CREDIT OPINION

23 December 2024

Update

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RATINGS

CNP Assurances

Domicile	PARIS-FR, France
Long Term Rating	A1
Type	Insurance Financial Strength - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CNP Assurances

Annual update

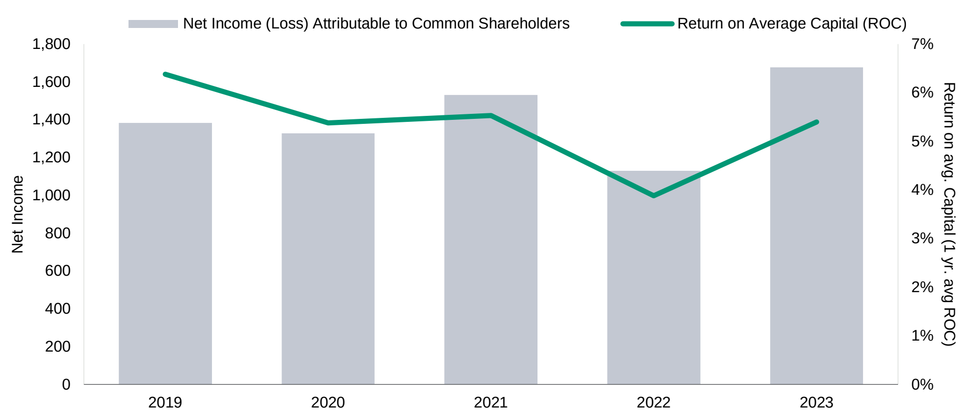
Summary

The credit profile of CNP Assurances, rated A1 for insurance financial strength, is supported by (1) the group's historically stable and very strong market position in the French life insurance segment, (2) steadily decreasing risk profile due to the very low average guaranteed rate on traditional savings and the lower share of guaranteed contracts as unit-linked net inflows remain positive, (3) stable level of profitability with a Return-on-Capital (Moody's calculation) above 5% through the cycle and improving earnings diversification, and (4) good financial flexibility, partly thanks to the links with Caisse des Dépôts et Consignations (CDC, Aa2 senior unsecured debt, negative outlook), CNP's ultimate shareholder. The commitment of the group to continuously improve geographic and business diversification is also positive going forward.

Those strengths remain partly offset by (1) the remaining reliance on external banking distribution channels (around 50% of business volumes in 2023 excluding LBP), (2) a relatively high level of risky assets - mostly equities and real estate - on CNP's balance sheet, although the participating nature of French traditional guaranteed products is a mitigant, and (3) the dominating, although decreasing, weight of traditional savings in the balance sheet.

Exhibit 1

Net Income and Return on Capital



2023 and 2022 figures are based on IFRS 17 reporting standards.

Sources: Company filings and Moody's Ratings

Credit strengths

» Very strong market position in France, second largest life insurer in the country.

» Low liability risk profile thanks to low average guaranteed rate (0.15% in France as at 31 December 2023) on traditional savings business (around 70% of CNP's net average technical reserves).

» Very stable profitability as profits are mostly made of technical results and of fee-based earnings on long duration liabilities.

» Good financial flexibility, in part supported by a moderate leverage and by Caisse des Dépôts et Consignations, the ultimate shareholder of CNP.

Credit challenges

» Distribution strategy remains concentrated on the banking channel despite improving in the direct channel (more than 15% of business volumes in 2023), which can result in a loss of business if an exclusive agreement is not renewed.

» Relatively high proportion of equities and high-risk assets remaining in the investment portfolio.

» Balance sheet still dominated by traditional savings business, despite gradual reorientation towards unit-linked, protection, and health.

Rating outlook

The outlook is stable, reflecting our expectation that CNP will preserve its business in France by improving product diversification (with further rebalancing of the life business towards unit-linked and protection products and integration with LBP on all business lines toward a dominant bancassurance group), and geographic diversification. This also reflect our expectation that CNP will be able to swiftly restore its position on the Italian market.

