

RATING ACTION COMMENTARY

Fitch Upgrades Groupama to IFS 'A+'; Outlook Stable

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Fitch Ratings - Paris - 10 Jun 2022: Fitch Ratings has upgraded Groupama Assurances Mutuelles' (Groupama) and core subsidiaries' Insurer Financial Strength (IFS) Ratings to 'A+' from 'A' and Issuer Default Ratings (IDR) to 'A' from 'A-'. The Outlooks on both IFS Ratings and IDRs are Stable.

The upgrade reflects Fitch's view that Groupama has consolidated its very strong capitalisation in 2021, while maintaining moderate leverage, strong financial performance and a stable asset risk profile. The ratings also reflect a very strong business profile in France.

The Stable Outlooks reflect our view that the group will preserve its strong credit profile over the next 12 to 24 months. We expect its capitalisation and business profile - the main credit factors driving the ratings - to remain resilient to deteriorating economic conditions in 2022, while financial performance, which has a moderate influence on the ratings, could come under pressure.

KEY RATING DRIVERS

Very Strong Capitalisation: Groupama's capitalisation is a rating strength. Fitch's Prism Factor-Based Capital Model (Prism FBM) improved marginally to 'Extremely Strong' at end-2021 (2020: 'Very Strong'), driven by strong earnings generation and a new subordinated debt issue. The group's Solvency II (S2) ratio improved to a very strong 183% at end-2021 without transitional measures, compared with 152% at end-2020. Including transitional measures, the S2 ratio was 271% at end-2021. The ratio is more sensitive to changes in interest rates than at many of its peers, which firmly positions the group in a rising interest-rate environment.

Moderate Leverage: Fitch-calculated financial leverage ratio (FLR) increased to 28% at end-2021 from 26% at end-2020, mainly due to new debt issuance. The ratio is within Fitch's criteria guidelines range for the 'a' rating category.

Very Strong Company Profile: Fitch ranks Groupama's business profile as 'Favourable' compared with that of other French insurance companies. This assessment reflects Groupama's position as one of the largest insurance groups in France with a strong, well-established franchise across all business lines. The group is also well-diversified across life and non-life segments.

Strong Profitability: Groupama has a record of stable, albeit modest, profitability, which is consistent with its mutual status. The quality and diversity of earnings also underpins our assessment. Return on equity (ROE), as calculated by Fitch, increased to 5.1% in 2021 (2020: 1.9%), but remains lower than peers'. Its non-life combined ratio (CR) improved marginally to 98.3% in 2021 from 98.7% in 2020 and we expect it to remain below 99% in 2022. Life and health should continue to be a key contributor to earnings, supported by continued savings and pension growth and rising interest rates.

Moderate Investment Risk: Fitch views Groupama's investment and asset risk as moderate, as reflected in a risky asset ratio of 70% at end-2021 (2020: 66%), which is consistent with the ratings. However, a material exposure to Italian sovereign bonds (BBB/Stable), representing 75% of IFRS equity, adds potential volatility to the group's balance sheet.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--FLR falling below 25% and improved profitability, as reflected in an ROE above 7%, while the Prism FBM score remains at the upper-end of the 'Very Strong' category

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-- Deterioration in the capital position, as measured by the Prism score deteriorating to the lower end of the 'Very Strong' category, or a group S2 ratio below 150% with limited prospects for recovery

-- FLR rising above 30%

-- Significant increase in investment risk

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance 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 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

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		PRIOR ↕
Groupama Assurances Mutuelles	LT IDR	A Rating Outlook Stable	A- Rating Outlook Positive
	Upgrade		
	Ins Fin Str	A+ Rating Outlook Stable	A Rating Outlook Positive
	Upgrade		
subordinated	LT	BBB+ Upgrade	BBB

Gan Assurances	Ins Fin Str	A+ Rating Outlook Stable	A Rating Outlook Positive
	Upgrade		
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Groupama Gan Vie	Ins Fin Str	A+ Rating Outlook Stable	A Rating Outlook Positive
	Upgrade		
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APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 26 Nov 2021\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 (1)

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ENDORSEMENT STATUS

Gan Assurances	EU Issued, UK Endorsed
Groupama Assurances Mutuelles	EU Issued, UK Endorsed
Groupama Gan Vie	EU Issued, UK Endorsed

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