STANDARD & POOR'S

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Research Update:

France-Based Groupama S.A.'s 'A+' Ratings Affirmed; Outlook Stable

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Rationale

On Tuesday, Oct. 14, 2008, Standard & Poor's Rating Services affirmed its 'A+' counterparty credit and financial strength ratings on France-based insurer Groupama S.A. and its core entities. The outlook is stable.

The ratings reflect the group's strong competitive position, strong long-term financial flexibility, and strong operating performance. Also incorporated into the ratings are Groupama's continuous efforts in streamlining the group's structure, and improved strategic decision processes. Partially offsetting these credit strengths is a weakened capital adequacy, albeit still supported by strong reserving and reinsurance, and a still high exposure to French property/casualty (P/C) risks.

Major rating factors:

- Strong competitive position. Groupama's competitive advantages include brand recognition, diversified distribution networks, wide product ranges, and a large client base of 8 million. Although reliance on the French P/C sector remains high, it is partially mitigated by Groupama's business line diversification and increasing international diversification. In 2008, Groupama acquired OTP Garantia in Hungary, Asiban in Romania, Guven in Turkey, and took a stake in Tunisian STAR. These acquisitions are further diluting Groupama's exposure to the French market, adding an estimated annual €600 million in premiums. Groupama's presence in French life and savings businesses is less developed--relative to the potential for the group's network--but is continuously growing, even amid difficult market conditions.
- Strong long-term financial flexibility. The group's virtual ability to issue hybrid debt is strong owing to its current interest coverage ratios. If the need arises, Groupama S.A. is also ready for an IPO, and could also consider opportunities for introducing other minority institutional shareholders. Financial flexibility is heavily constrained by the current market environment, but this is partially mitigated by low external growth prospects for Groupama in 2009.
- Strong operating performance. Operating performance has significantly improved since 2005. The reported P/C combined ratio reached 99.7% in 2007 thanks to a diversified business portfolio and an increasing contribution from international subsidiaries. Albeit continuously decreasing, still high expense ratios constrain the P/C operating performance. Accident and health adds good earnings diversification. The total non-life combined ratio is slightly above 100% but remains within the targeted range of 98%-102%. The life business adds moderate earnings due to high exposure to traditional contracts, with stringent guarantees and profit-sharing policies.
- Weakened capital adequacy, but still strong capitalization. The group has

invested more than €3 billion over the past two years in acquisitions. These acquisitions have weighed on capital adequacy due to the related substantial goodwill. While the hybrid debt of €1 billion issued in October 2007 has alleviated pressure on capital adequacy, it could be partially offset by the possible call of the €0.750 billion subordinated debt in July 2009. Market conditions also weigh on capital adequacy owing to a reliance on soft forms of capital. Capitalization is still strong, however, supported by strong reserving and conservative reinsurance practices.

Outlook

The stable outlook on Groupama reflects our expectation of a strong operating performance, strong competitive position, strong capitalization, and financial flexibility over the long term.

We expect the net non-life combined ratio to remain lower than 102%, excluding any change in non-life reserving practices. Life business' profitability is expected to remain moderate but steadily increase. Current market conditions are likely to weigh on earnings, but we expect a limited impact on net earnings in 2008 and 2009.

Growth in French P/C should be in line with the market in 2008 and 2009. We expect the French life business to grow 3% to 5% in 2008 and 2009, reflecting increasing efforts to promote the savings business. External growth is likely to be minimal in 2009, but should add 4% to 6% to overall premiums in 2008.

We consider a revision of the outlook to positive unlikely for the group with its current profile. We could revise the outlook to negative if any new acquisition or other long-term pressure on capital adequacy is not funded in a way to preserve capitalization. A long-term deterioration of operating performance outside of the group's targets or a failure to integrate the newly acquired subsidiaries may also result in a revision of the outlook to negative.

Ratings List

Ratings Affirmed

Groupama S.A.	
Groupama Vie	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Groupama S.A.	
Groupama Vie	
Financial Strength Rating	
Local Currency	A+/Stable/--
Groupama Transport	
Groupama Insurance Co. Ltd.	

GAN Eurocourtage IARD	
GAN Assurances IARD	
Financial Strength Rating*	
Local Currency	A+/Stable/--
Groupama S.A.	
Subordinated (1 issue)	A-
Junior Subordinated (2 issues)	A-
Banque Finama	
Counterparty credit rating	A/Stable/A-1
CDs	A/A-1
Senior unsecured debt	A

*Guaranteed by Groupama S.A.

NB: This list does not include all ratings affected.

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