Factors that could lead to an upgrade

» Material improvement in geographic, business and distribution diversification, and

» Decrease in high risk assets while maintaining capitalization, as evidenced by a Solvency II ratio adjusted for deferred profit-sharing reserve sustainably above 200%.

Factors that could lead to a downgrade

» Loss of a significant distribution agreement, which would materially affect CNP's franchise and financial metrics, or

» Prolonged decline in profitability with a return on capital below 5% resulting, for example, from the group's inability to profitably grow protection and health insurance, or

» A material reduction in CNP's economic capital, for example driven by an increase in asset risk, or

» Increased adjusted financial leverage to above 25% and reduced earnings coverage to below 5x, or a material change in CNP's shareholders structure which would result in a reduced financial flexibility.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

CNP Assurances [1][2]	2023	2022
As Reported (Euro Millions)		
Total Assets	436,433	424,636
Total Shareholders' Equity	23,260	22,728
Net Income (Loss) Attributable to Common Shareholders	1,717	1,171
Moody's Adjusted Ratios		
High Risk Assets % Shareholders' Equity	358.2%	295.6%
Goodwill & Intangibles % Shareholders' Equity	47.9%	46.4%
Shareholders' Equity % Total Assets	4.2%	4.5%
Return on Average Capital (ROC)	5.4%	NA
Sharpe Ratio of ROC (5 yr.)	NA	NA
Financial Leverage	15.6%	16.2%
Total Leverage	24.6%	25.5%
Earnings Coverage	12.0x	8.1x
Cash Flow Coverage	NA	NA

[1] Information based on IFRS17 and IFRS financial statements as of the fiscal year ended 12/31/2023. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Company filings and Moody's Ratings

Profile

CNP is the second largest life insurer and a major bancassurer in France, wholly owned by La Banque Postale (LBP, A2/A2 stable, baa2)[1] since 2022. The group primarily sells life insurance savings and protection products, directly through LBP's network but also that of Groupe BPCE (BPCE)[2], A1/A1 stable, baa1 thanks to a long-term distribution agreement. In terms of business, while the share of P&C (mainly through LBP's non-life insurance subsidiaries managed under CNP Assurances Holding company) remains small, they contribute to business diversification and the share of the non-life segment is set to increase in the group's product mix going forward.

CNP has diversified its geographical footprint out of its domestic market over the last years, notably through its subsidiaries in Brazil and in Europe excluding France, which we view positively. In Brazil, CNP operates a joint venture with Caixa Economica Federal (Ba2 stable/(P)Ba2, ba3), one of the largest banks in the country, and it also sells its products through new fully owned entities such as CNP Consorcios, as part of CNP's strategy to rely on two distribution models. In Italy, the group benefitted from a long-term partnership with UniCredit S.p.A. (UniCredit, Baa1/Baa1 stable, baa3) which is set to terminate at the end of 2024, resulting in the loss of approximately 8% premium income and 2% profit at the group level, as per 2023 results. As CNP also develops its open model strategy through the fully owned entity CNP Vita Assicura S.p.A (CNP Vita) in the country, we also expect the group to restore its market position in the next years.

Going forward, we expect CNP to continue harnessing growth through synergies with LBP in France, notably by developing the protection segment, and through an increased geographic diversification in the main foreign markets in which the group is already of a critical size.

Detailed credit considerations

Strong market position, decreasing product risk and concentration in distribution make a very strong business profile

Market position: Strong franchise in France and Brazil supported by distribution through large banks - A

CNP is the second largest life insurer and term creditor insurer in France both by premiums and by reserves, with a relative market share of 2x. It is also the 5th largest European insurer, with business in several countries, notably in Italy (6th largest life insurer in the country in 2023) where the group generated around 19% of consolidated premium income in the first half of 2024. This position should deteriorated in 2025 to around 10%, as CNP will no longer write business through the CNP UniCredit Vita joint-venture, following the decision by Unicredit to exercise the call option on CNP's 49% share.

CNP is also strongly implanted in Brazil where it operates on the life and protection segments (16% of premium income as of half-year 2024). The group is the number three life insurer in the country and benefits from an exclusive distribution agreement with Caixa Economica Federal, one of the largest domestic banks while developing its direct capacities as well.

