



## Fitch Upgrades Groupama to 'BBB+'; Outlook Stable Ratings

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Fitch Ratings-Moscow/London-29 May 2015: Fitch Ratings has upgraded Groupama S.A.'s (Groupama) and its core subsidiaries' Insurer Financial Strength (IFS) ratings to 'BBB+' from 'BBB'. Groupama S.A.'s Issuer Default Rating (IDR) has also been upgraded to 'BBB' from 'BBB-'. The Outlooks on the IDR and IFS ratings are Stable.

The subordinated debt instruments issued by Groupama S.A. have been upgraded to 'BB+' from 'BB'.

### KEY RATING DRIVERS

The upgrade reflects Groupama's sustained operating profitability, its strengthened regulatory capital position and reduced financial leverage ratio. The ratings takes into account Fitch's view of the insurer's capitalisation as 'strong' as per the agency's Prism FBM capital model and Groupama's solid business position, with a strong franchise in France in particular, and risk diversification.

Groupama's net profit remained relatively stable at EUR257m in 2014 compared with EUR283m in 2013. The profit is mainly generated by the life insurance segment, while the non-life insurance underwriting result is gradually improving. Geographically, France remains the core profit generating region for Groupama. The insurer's international business result has continued to make a healthy improvement after multiple divestitures of foreign subsidiaries in 2012.

The Fitch-calculated financial leverage ratio reduced to 25% at end-2014 from 31% at end-2013 after the repayment of a EUR650m credit line.

Groupama's regulatory capital position improved substantially with the Solvency 1 ratio growing to 253% at end-2014 from 200% at end-2013. This was mainly driven by an increase in unrealised gains on the investment portfolio. The significance of risky investments (stocks and below investment grade bonds) remains high compared to equity but has materially reduced over recent years to reach 138% at end-2014 (end-2011: 266%).

### RATING SENSITIVITIES

Key rating triggers that could result in an upgrade include reducing risk in the investment portfolio with the risky assets to equity ratio below 100%, continuing profitability, no material deterioration in financial leverage and maintenance of 'strong' capital score in Prism FBM. A stronger capital structure could also contribute to an upgrade.

Alternatively, a significant weakening of capital adequacy, as reflected in the Prism FBM capital model score falling to 'adequate' or below, growth of the financial leverage ratio to over 30%, a return to net loss, or further growth in the riskiness of the investment portfolio could result in a downgrade.

Fitch expects to upgrade the ratings on Groupama's subordinated debt (with the exclusion of the EUR1bn deeply subordinated notes) by one notch to 'BBB-', if new notching criteria proposed by Fitch are made final. The proposed criteria are currently subject to a market consultation and review period (see "Fitch Publishes Exposure Draft of Updated Notching Criteria" dated 12 May 2015 at [www.fitchratings.com](http://www.fitchratings.com)). No other ratings are expected to be impacted by the proposed changes to Fitch's notching criteria.

### FULL LIST OF RATING ACTIONS

Groupama S.A.

IFS rating upgraded to at 'BBB+' from 'BBB'; Outlook Stable

Long-term IDR upgraded to 'BBB' from 'BBB-'; Outlook Stable

Dated subordinated debt (ISIN FR0010815464) upgraded to 'BB+' from 'BB'

Undated subordinated debt (ISIN FR0010208751) upgraded to 'BB+' from 'BB'

Undated subordinated debt (ISIN FR0011896513) upgraded to 'BB+' from 'BB'

Undated deeply subordinated debt (ISIN FR0010533414) upgraded to 'BB+' from 'BB'

Groupama GAN Vie  
IFS rating upgraded to 'BBB+' from 'BBB'; Outlook Stable

GAN Assurances  
IFS rating upgraded to 'BBB+' from 'BBB'; Outlook Stable

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

#### **Applicable Criteria**

Exposure Draft: Insurance Notching Criteria (Proposed Methodology Changes) (pub. 12 May 2015)  
Insurance Rating Methodology (pub. 04 Sep 2014)

#### **Additional Disclosures**

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