

# LA MONDIALE FULL YEAR 2018 EARNINGS

April 2019

# Cautionary note

Certain statements contained herein may be forward-looking statements including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives.

Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and La Mondiale's plan and objectives to differ materially from those expressed or implied in the forward looking statements. Please refer to "La Mondiale Rapport Financier 2018" (\*) for a description of certain important factors, risks and uncertainties that may affect La Mondiale's business and/or results of operations.

La Mondiale undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

Unless otherwise specified, financial statements are calculated in accordance with IFRS as adopted by the European Union. The IFRS figures are subject to the review by the statutory auditors, whose work is still in progress.

In the presentation, SGAM AG2R LA MONDIALE MATMUT is called "SGAM" and is a french prudential insurance group.

(\*) available at the end of May 2019

# Executive summary (SGAM AG2R LA MONDIALE MATMUT, as of 12/31/2018)

## Resilient balance sheet and robust solvency

### SGAM

**220%** S2 ratio (-6pts / FY 2017)

**€8.1bn** IFRS Equity capital (+6% / FY 2017)

### La Mondiale

**268%** S2 ratio (-12pts / FY2017)

**€4.5bn** IFRS Equity capital  
(+€0.6bn / FY2017)

## Capital items

**€2.3bn** Total amount of subordinated debt

**€136m** Total amount of mutual certificates (unrestricted Tier 1)

## Diversified and well-balanced business model

### SGAM

**€11.9bn** Premiums 14% P&C  
33% Protection & Health  
15% Pensions  
37% Life & Savings

**€91bn** Liabilities

**€370m** Net income<sup>3</sup>

### La Mondiale

**€6.2bn** Premiums, 37%/63% UL<sup>1</sup>/GA<sup>2</sup> mix above the french market (28%/72%)

**€80bn** Liabilities, 30%/70% UL<sup>1</sup>/GA<sup>2</sup> mix above the french market (21%/79%)

**€293m** Net income

## Sound asset allocation & risk management (La Mondiale)

**4.1%** High level of policyholder surplus of reserves reserve with €2.2bn

Around 15% of investments rated BBB+ or below (lower than the market)

## Complete and competitive player on the French market

**2<sup>nd</sup>** in Supplementary Pension **9<sup>th</sup>** in P&C  
**4<sup>th</sup>** in Health Insurance **11<sup>th</sup>** in Savings  
**4<sup>th</sup>** in Protection  
Top3 in Private Wealth Management

## Rated A- / positive outlook

**A-** confirmed by Standard & Poor's in October 2018, improvement of outlook from stable to **positive**

<sup>1</sup> : Unit Linked are low capital need products

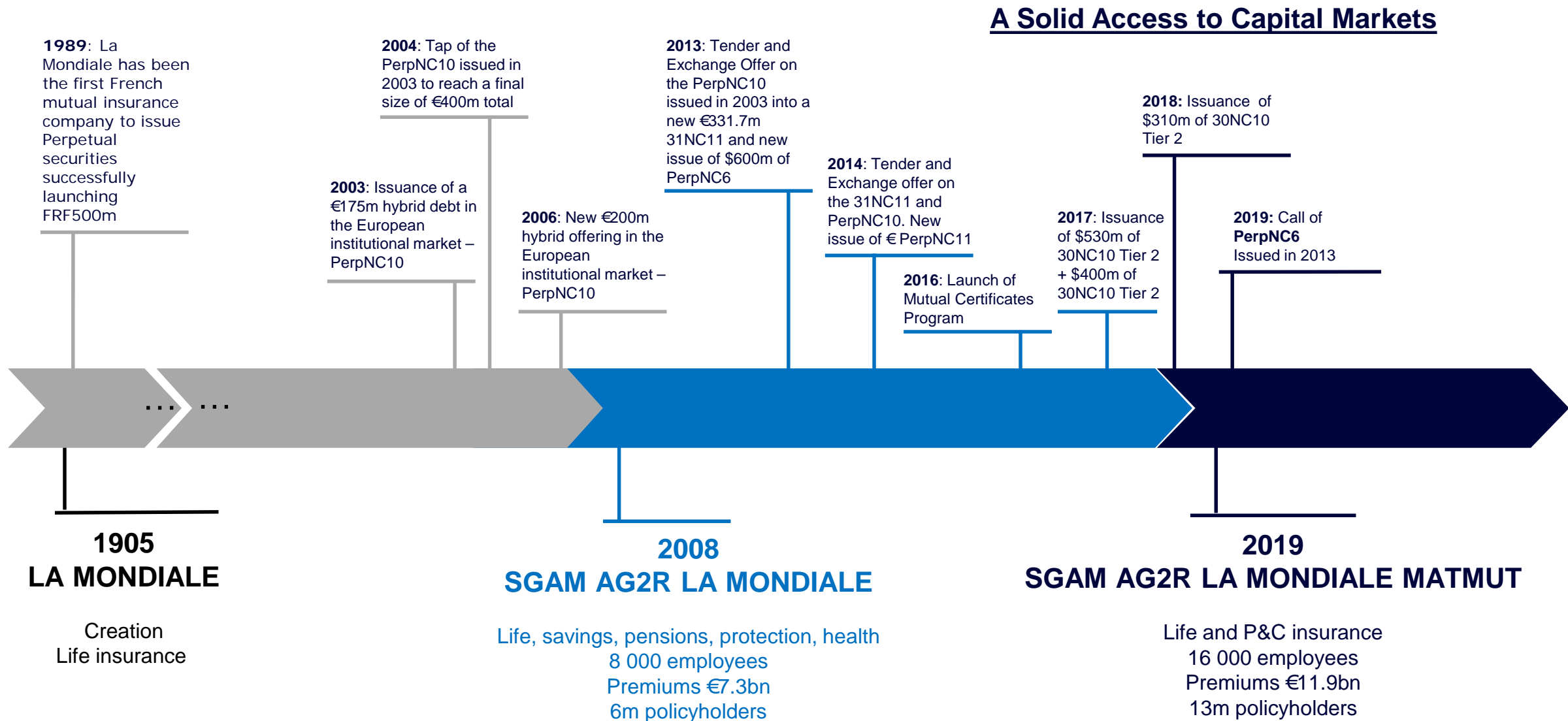
<sup>2</sup> : General Account products are more capital intensive than Unit Linked ones

