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CREDIT OPINION
21 December 2023

Update

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RATINGS

Groupe des Assurances du Credit Mutuel

Domicile	Strasbourg, France
Long Term Rating	Baa1
Type	Subordinate - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Groupe des Assurances du Credit Mutuel

Semi-annual update

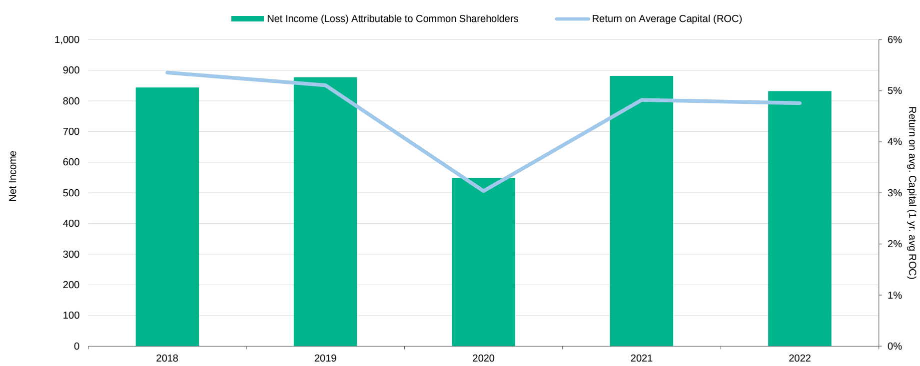
Summary

The credit profile of Groupe des Assurances du Crédit Mutuel (GACM), whose main operating entities (ACM VIE SA and ACM IARD SA) are rated A1 for insurance financial strength, is supported by the group's (i) strong franchise as evidenced by solid and growing market shares in France and controlled distribution, (ii) broad product diversification including a good balance between life and non-life activities, (iii) stable profitability levels, and (iv) very strong solvency. These strengths are partly offset by the limited although improving geographic diversification, the high weight of traditional saving business in the activity mix, and the relatively strong exposure to real-estate and equities compared to peers in the same rating category.

GACM is the holding company for the insurance activities of most of the French mutualist bancassurance group Crédit Mutuel's regional federations, including those which form Crédit Mutuel Alliance Fédérale[1].

Exhibit 1

Net Income and Return on Capital (1 yr. avg.)



Sources: Company reports and Moody's Investors Service

Credit strengths

» Strong insurance franchise of one of the leading bancassurers in France, benefiting from a very granular network of mutualist banks

» Low risk profile, especially in non-life due to a focus on retail risks

» Good level of profitability, comparing favorably with market average on property and casualty (P&C) technical results

» Very strong level of Solvency II ratio

Credit challenges

» High weight of traditional saving business although a shift towards unit-linked products is ongoing

» Little geographic diversification outside France, as domestic premiums still account for more than 95% of the total

» Relatively high high-risk assets ratio due to exposures to equities and real estate

Rating outlook

The stable outlooks on ACM VIE SA, ACM IARD SA and GACM indicate that we expect GACM to maintain a solid financial profile, including a strong Solvency II ratio, in the next 12-18 months.

Factors that could lead to an upgrade

The ratings could be upgraded following:

» a significant increase in market shares domestically and/or an expansion internationally, while maintaining a good level of business diversification, earnings and capitalisation

» an improvement of the Solvency II ratio sustainably above 250%.

Factors that could lead to a downgrade

Conversely, the ratings could be downgraded following :

» a material deterioration in profitability driven by, for instance, the group's inability to grow the unit-linked business and/or the profitability of the P&C segment

» a weakening capitalisation, as evidenced by a durable decline of the Solvency II ratio significantly below 200%.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Groupe des Assurances du Credit Mutuel

