FitchRatings

Fitch Upgrades Groupama's IFS Rating to 'A'; Outlook Positive

Fitch Ratings-Paris/London-20 June 2019: Fitch Ratings has upgraded Groupama Assurances Mutuelles' (Groupama) and core subsidiaries' Insurer Financial Strength (IFS) Ratings to 'A' ('Strong') from 'A-' and Long-Term Issuer Default Ratings (IDR) to 'A-' from 'BBB+'. The Outlooks on the IFS Ratings and IDRs are Positive. A full list of rating actions is available at the end of the commentary.

KEY RATING DRIVERS

The upgrade reflects Groupama's sustained strong capitalisation and leverage, and strong earnings profile. The ratings also reflect Groupama's very strong business profile in the French insurance sector, and a strong investment & asset risk score. The Positive Outlook reflects Fitch's expectations that Groupama will consolidate its strong capitalisation and leverage in 2019-20.

Groupama at end-2018 had a Prism Factor-Based Model (FBM) score at the upper-end of the 'Strong' category on a pro-forma basis, based on Fitch's assumption that Groupama will call its EUR500 million of outstanding Tier 2 debt issue in October 2019. The group reported a Solvency 2 capital ratio of 167% at end-2018, excluding transitional measures, down from 174% at end-2017, mainly due to negative market effects. Groupama's regulatory capital position is more sensitive to changes in interest rates than its French peers. Groupama's financial leverage ratio (FLR) at end-2018 was 24% on a pro-forma basis for the EUR500 million Tier 2 debt, compared with 26% as at end-2017.

Groupama has a very strong business profile in the French insurance sector, where the group holds important market positions in property & casualty (P&C), life and health. Further, Groupama generates 18% of its revenue outside of France, principally in Italy (10%) and eastern Europe (4%), which provides some geographical diversification, while marginally increasing business risk.

Groupama's risky-assets-to-equity ratio improved further to 76% at end-2018 from 83% at end-2017. However, exposure to Italian sovereign bonds (BBB/Negative), which at end-2018 represented 13% of the group's fixed income portfolio and approximately 100% of shareholder's funds as calculated by Fitch, continues to be a source of potential volatility to the group's balance sheet.

Groupama's fixed-charge coverage ratio on an operating earnings basis improved to 5x in 2018 (2017: 3x). Coverage would further improve on the assumption that Groupama exercises its call option in October 2019, resulting in a reduction in interest expenses.

We expect Groupama's profitability to be stable but lower than peers'. Its operating result for the insurance operations remained broadly stable in 2018. Strong earnings in French life & health have offset deterioration in international business, particularly in Italy. Return on equity, as calculated by Fitch, increased to 6% for 2018 (2017: 4%), due partly to a one-off gain on a real estate sale.

RATING SENSITIVITIES

The ratings could be upgraded if Groupama's Prism FBM score improves to 'Very Strong' on a sustained basis, while the Solvency 2 ratio remains above 160%, the FLR below 28% and operating performance continues to be strong, as evidenced by a combined ratio below 99%.

The ratings could be downgraded if Groupama's capital position deteriorates, as measured by a Prism FBM

[Press Release] Fitch Upgrades Groupama's IFS Rating to 'A'; Outlook Positive

score falling to the lower end of the 'Strong' category. A significant weakening of financial leverage, as reflected in the FLR rising above 32%, could also result in a downgrade.

FULL LIST OF RATING ACTIONS

Groupama Assurances Mutuelles IFS Rating upgraded to 'A' from 'A-'; Positive Outlook Long-Term IDR upgraded to 'A-' from ' BBB+'; Positive Outlook Dated and undated subordinated debt upgraded to 'BBB' from 'BBB-'

Groupama GAN Vie IFS Rating upgraded to 'A' from 'A-'; Positive Outlook

GAN Assurances IFS Rating upgraded to 'A' from 'A-'; Positive Outlook

Contact: Primary Analyst Manuel Arrive, CFA Director +33 144 299 177 Fitch France S.A.S. 60, rue de Monceau 75008 Paris

Secondary Analyst Stephane Vago Senior Analyst +44 20 3530 1336

Committee Chairperson Harish Gohil Managing Director +44 20 3530 1257

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email: athos.larkou@thefitchgroup.com

Additional information is available on www.fitchratings.com Applicable Criteria Insurance Rating Criteria (pub. 11 Jan 2019)

Additional Disclosures Dodd-Frank Rating Information Disclosure Form Solicitation Status Endorsement Policy

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE

6/20/2019

[Press Release] Fitch Upgrades Groupama's IFS Rating to 'A'; Outlook Positive

AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2019 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and

distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

SOLICITATION STATUS

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.

Endorsement Policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Fitch Updates Terms of Use & Privacy Policy

We have updated our Terms of Use and Privacy Policies which cover all of Fitch Group's websites. Learn more.