<sup>3</sup> : See details in appendix p39-40

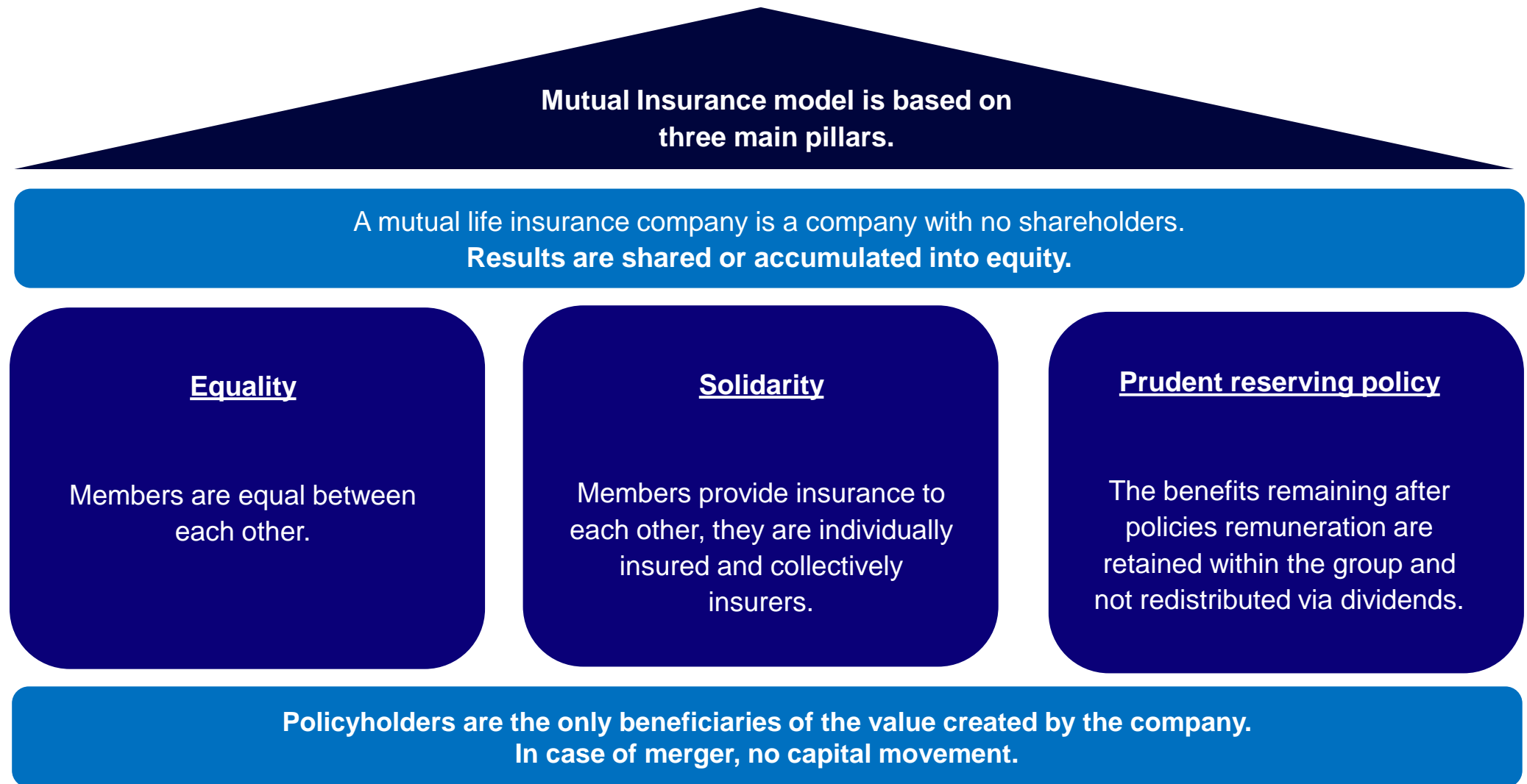
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# More than a century of presence and diversification