Groupe des Assurances du Credit Mutuel [1][2]	2022	2021	2020	2019	2018
As Reported (Euro Millions)					
Total Assets	135,155	147,184	142,523	140,614	130,092
Total Shareholders' Equity	9,081	11,126	11,782	11,064	11,422
Net Income (Loss) Attributable to Common Shareholders	835	885	551	879	846
Gross Premiums Written	13,282	12,106	10,267	12,080	11,944
Net Premiums Written	13,282	12,106	10,267	12,080	11,944
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	358.4%	302.6%	252.1%	257.6%	229.6%
Reinsurance Recoverable % Shareholders' Equity	5.4%	3.1%	4.0%	4.0%	3.1%
Goodwill & Intangibles % Shareholders' Equity	1.1%	1.7%	1.7%	1.9%	2.4%
Shareholders' Equity % Total Assets	4.4%	5.3%	6.3%	5.9%	6.8%
Return on Average Capital (ROC)	4.8%	4.8%	3.0%	5.1%	5.4%
Sharpe Ratio of ROC (5 yr.)	504.9%	462.9%	454.6%	NA	NA
Adv. (Fav.) Loss Dev. % Beg. Reserves	-11.0%	-7.4%	-4.0%	-1.2%	-4.8%
Adjusted Financial Leverage	46.4%	39.5%	36.8%	37.4%	32.6%
Total Leverage	56.4%	49.5%	46.8%	47.4%	42.6%
Earnings Coverage	27.4x	47.0x	26.9x	44.4x	50.6x

[1] Information based on IFRS financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Sources : Company filings and Moody's Investors Service

Profile

Groupe des Assurances du Crédit Mutuel (GACM) is the holding company for the insurance activities of most of the French mutualist bancassurance group Crédit Mutuel's regional federations, including those which form Crédit Mutuel Alliance Fédérale (CMAF). Its activities represented 8% of CMAF's revenues and 21% of CMAF's business unit net income in the first half of 2023. More than 95% of written premiums were originated in France during the first six months of 2023. In addition, €0.8 billion of commissions were paid by GACM to CMAF's banking network during the first half of 2023 (+2.5% compared to HY 2022).

GACM's business mix is balanced, with 53% of gross written premiums stemming from savings and retirement activities and 47% from property and casualty (P&C), health, personal protection and loan insurance, based on year-end 2022 results.

Detailed credit considerations

Domestic focus with a strong franchise, controlled distribution, and diversified business profile

Market position: leading bancassurer with a domestic franchise positioning strongly in life and non-life - A

GACM holds a solid domestic footprint in the fragmented French insurance market, and was the 10th largest French insurer by premiums in 2023[2], with solid positions in particular in motor, home, and loan insurance. Premiums in motor insurance and home insurance are increasing much faster than the overall traditional P&C market, which underlines the group's competitive advantage as a major french bancassurer. Similarly to other bancassurers, GACM holds an also particularly strong position in loan insurance and segments connected to banking products in general.

In life insurance, the group ranks number five in the sector based on outstanding assets [3]. The group also offers personal protection and health insurance. In addition, it provides multi-risk professional insurance, which is likely to grow from its current low level, as GACM positions this product as an appeal. In Health, the group specifically targets elderly people, and expects to continue development the supplementary health segment for this client category going forward.

GACM benefits from a well-balanced business mix, particularly when compared to other bancassurance groups, with 53% of gross written premiums stemming from life and 47% from non-life activities in 2022. However, it is nearly exclusively concentrated in France with 95% of the reported €13.3 billion written premiums in 2022 stemming from domestic activities, although the group intends to expand internationally, notably in Belgium and Germany in the near future, where its banking parent has already a strong presence.

We believe that GACM is well positioned as a bancassurer to continue to develop its market shares. To reach its development goals, we expect in particular that GACM will increase its efforts around digitisation.

Distribution: controlled distribution through the bancassurer's own banking channels - A

We view distribution as one of the key strengths for GACM. The group mostly distributes its products through its parent banks' channels, in particular through the franchises of Crédit Mutuel ('CM') and Crédit Industriel et Commercial('CIC', Aa3, Aa3, baa1[4]). Credit Mutuel's domestic branch network is highly granular and fully-controled. Its well-trained proprietary salaried network is a key strength of the mutualist group and consequently also a strength for GACM.

Branch visits and client contacts are usually more frequent for banks than for traditional insurers, and the distribution of proprietary insurance contracts within the bancassurer's branches is often incentivized for the salesforce. Also, the above-average growth rates experienced by GACM in home and motor insurance and the high client equipment rates suggest that insurance sales remain a key priority in Credit Mutuel's branch network.

As at YE 2022, we estimate that 76% and 97% of premiums were distributed directly through CM or CIC branches respectively for the P&C and protection insurance, alongside other distribution partners in France (such as Cofidis for consumer products, or monabanq on the direct, digital channel) and outside France (Atlantis in Spain, or beobank in Belgium).