Despite limited growth opportunities in France as the life market is very competitive and mature, the continued integration with LBP and the group's other insurance operations (all combined under CNP Assurances Holding) provides CNP with opportunities to offer new products to LBP clients and policyholders as a bancassurer. The prospective partnership with La Mutuelle Générale in France is also expected to strengthen CNP's position in Health and Protection insurance in the country.

Distribution: Risk remaining from partial reliance on external banking partners, but improving control over time - A

CNP mostly relies on banking partners to distribute its products (almost 80% of premiums at HY 2024), and the reliance over a few large banks is a key challenge for the group. While the largest partner (LBP, 33% of revenues in HY 2024 improved from 30% in 2023) is part of the same group, which virtually eliminates the risk of non renewal of the insurer's access to this channel, the level of control of other partners is weaker.

The risk is however mitigated by the recent renewal of very long-term exclusive agreements with its partners in the main geographies where it operates. The agreement with BPCE (13% of revenues at HY 2024) has been renewed until 2030 and the agreement with Caixa Economica Federal in Brazil (16% of revenues) has been renewed until 2046. The agreement with Unicredit (9.6% of revenues at HY 2024) has however not been renewed and will terminate at YE 2024, which will likely result in losing the €2.8 billion premium income recorded in 2023, and we expect it will take several years to CNP to offset this effect through the sales of its controlled Italian subsidiary CNP Vita Assicura.

In this regard, we view positively the current group's strategy aiming to improve the diversification of distribution through open model subsidiaries in the different geographies (more than 11% of revenues in HY 2024 for CNP Vita Assicura in Italy and CNP Seguros Holding in Brazil combined).

Product risk: Traditional life reserve continue to dominate the mix, but very low average guaranteed rate and continued diversification (unit-linked, protection, P&C) make product risk in line with the rating- A

CNP's product risk is in line with an upper A score. Savings and pension products in France still dominate the balance sheet (60% of CNP's average technical reserves net of reinsurance at YE 2023, excluding health), which we consider as low risk given the very low average guaranteed rate in the French business at only 0.15% in 2023, one of the lowest level among European life insurers. French guaranteed products have participation features and CNP is able to share a significant portion of investment result with policyholders, giving the group flexibility to adjust the yield credited to policyholders. We consider that these features are positive for the credit profile of CNP and drive our assessment of asset quality, profitability and capital adequacy.

During the decade-long period of very low interest rates, CNP has limited the underwriting of traditional savings products and focused on unit-linked contracts in order to reduce its exposure to interest rate risk. This approach involved various incitations to rebalance the business mix, such as boosted yields on some euro-funds offered to clients allocating a significant portion of their contract to unit linked. This strategy led to massive negative net flows on traditional savings in France, a trend that was confirmed in 2023. At the same time, CNP reported positive inflows in the unit-linked segment. As interest rates increased since 2022, CNP is adapting its strategy, with less incentives for clients to reallocate premiums from the traditional euro funds to unit-linked. This should support inflows on the traditional segment going forward and stabilize product risk, but this strategy also involves the utilization of a part of policyholders surplus reserves.

Nonetheless, CNP will continue to diversify its product mix by selling more non-life and protection products (such as short-tailed P&C and term credit insurance, which we consider low risk). The diversification in Health & Protection (through the future transaction with La Mutuelle Générale in France) is also a positive.

We also expect CNP to continue its diversification both in Europe (Italy in particular through the direct channel despite the loss of the Unicredit agreement) and Latin America, which will further balance the group's major exposure to France even if it will take time before being very material.

Solid financial profile, with a very strong solvency and improved profitability levels balancing a still elevated exposure to high-risk assets

Asset quality: Elevated high-risk assets ratio, but more conservative reinvestment strategy expected - A

The high-risk assets (HRA) ratio (Moody's definition, including equities, real estate and below investment grade or non-rated bonds) over 350% remains elevated for the rating category of CNP, but we still consider this to be consistent with CNP's current rating level thanks to a number of mitigating features.