# The strength of the mutual insurance model



# As of January 1<sup>st</sup> 2019, creation of a new group

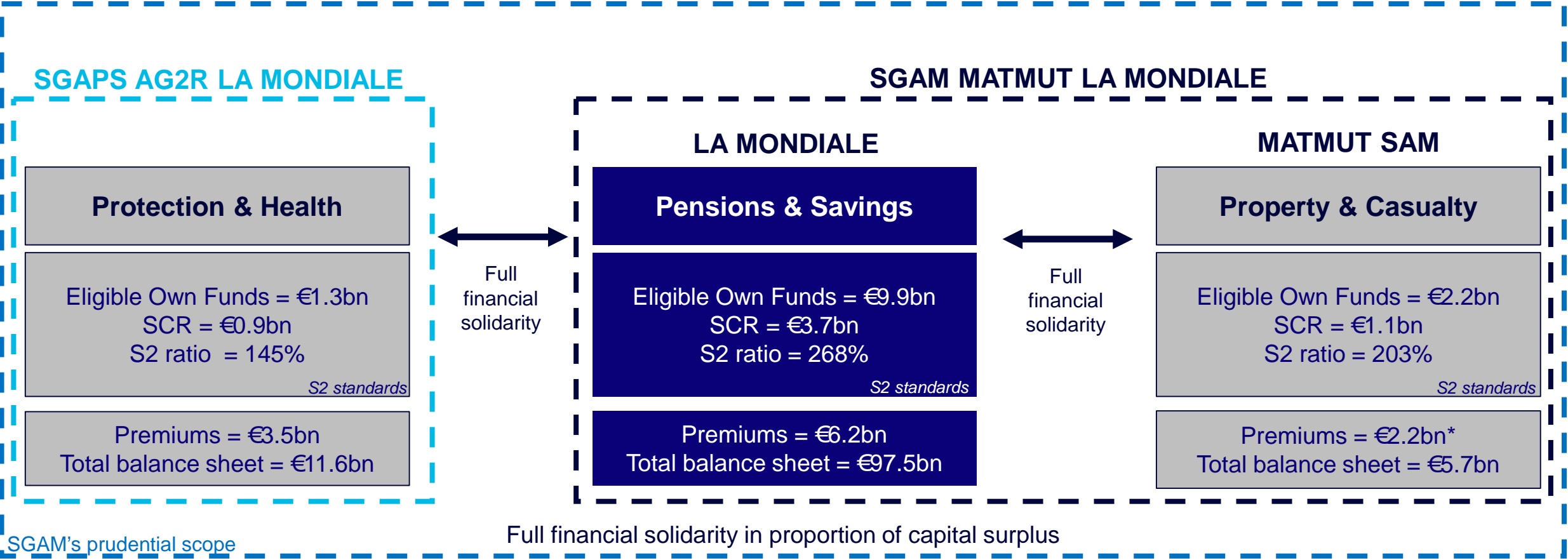
## A full range of insurance services for 13 millions of clients



# Group structure

Eligible Own funds = €13.8bn  
SCR = €6.3bn  
S2 ratio = 220%  
Premiums = €11.9bn

## SGAM AG2R LA MONDIALE MATMUT

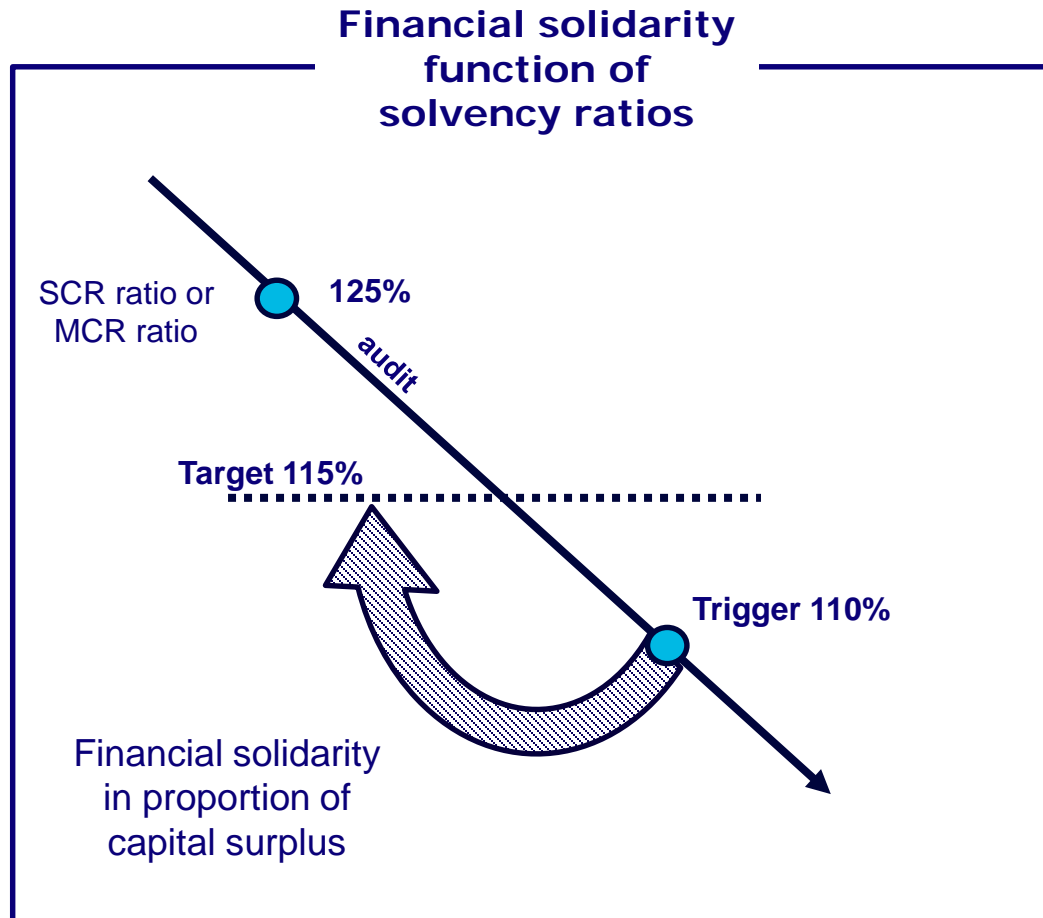


\* : including €0.3bn Health, €0.2bn Life

All securities issued from 2016 have a dual trigger at SGAM and La Mondiale solvency.