Product risk and diversification: strong business diversification thanks to a good product mix and low risk profile especially in P&C - A

Despite a stronger footprint on life insurance, as it is generally the case for bancassurers given the connection with savings and banking products, business diversification is strong for GACM, balanced between the life (53% of insurance revenues for FY 2022) and the non-life segment (47%).

The non-life business for GACM is diversified and mostly retail, which we consider as low risk, with the exception of motor third party liability in France which we consider longtail and subject to legal inflation, with ultimate costs relatively difficult to estimate. As of YE 2022 however, the exposure to motor insurance (both third party liability and direct motor exposure) was of 21% of total non-life gross written premiums. Other P&C activities were diversified between property insurance (13% of premiums), health (15%), income protection (11%), and loan insurance (31%). As part of GACM's strategy, we expect to see some more focus on small and medium-size businesses (SME) risks in the years to come (motor insurance, property multi-risks contracts). Currently GACM's exposure to SME P&C risk is small (about 3% of non-life revenues in 2022), which has a strong potential for development, but will ultimately increase the business risk profile for the group. Lastly, GACM is also exposed to natural catastrophes and climatic risks, mostly managed through the use of reinsurance treaties.

Product risk is higher in the life business, with traditional savings still accounting for more than 80% of reserves, but the very low average guaranteed rates (approximately 0.2% on traditional saving products, or “contrats euros” in 2022) and the increasing proportion of customers’ investments in unit-linked products, broadly offset the risks to our view. GACM has been successful in offering unit-linked products to its policyholders, and providing incentives to a higher proportion of unit-linked investments versus traditional savings on new contracts. As of the end of H1 2023, the proportion of unit-linked in gross inflows was 29%, vs. 43% in 2022, underlining the resilience of these products despite a more volatile financial environment. As unit-linked products accounted for approx. 87% of net inflows as of H1 2023, we also expect that the rebalancing of the portfolio will continue in the medium-term and that the proportion of traditional savings in reserves will steadily decrease.

Solid solvency, stable profitability, and moderate leverage are the key strengths of the financial profile despite high risky assets ratio

Asset quality: high-risk assets ratio remains high, but a number of measures moderates the risks - A

GACM's investment management policy is conservative, with fixed income securities accounting for more than 78% of a total assets (net value). By sector as of YE 2022, bonds were well balanced between sovereign (28%), corporate (29%), financial institutions (27%), and public sector or government-linked (16%). The quality of this portfolio is also high, at or above investment-grade level for 98% of bond holdings.

Nonetheless, the equity portfolio remains relatively high compared to some peers, with equity investments accounting for 13% of total assets as of YE 2022, a stable proportion for the last 3 years, mostly direct shareholding (61%), but also diversified funds, alternative and PE funds (respectively 13%, 5% and 21%). Exposure to real-estate is also stable at 6% of investment assets, split between offices (60%), residential (20%, proportion set to increase), and other (20%). Cash accounted for approx. 3% of the total as of YE 2022.

Going forward, we expect that GACM will remain prudent and privilege fixed income securities in its mix and reinvestments given the current trajectory of interest rates and the more favourable risk-return profile of these assets vs. riskier investments e.g. equities and private equity or illiquid assets such as real-estate. While the ratio of high-risk assets compared to equity is high as of YE 2022 (358%) for an A1-rated issuer, we also view that GACM has the ability to pass on losses made on its investment portfolio to policyholders, at least to some extent, thanks to the management of its crediting rates. The ratio also includes some monetary funds, classified as equities but which are actually low risk investments (excluding these, HRA would be improved by circa 20 ppts). Hedging strategies are also in place at the group level which can moderate risks.

Capital adequacy: very solid solvency reflecting an upper A score - A

The group's good capitalisation is demonstrated by a Solvency II ratio of 237% as of H1 2023 (standard formula excluding transitional measures), slightly improved from 231% at YE 2022. GACM's solvency benefitted from the rise in interest rates in 2022 (YE 2021: 213%). The payment of €620 million as an exceptional dividend in December 2023 had a 10ppts impact on the Solvency II ratio.

The ratio remains sensitive to interest rate movements, as its French peers with a concentration on the life insurance segment, but this sensitivity declined as interest rates rose. As per the group's disclosure as of YE 2022, a decrease of equity markets (-20%) and a widening of corporate spreads (+75bps) would both have a -7 ppts impact on the Solvency II ratio.