In particular, we expect the group to increase its sovereign bonds portfolio, as yields remains attractive (reinvestment rate on fixed rate bonds jumped from 2.22% in 2022 to 3.66% in 2023), while equities and real-estate reduce. This should contribute to improve asset risk going forward, which is credit positive. Also, because of the participating nature of French guaranteed products, CNP has the ability to pass on some asset losses to its policyholders. As of YE 2023, average investment return for CNP was 1.81%, the first increase for a decade vs. 0.15% for average guaranteed rate on traditional life contracts, and we expect this gap to increase, as showed by HY 2024 investment return at 1.89% (+8bps).

CNP's bulk of assets remains invested in bonds, accounting for 69% of total assets' portfolio as of 30 June 2024, and the quality of this portfolio remains very good (97% investment-grade). CNP's exposure is slightly skewed toward government bonds (56% invested in sovereigns in 2023, of which 50% directly exposed to France) whereas financial institutions and corporate bonds respectively account for 23% and 20% of the portfolio. Exposure to banks mostly remains in senior debt (90% of bank bond portfolio as of YE 2023).

The remaining 30% of the €306 billion (IFRS carrying amount) asset portfolio at HY 2024 was constituted by investment funds (20%), equities (6%), and real-estate (4%). Regarding real assets, offices accounted for 54% of the €12 billion exposure, mostly focused on Paris / Parisian region (74%). These prime or conservative locations, coupled to high occupancy rates, limit risks in our view even though CNP is exposed to real-estate for about €4 billion (including a share of UL contracts carried by CNP on its own account until the market recovers).

Capital adequacy: Continued increase of Solvency II ratio is a mitigant to sensibilities to spread risk and large dividend distribution - A

The Solvency II ratio of CNP was very strong and increasing at H1 2024 (257% vs. 250% post-dividend at YE 2023), thanks to operating capital generation and also benefitting from market effects (+2 ppts in 2024 but +27 ppts in 2023 thanks to rising interest rates). However CNP's solvency remains sensitive to spread risk (-12 ppts in the case of an increase of 50 bps of sovereign spreads) but has decreased its exposure to equities recently (only -7 ppts in case of a decrease of equities valuations by 25%).

We expect CNP will maintain its Solvency II ratio above 190% on a long-term basis, and to be compatible to the larger dividend distribution undertaken by the group through the form of recurring special dividends. For example, in 2024, €775 million of annual dividend and €1.2 billion of exceptional dividend have been paid on 2023 results, which is above the 45%-50% payout ratio to LBP.

CNP's Solvency II ratio is a broadly adequate measure of economic capital, as it takes into account the low risk nature of the products sold and the group's ability to share losses with policyholders. Retreated from the share of deferred profit sharing reserve qualified as Tier 1 capital, the Solvency II ratio would have been approximately 185% at YE 2023, which is in line with a score of A for capital adequacy.

CNP's capital is also supported by its strong ability to generate future profits. This is recognised under Solvency II, but also evident in the IFRS accounts through the contractual-service margin (CSM), which we consider has some equity-like features. As at HY 2024, the net CSM for CNP Group (holding) amounted to €16.77 billion (YE 2023: €16.87 billion).

Profitability: Improvement of operating income in 2023 led by improved claims in France and resilience of Brazil and Italy - A

Return on average capital (RoC, Moody's calculation) is in line with a mid-range A score in 2023 at 5.5%, stable compared to 2022. The bulk of the group's revenues come from France in 2023 (63%), then Europe excluding France (mostly Italy) and Latin America (both at 18%). Overall, traditional savings and pension account for 40% of premium income in 2023, and a similar proportion for unit-linked (38%). P&C continued to grow (+10% premium income year-on-year mainly coming from France, followed by Brazil and Cyprus) but remain very small in the mix (3%). Protection and personal risk premiums are stable (19%, on the back of lower loans and mortgage originations on term creditor insurance in 2023).