# AG2R LA MONDIALE MATMUT financial solidarity



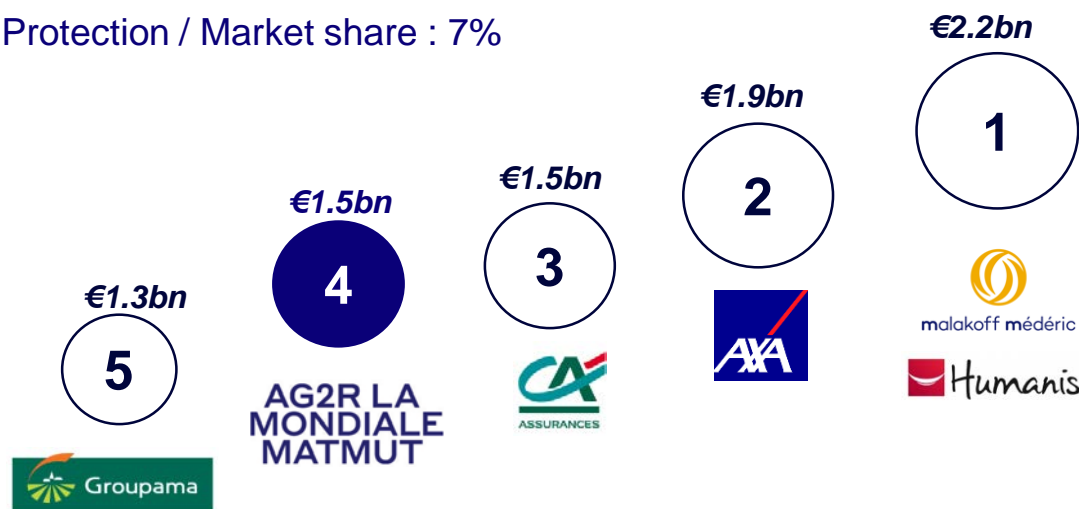
## Financial solidarity - description

Financial solidarity rules are set in a way such that, if the solvency ratio of a member were to go below 110%, other members will have to provide additional capital to restore a 115% ratio, as long as this does not make other members breach their own solvency.

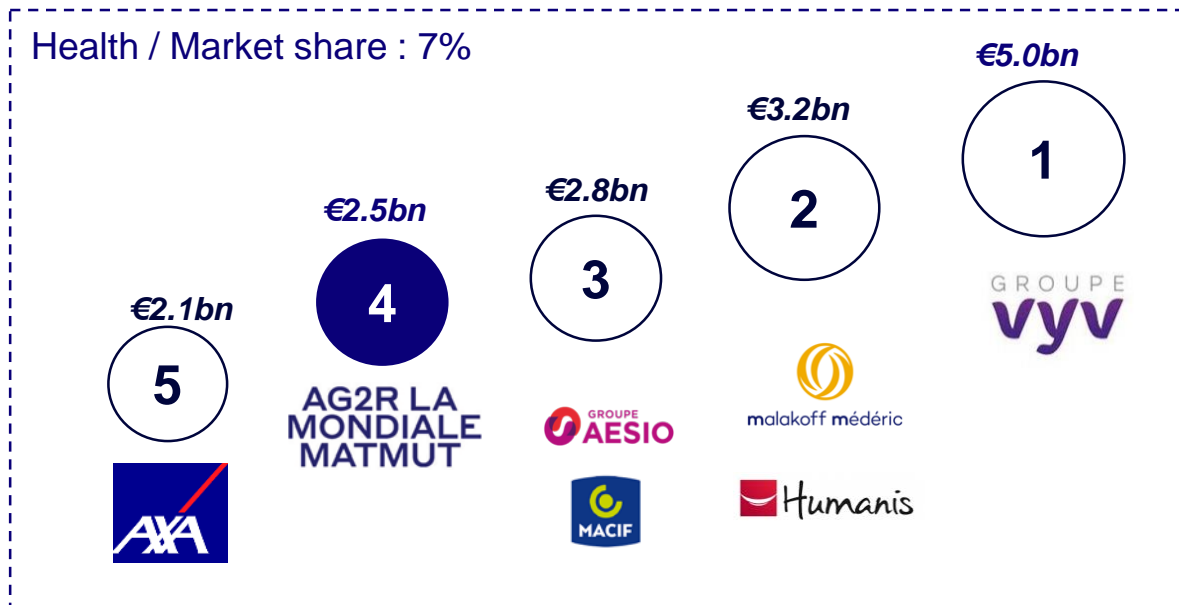
Starting at 125%, an audit is performed in order to reduce the risk of triggering financial solidarity.