We view the strong solvency of GACM as one of the main strengths of the group and we expect it to remain close or above 200% going forward.

Profitability: solid through the cycle, benefitting from high retention rates and flexible management of yields served on life contracts - A

GACM’s profitability is strong and stable through the cycle, with combined ratios remaining below 100% for all P&C segments, and a return on capital (Moody's calculation) sustainably above 5%, with the exception of 2020 during which some non-contractual payments were made by the group (mainly linked to the payment of the “Prime de Relance Mutualiste” to multirisk insurance policyholders in 2020 for an amount of €179 million). In 2022, return on capital (1-year) increased to almost 5%, closer to pre-pandemic levels.

In H1 2023, activity indicators were well oriented in terms of number of new contracts sold, especially in motor (+3%), SME multi-risk (+6%), health (+6%), and protection (+9%), whereas home decreased (-3%), and loan insurance (-10%) suffered from the unfavourable context of interest rates impacting the real-estate sector as a whole. In the first half of 2023, GACM reported a net income of €448 million (group share), up from €429 million in 2022 (€412 million proforma IFRS 17/IFRS 9) for the same period, partly due to the absence of major climatic events.

In life, higher rates on the market and the competition with banking products such as 'Livret A' led to a general increase of yields paid on euro funds in 2022, (up +1ppt yoy to 2.30%, at a higher level than peers). This is partly permitted by the high participation reserve ratio (approx. 8% of life reserves in 2022) which allows GACM for more flexibility in managing yields served. Higher returns on euro funds are beneficial to net inflows, positive in H1 2023 for both unit-linked and guaranteed contracts.

Inflationary environment remains a challenge, as the average cost of claims is set to continue to increase in 2023-2024. However, GACM benefits from high retention rates as a bancassurer, and from a stronger pricing power compared to traditional insurers. Additionally, we expect that higher rates will continue to ease the negative pressure on financial results caused by the low interest rate environment of the last years.

Liquidity & Asset Liability Management: low liquidity risk risk overall, with strong ALM capabilities - A

We consider GACM's asset and liability management (ALM) to be strong, with a liquidity ratio (YE 2022) of 180%. Interest rates risk is the main risk for the group, in particular a sharp increase of interest rates, as the one experienced in 2022, which deteriorated the valuations of the asset portfolio (mainly comprised of fixed-income securities) and potentially result into policyholders' redemption of traditional life saving products (surrender risk). In order to prevent running into liquidity issues, GACM keeps a high share of liquid instruments on its asset portfolio. Additionally, lapse risk is partly covered by a low duration of assets compared to the duration of liabilities. We also view that a competitive yield served on traditional life insurance products decreases lapse risk for GACM.

Keeping asset duration low exposes the group to reinvestment risk. Albeit weighing on financial results and overall profitability in times of low and declining interest rates, we consider this risk as limited viewing the very low average guaranteed rates on traditional saving products.

Reserve Adequacy: strong adequacy as evidenced by a favorable track record of reserve development - A

We consider that GACM's overall reserve adequacy is strong. The group has consistently been able to release reserves, which illustrates its prudent reserving policy. In 2022, the net loss reserve development ratio for GACM was -11% (partial one-off impact of the business interruption reserves release from the covid period). The ratio was -7% over a five year period (Moody's calculation), which underlines a strong reserve adequacy. GACM's reserving risk benefits from its diverse book of retail activities and the limited size of its commercial activities. Inflation risk however remains, especially on the motor segment in P&C and on long-tail business.