Insurance service result amounted to €3.37 billion (+€0.5 billion vs. FY 2022), as lower claims positively impacted the personal risk and protection segment in France (63% of insurance service result) that largely offset the spike in surrender rates in Italy. As a result, operating result increased by €1 billion to €2.9 billion in 2023, primarily driven from France (60%), and Latin America (32%).

In H1 2024, premium income was stable compared to H1 2023, pulled by a good performance in life in France thanks to UL contracts, and a stabilization of surrenders in Italy. However insurance service result deteriorated to €1.24 billion (-23%), as well as net profit (€758 million accounting for a -15% decreasing), normalizing after an exceptional performance in 2023 largely (due to improved claims in France and Brazil). Net profit remains largely dominated by France (83%) as of HY 2024, followed by Latin American (11%), and Europe (mainly Italy) at 6%.

Going forward, we expect that CNP will continue to diversify its earnings both in terms of geographies and by business. Diversification, notably in P&C, will take time, and both the protection segment and the resilience of investment margin will remain critical in the generation of future profits for the group. CNP also remains committed to further integrate with LBP both for life and non-life insurance activities.

Liquidity & ALM: Good liquidity with various hedging strategies in place, reduced lapse risk in 2025 as competition with other investment products decreases - A

We view the liquidity of CNP Assurances as good, with a liquidity ratio (liquid assets over liquid liabilities, Moody's calculation) of 2.7x at YE 2023, slightly improved vs. 2022.

Lapse risk increased in 2022 and 2023, as interest rates led to fiercer competition between traditional life insurance and other liquid products from banks (such as Livret A in France) or investments in government bonds (as it was the case in Italy). However, CNP has increased credited rates to make its guaranteed products more attractive. This reflects the increase of interest rates on the investment portfolio, but also a more important use of CNP's large profit-sharing reserves (>6% of total technical reserves), leaving sufficient headroom for the company to improve yield served on their guaranteed life contracts in the future and sustain sales of those contracts.

Reinvestment risk also declined, as new investments benefit from a higher yielding environment compared to the context prevailing over the last decade, in particular for government bonds. The gap between average guaranteed rate (0.15% for France) and investment yields (1.89% in HY 2024) has stabilized and we expect it to gradually improve. However, this average return on the asset portfolio is not sufficient yet to pay the rapidly increased yield on euro-funds in 2023 (2.52% vs. 1.59% in 2022), and we expect that policyholders' surplus reserve will continue to be needed in 2024 and 2025 to sustain crediting rates.

Financial flexibility: Moderate leverage, predictable debt appetite - A

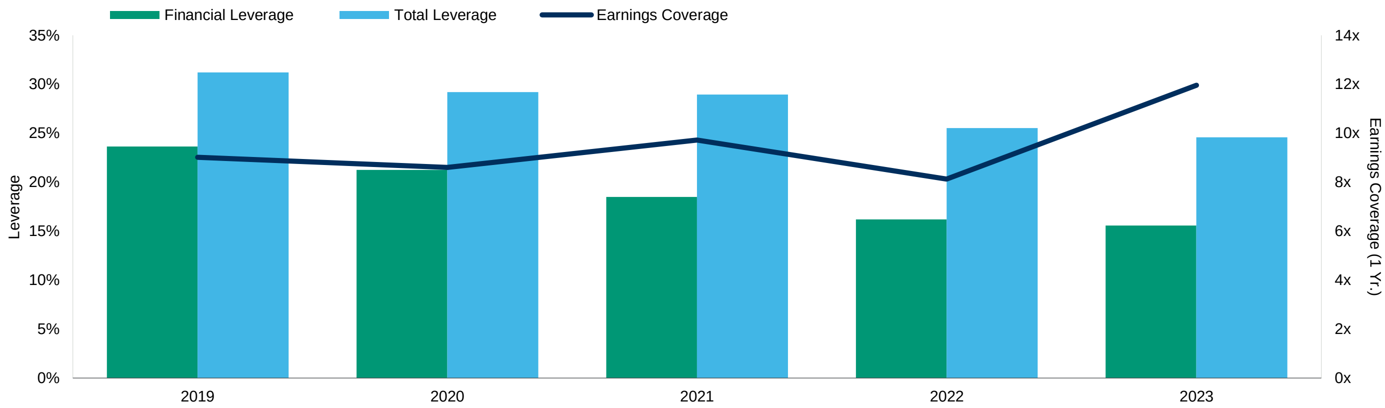
CNP's financial flexibility indicators remain in line with an upper-A score. Adjusted financial leverage (Moody's calculation, IFRS 17) at YE 2023 slightly improved from 16.2% to 15.6%, as debt slightly reduced (on the back of lower bank borrowings) and capital improved thanks to the higher CSM recorded. The leverage ratio of CNP also benefits from the inclusion in capital of 100% of the capital of the operations held in Brazil vs a roughly 50% effective ownership (the leverage would be 16.5% excluding this effect). Total leverage is higher (24.6%) as this ratio does not consider the equity credit afforded to Tier 2 and RT1 debt, and also takes into account some operating debt.