# Leading positions in the Group's business lines : protection, health and P&C

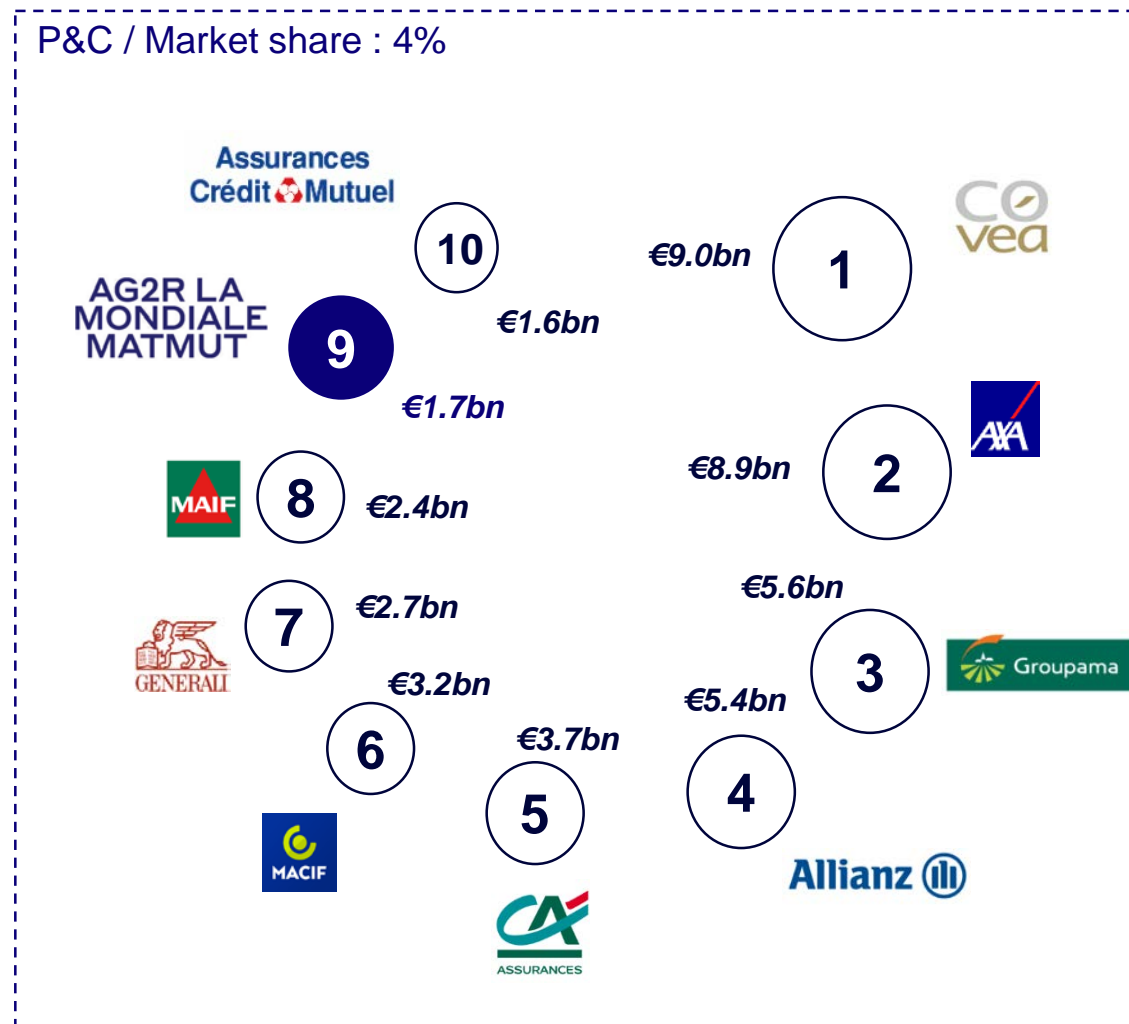
Protection / Market share : 7%



Health / Market share : 7%



P&C / Market share : 4%



# Leading positions in the Group's business lines : pensions and savings

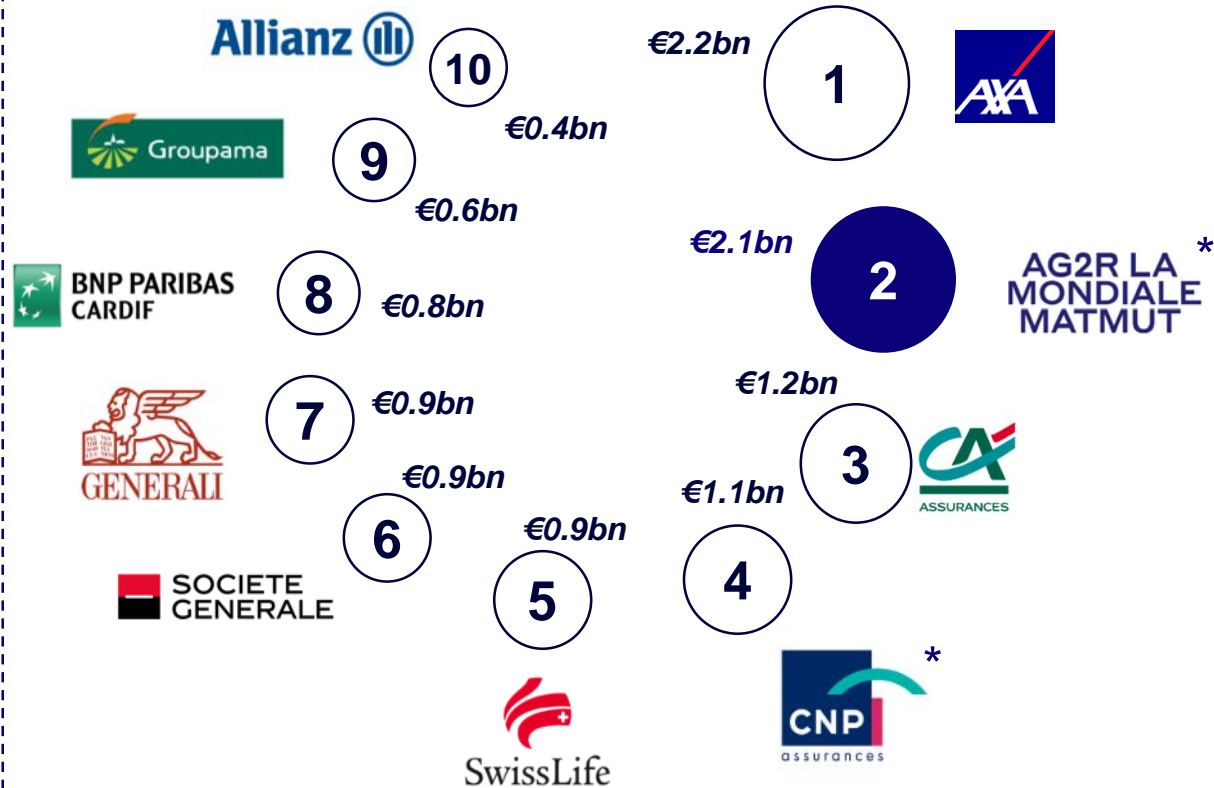
## \* Partnership #1



AG2R LA  
MONDIALE  
