

Fitch Upgrades Groupama AM Asset Manager Rating to 'M2'

09 April 2009

Fitch Ratings-Paris/London–09 April 2009: Fitch Ratings has today upgraded Groupama Asset Management's Asset Manager Rating to 'M2' from 'M2-' (M2 minus). The rating covers all the asset management activities based in Paris, except Groupama Fund Pickers' traditional and alternative multi-management activities.

The upgrade reflects the resilience of its business model in a difficult operating environment and the overall quality of its investment processes, including broader analytic inputs in fixed income, supported by sound research capabilities ("Economic Studies", "Financial and Extra Financial Analysis" and "Financial Engineering") which proved relevant in the prevailing global financial crisis. The upgrade also takes into account the significant progress achieved in the technological and operational platforms, which until recently were lagging behind industry standards. Owing to the global financial crisis - which severely tested the business models of many asset managers - Groupama AM ended 2008 with EUR80.7bn assets under management (AuM), a 7% decrease on a like-for-like basis (not including Groupama Fund Pickers). The asset manager benefits from shareholder support, which provides a solid client base (as high as 80% of AuM), as well as stable staffing resources, which are being consistently reinforced.

The rating also captures Groupama AM's traditional product range, its sound market experience and stable investor base. Investment processes are of good quality, well-structured and disciplined. The rating also outlines the experience and stability of portfolio management teams, relative to peers, and a prudent policy on new products.

In 2008, the company was reorganised with the creation of an enlarged investment services department including operations, controls and compliance, IT and human resources, and the appointment of a Chief Operating Officer. It has a well-established risk management culture and has improved the automation of operations with the implementation of new tools in the middle- and back-office teams. Nevertheless, although first-level risk controls continue to be strong mitigating factors, Fitch sees room for improvement in 2nd level controls, notably on transactions and best execution. Despite recent evolutions, Fitch stresses the potential for further rationalisation of the IT architecture around Sophis Value and Omega FA tools, which remains a major challenge in terms of scalability, security and efficiency. Fitch will follow closely the investment and operational risk controls capabilities as the technology platform improves access to information.

Groupama AM 'M2' rating is based on the following category scores, which represents a scale from 1 to 5, with 1 as the highest possible score:

Company & Staffing: 2.25
Risk Management & Controls: 2.50
Portfolio Management: 2.50
Investment Administration: 2.50
Technology: 3.00

Set up in 1999 as a result of the merger of Gan's and Groupama's portfolio management activities, Groupama AM is wholly-owned by Banque Finama, which is 100%-owned by Groupama SA and GAN insurance companies. Groupama AM is among the top 10 French asset managers. The product range includes European equities, investment-grade fixed income and cash management, as well as Asian and American equities.

Groupama AM's fully updated rating report will soon be available on the agency's public website, <http://www.fitchratings.com>.

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