Going forward we expect CNP will mostly issue to refinance current issuances, or in case of a major acquisition. The group's financial flexibility is strong, as evidenced by the group's ability to issue all categories of debt, and with strong subordinated notes issuance capacity (as of HY 2024 €5 billion of Tier 1 capital, and €2.2 billion of Tier 2 and Tier 3 capital were available).

Average interest rate on CNP's debt continued to decrease in 2023 as the company's stock of debt benefits from the roll-over of issuances over time with lower interest rates during the last decade, from 3.1% in 2022 to 3% in 2023 (2019: 4.3%), improving Earnings coverage (Moody's calculation) from 8x to 12x, which is in line with a strong credit profile and the current score.

In the next years, CNP will face various maturities and call dates of subordinated notes, but we consider they are well-balanced in terms of both maturities and tiering.

Exhibit 3
Financial Flexibility

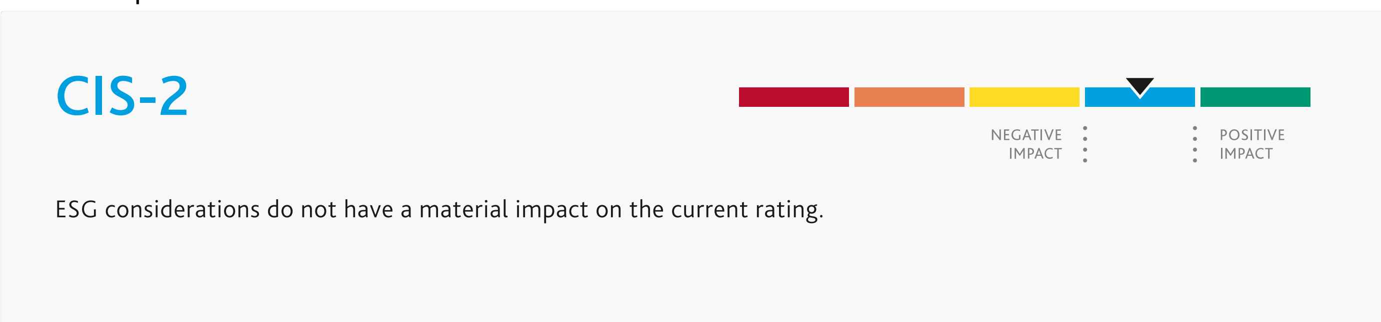


2023 and 2022 figures are based on IFRS 17 reporting standards
Sources: Company filings and Moody's Ratings

ESG considerations

CNP Assurances' ESG credit impact score is CIS-2

Exhibit 4
ESG credit impact score



Source: Moody's Ratings

CNP Assurances' **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. We estimate the exposure to environmental risks to be limited in Europe, but more pronounced in Brazil. Social exposure is moderate, in line with the sector, given the group's business and a solid track record. However, the governance is evolving since the integration of CNP within 'La Banque Postale', creating the largest public bancassurer in France.