MATMUT

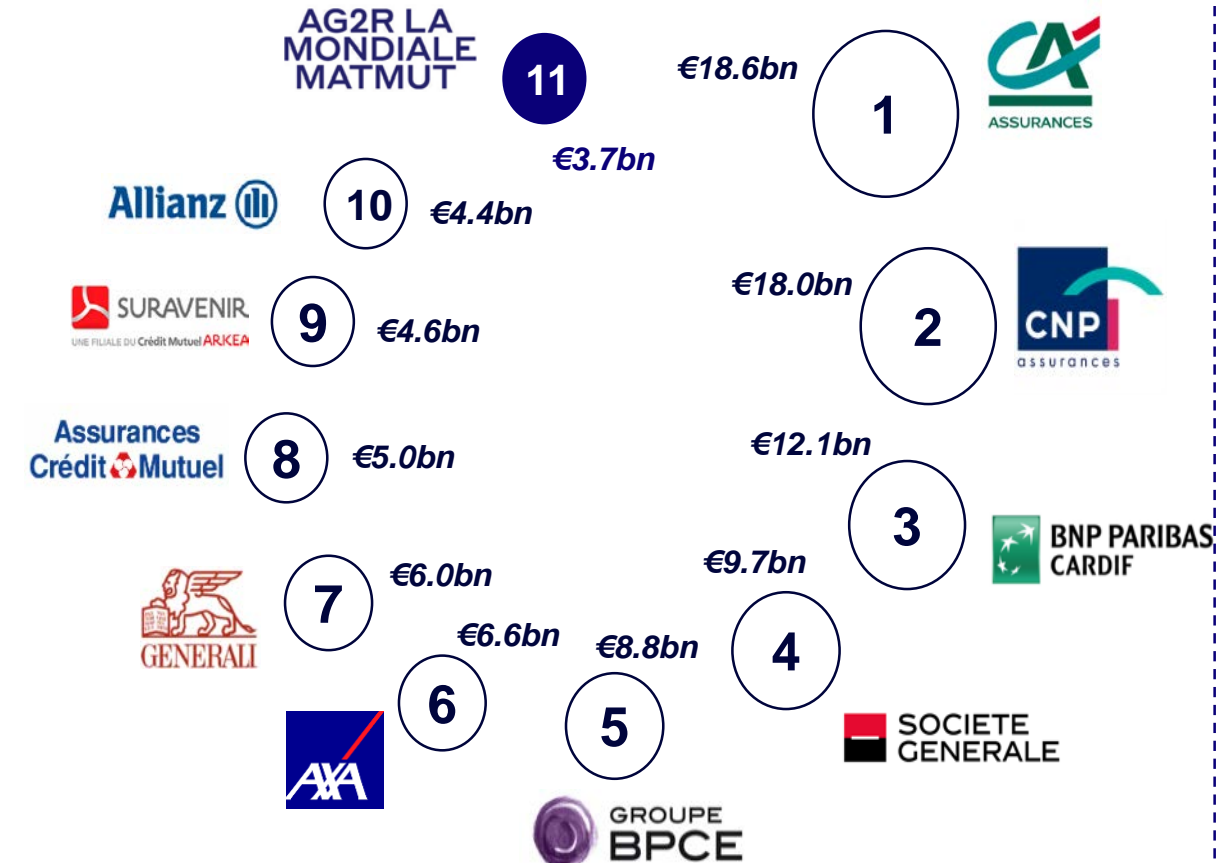
la solution retraite

### Pensions



### Savings

## AG2R LA MONDIALE MATMUT #4 excluding bankinsurers

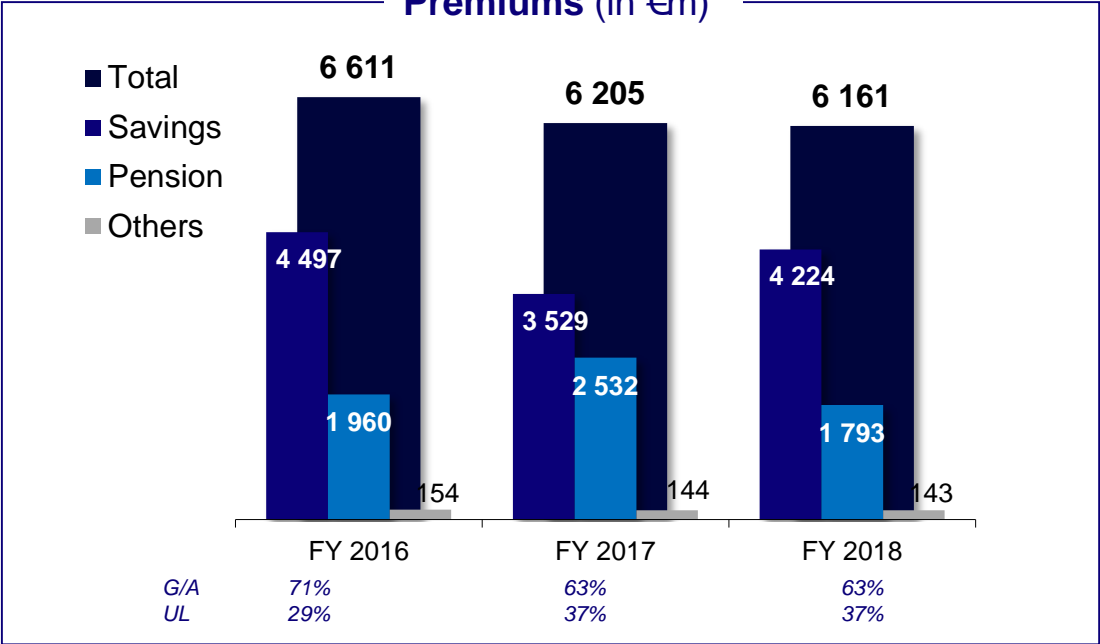


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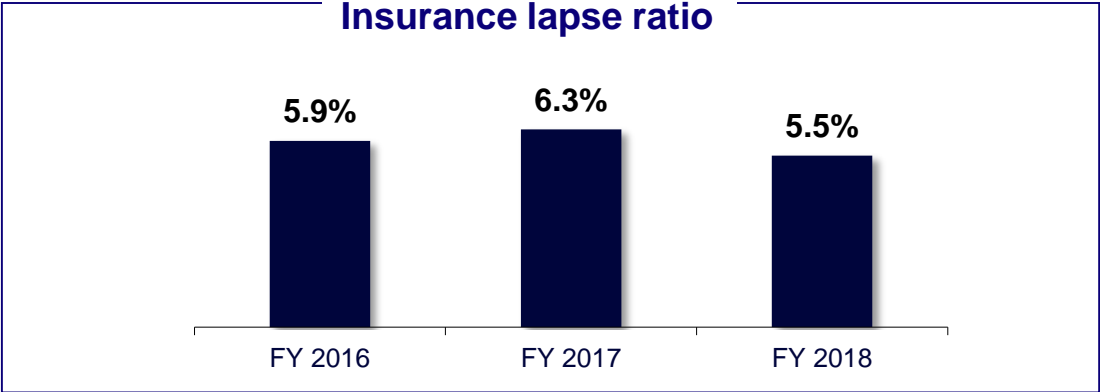
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# Business activity

