt Outstanding at end-1H21	Amount (m)	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
CNP Assurances SA				
Dated subordinated debt (EUR)	6,668	0	100	100
Dated subordinated debt (USD)	500	0	100	100
Dated subordinated debt (GBP)	300	0	100	100
Dated subordinated debt (EUR, RT1)	500	100	100	0
Dated subordinated debt (USD, RT1)	700	100	100	0
Undated subordinated debt ^a (EUR)	807	0	100	100

CAR – Capitalisation ratio; FLR – Financial leverage ratio. n.a. – not applicable.
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override.
For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio
^a Undated subordinated notes for which the first call date has already passed
Source: Fitch Ratings

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix B: Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

CNP Assurances SA has 7 ESG potential rating drivers

- ➔ CNP Assurances SA has exposure to impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations but this has very low impact on the rating.
- ➔ CNP Assurances SA has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- ➔ CNP Assurances SA has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	7	issues	3		
not a rating driver	2	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	n.a.	n.a.	2
Exposure to Environmental Impacts	3	Impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment & Asset Risk	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Business Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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