Exhibit 5
ESG issuer profile scores

Source: Moody's Ratings

Environmental

CNP faces moderate environmental risks. The group mainly sells life insurance contracts to its clients in France, in Europe (mainly Italy and Spain, the bulk of premiums being unit-linked), and Brazil (with an exposure to unit-linked, pension, and personal risk/protection). As CNP is wholly owned by La Banque Postale since 2022, its business profile is slightly diversified into P&C, as CNP Assurances Holding now combines CNP Assurances SA and the four insurance subsidiaries of LBP (P&C, healthcare, protection, and advisory) under its name.

Social

CNP is exposed to high customer relations risks through its exposure to the life insurance market both in Europe and in Brazil. Given the social importance of these products on the policyholders' lives, it is expected that regulation will increase in the coming years. Regarding pension insurance, the aging population will however continue to steadily increase the share of the population eligible (particularly in Europe given current demographic trends). The same is true for Accident and Health insurance, and the protection segment as a whole. The group is also exposed to high demographic and societal trends risks, as they make the operating environment more challenging.

Governance

Governance risks have no material impact on the current rating of CNP, and we consider its risk management, policies and procedures are in line with industry best practices. The acquisition of the group by La Banque Postale did not have a noticeable effect on the governance of CNP, and that the degree of contribution to the results of the owner (through dividend), although material, is expected to remain stable.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Exhibit 6
CNP Assurances

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								Aa	A
Market Position and Brand (15%)								Aa	Aa
-Relative Market Share Ratio		X							
Distribution (10%)								Aa	A
-Distribution Control		X							
-Diversity of Distribution			X						
Product Focus and Diversification (10%)								Aa	A
-Product Risk		X							
-Life Insurance Product Diversification			X						
Financial Profile								Baa	A
Asset Quality (10%)								B	A
-High Risk Assets % Shareholders' Equity							358.2%		
-Goodwill & Intangibles % Shareholders' Equity				47.9%					
Capital Adequacy (15%)								Baa	A
-Shareholders' Equity % Total Assets				4.2%					
Profitability (15%)								A	A
-Return on Capital (5 yr. avg.)			5.4%						
-Sharpe Ratio of ROC (5 yr.)									
Liquidity and Asset/Liability Management (10%)								Aa	A
-Liquid Assets % Liquid Liabilities		X							
Financial Flexibility (15%)								Aa	A
-Financial Leverage		15.6%							
-Total Leverage			24.6%						
-Earnings Coverage (5 yr. avg.)		10.0x							
-Cash Flow Coverage (5 yr. avg.)									
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A2	A1

[1] Information based on IFRS17 financial statements as of fiscal year ended 12/31/2023. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Ratings

Notching considerations

The A3(hyb) ratings on CNP's subordinated debt instruments are rated two notches below CNP's IFSR, in line with our standard notching practice for operating companies.

The Baa2(hyb) rating on CNP's Restricted Tier 1 notes is 4 notches below CNP's IFSR. Moody's uses a model to rate insurers' high trigger capital securities ("CoCos"), using CNP's expected Solvency II ratio and the write-down trigger (100% of SCR) of the notes as main inputs in this model.

Ratings

Exhibit 7

Category	Moody's Rating
LA BANQUE POSTALE	
Rating Outlook	STA
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2
Senior Unsecured	A2
Junior Senior Unsecured	Baa2
Junior Senior Unsecured MTN	(P)Baa2
Subordinate -Dom Curr	Baa3
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
CNP ASSURANCES	
Rating Outlook	STA
Insurance Financial Strength	A1
Subordinate	A3 (hyb)
Pref. Stock Non-cumulative	Baa2 (hyb)
CAISSE DES DEPOTS ET CONSIGNATIONS	
Rating Outlook	STA
Senior Unsecured	Aa3
Senior Unsecured MTN	(P)Aa3
Commercial Paper	P-1
LT Issuer Rating	Aa3
LT Bank Deposits	Aa3

Source: Moody's Ratings

Endnotes

1 The bank ratings shown in this report are the bank's deposit rating/senior unsecured debt rating and outlook, and its Baseline Credit Assessment

2 Groupe BPCE's central organization and holding company of the operating subsidiaries

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