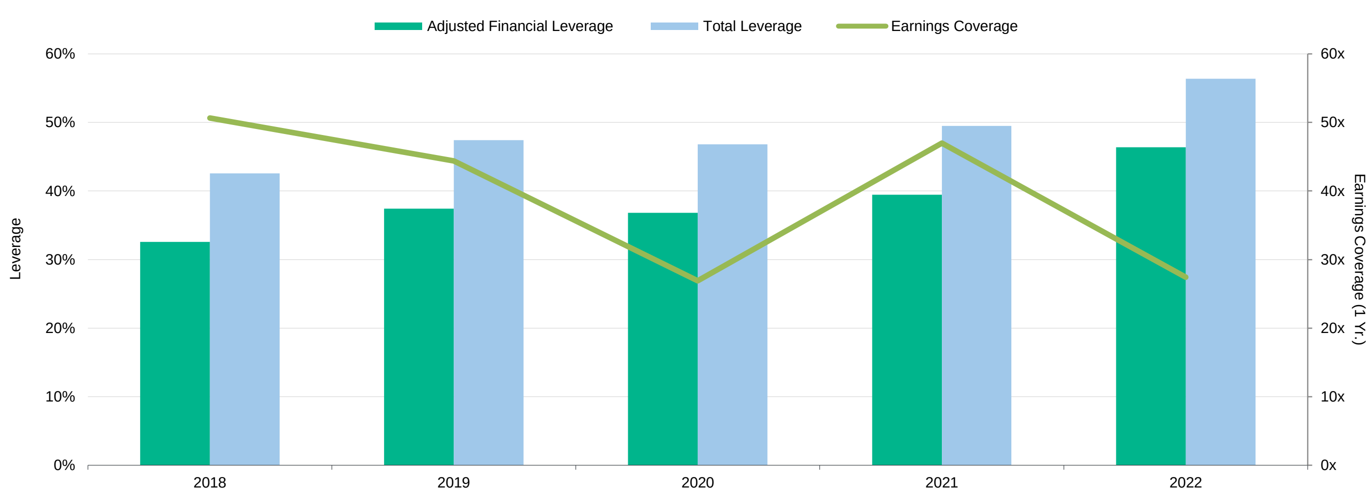
Financial Flexibility: stable and moderate leverage levels, high impact of repo debt - A

The financial leverage of GACM is moderate at YE 2022, increased yoy due to (i) the issuance of €750 million of Tier 2 debt in 2021 coupled to a dividend payment of €1.5 billion to the parent the same year, (ii) further dividend payment of €400 million in 2022, (iii) the decrease of IFRS equity during the past year as a result of the strong increase of interest rates, notably through the lower valuations of fixed-income investments in fair value. This volatility due to sensitivity to interest rates, will be largely eliminated from 2023 as IFRS 17 accounting standards are implemented.

GACM is very active in securities lending, which enables it to get additional returns on its asset portfolio in a period of very low rates. Our calculation of the financial leverage and total leverage ratios excludes repurchase agreements from financial debt. However, this exclusion is capped at 10% of the ratios, making our calculated ratios appear elevated. Nonetheless, we consider these operations are very low risk. Securities given in pension are French government bonds only, with a remaining maturity below two years and are collateralised daily by the borrower for above 90% of them.

Fully excluding repurchase agreements (repo debt, due to their short-term and operational nature), we estimate the net financial leverage ratio of GACM to be at approx. 16.5% at YE 2022 (2021: 14%).

Exhibit 3
Financial flexibility

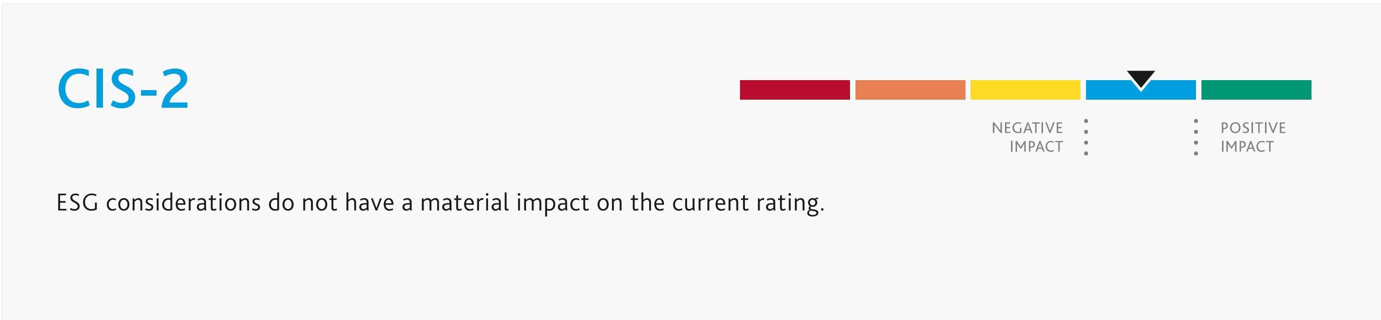


Sources: Company reports and Moody's Investors Service.

ESG considerations

Groupe des Assurances du Credit Mutuel's ESG credit impact score is CIS-2

Exhibit 4
ESG credit impact score



Source: Moody's Investors Service

Groupe des Assurances du Credit Mutuel (GACM)'s **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. The group's high level of capital and strong diversification mitigate physical climate risk, carbon transition risk, customer relations risk and societal trend risk.