Premiums (in €m)



Insurance lapse ratio



**Premiums :** Stability of premiums compared to the FY 2017 amount :

- ✓ Controlled decrease of GA exposure and focus on Unit Linked exposure
- ✓ UL share (37%), far above the market
- ✓ Significant focus on net inflows

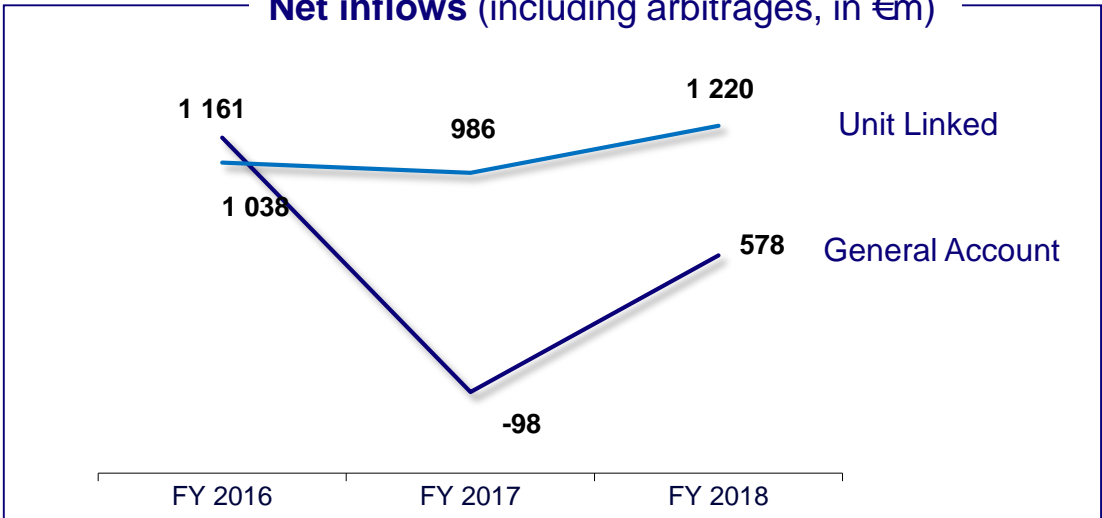
**Lapse :** Decrease of the insurance claims ratio (in line with the French market)

**Net inflows :** Controlled GA net inflows in a low interest rate environment

At mid-year, a historically low lapse ratio was observed. Measures have been taken to maintain the volume in GA while keeping good UL net inflow.

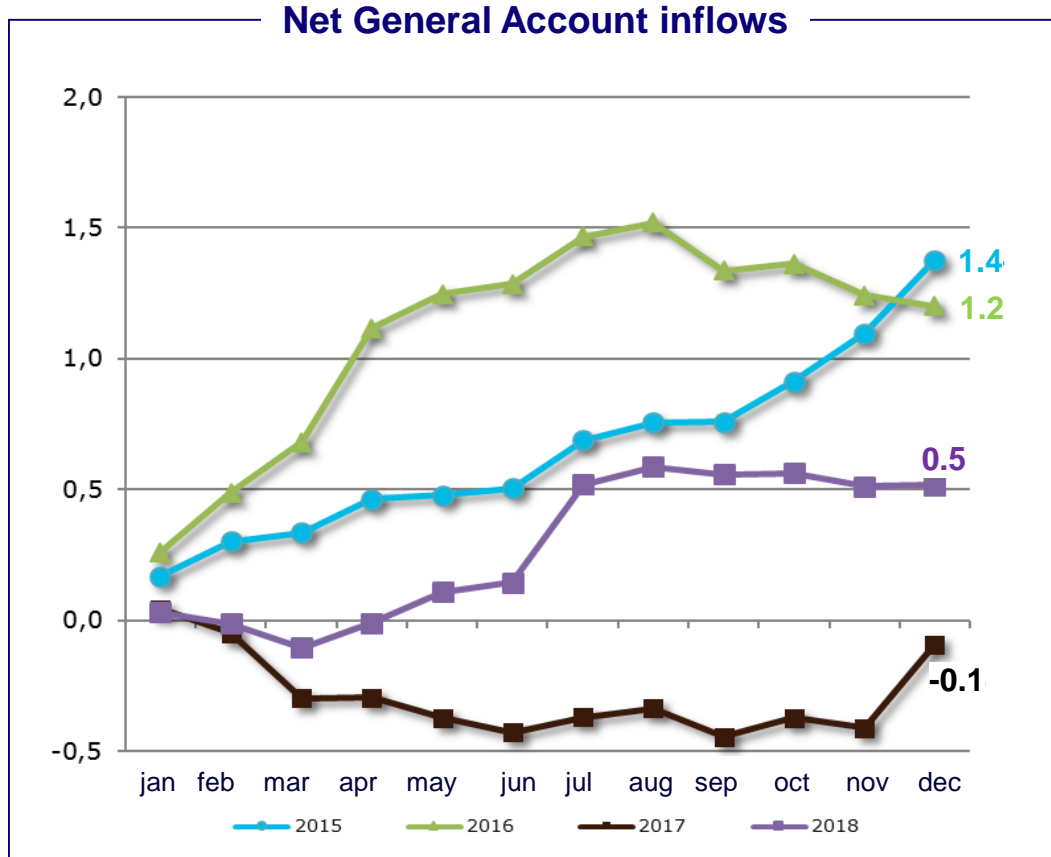
As of note on supplementary pensions : impact of the tax deductibility postponement of pension contributions, as part of the transformation of the income tax payment in France