Exhibit 5
ESG issuer profile scores

Source: Moody's Investors Service

Environmental

GACM faces moderate environmental risks overall, with a moderate exposure to physical climate risks through its P&C activities, although natural catastrophes are largely covered by reinsurance treaties. It also has moderate exposure to carbon transition risk through the long-duration assets held in its investment portfolio and inherent asset leverage, especially in its life insurance business. Nonetheless, GACM is actively engaged in further developing its comprehensive risk management and climate risk reporting frameworks, and increasing the alignment of its business with the transition to a low-carbon economy.

Social

GACM is exposed to high customer relations risk, in relation to the sale of its products and the significant interaction with its retail customers, particularly in its life and health insurance businesses. Rising digitization and interconnectedness of devices will also increase customer privacy and data security risks. Demographic and societal trends can make the operating environment more challenging, including giving rise to societal risks related to the high level of government scrutiny on the insurance business in France.

Governance

Governance risks have no material impact on the current rating of GACM, and we consider its risk management, policies and procedures are in line with industry best practices. Financial strategy and risk management policies are strong and the group aims to maintain a strong solvency and demonstrates solid ALM policies. Management has also demonstrated a strong track record of achieving strategic, operational and financial objectives.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

GACM's Baa1(hyb) dated subordinated Tier 2 note rating is consistent with our standard notching practices for debt issued by insurance holding companies. The Baa1(hyb) rating reflects (i) the subordinated ranking of the notes, (ii) the mandatory coupon deferral mechanism in case of breach of the solvency capital requirement (SCR) or minimum capital requirement (MCR), and (iii) the cumulative nature of deferred coupons, in case of deferral. The notes, which bear a 20.5-year maturity, qualify as Tier 2 capital under Solvency II.

Rating methodology and scorecard factors

Exhibit 6

Groupe des Assurances du Credit Mutuel

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	A
Market Position and Brand (20%)								A	A
-Relative Market Share Ratio			X						
Distribution (5%)								A	A
-Distribution Control	X								
-Diversity of Distribution				X					
Product Focus and Diversification (10%)								A	A
-Product Risk - P&C		X							
-Product Risk - Life					X				
-Product Diversification	X								
-Geographic Diversification					X				
Financial Profile								A	A
Asset Quality (10%)								Baa	A
-High Risk Assets % Shareholders' Equity							358.4%		
-Reinsurance Recoverable % Shareholders' Equity	5.4%								
-Goodwill & Intangibles % Shareholders' Equity	1.1%								
Capital Adequacy (15%)								Baa	A
-Shareholders' Equity % Total Assets				4.4%					
Profitability (15%)								Aa	A
-Return on Capital (5 yr. avg.)			4.6%						
-Sharpe Ratio of ROC (5 yr.)	504.9%								
Liquidity and Asset/Liability Management (5%)								A	A
-Liquid Assets % Liquid Liabilities			X						
Reserve Adequacy (5%)								Aaa	A
-Adv. (Fav.) Loss Dev. % Beg. Reserves (5 yr. wtd. avg.)	X								
Financial Flexibility (15%)								A	A
-Adjusted Financial Leverage				46.4%					
-Total Leverage					56.4%				
-Earnings Coverage (5 yr. avg.)	39.3x								
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A2	A1

[1] Information based on IFRS financial statements as of fiscal year ended 12/31/2022. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
GROUPE DES ASSURANCES DU CREDIT MUTUEL	
Rating Outlook	STA
Subordinate	Baa1
ACM VIE SA	
Rating Outlook	STA
Insurance Financial Strength	A1
ACM IARD SA	
Rating Outlook	STA
Insurance Financial Strength	A1

Source: Moody's Investors Service

Endnotes

1 Banque Fédérative du Crédit Mutuel (deposits Aa3 stable, Baseline Credit Assessment a3) is one of the main rated entities of Crédit Mutuel Alliance Fédérale.

2 As reported by L'Argus de l'Assurance, « Classement 2023 des 20 premiers groupes d'assurance en France » based on 2022 premiums.

3 Source: 2022 ranking from 'L'Argus de l'Assurance', based on life insurance assets, May 2022.

4 The bank ratings shown in this report are the bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment

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