Net inflows (including arbitrages, in €m)

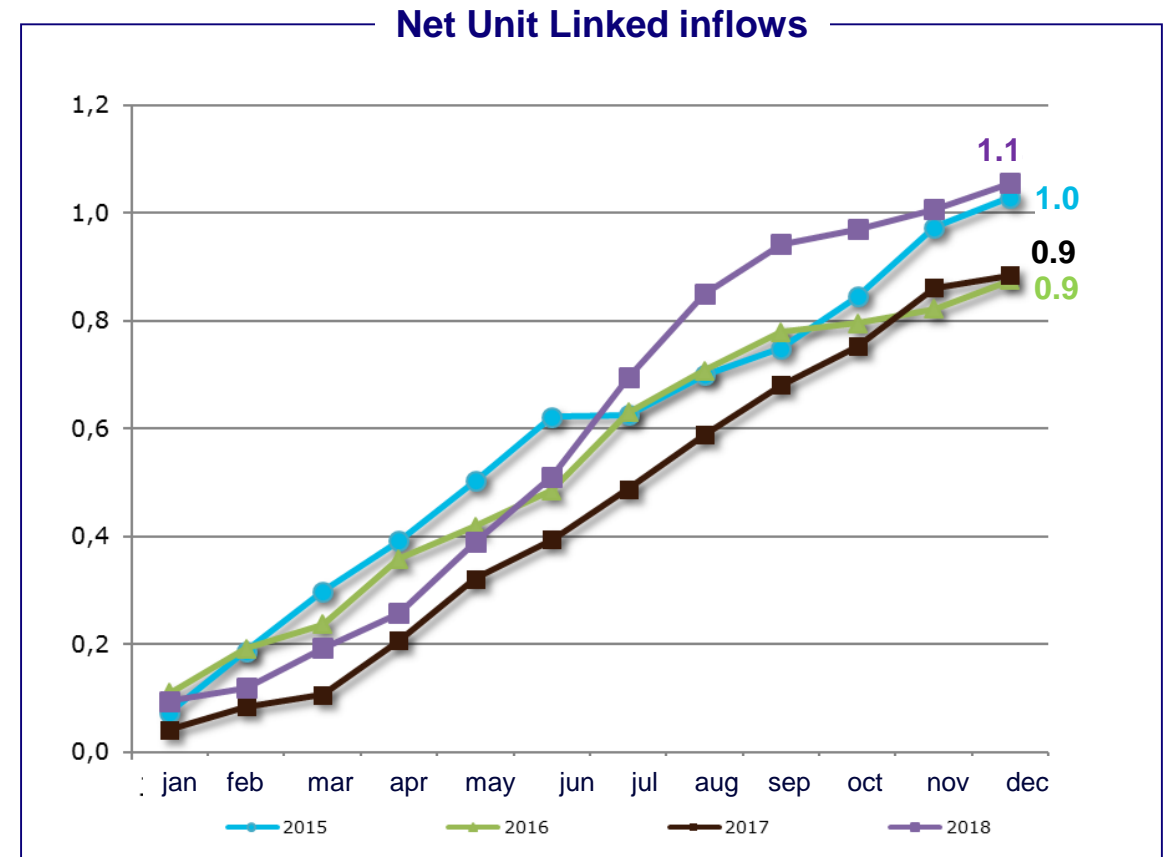


# 2018 Net inflows

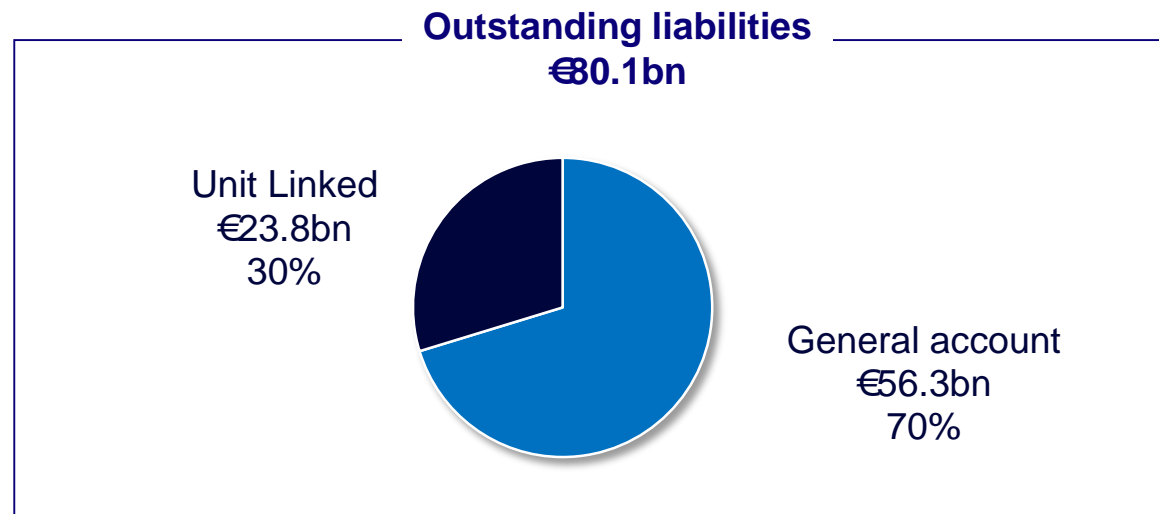
A reactive steering to face strong claims General Account ratio decrease



Another prosperous year for the UL inflows, despite volatile market



# Core businesses' financial structure



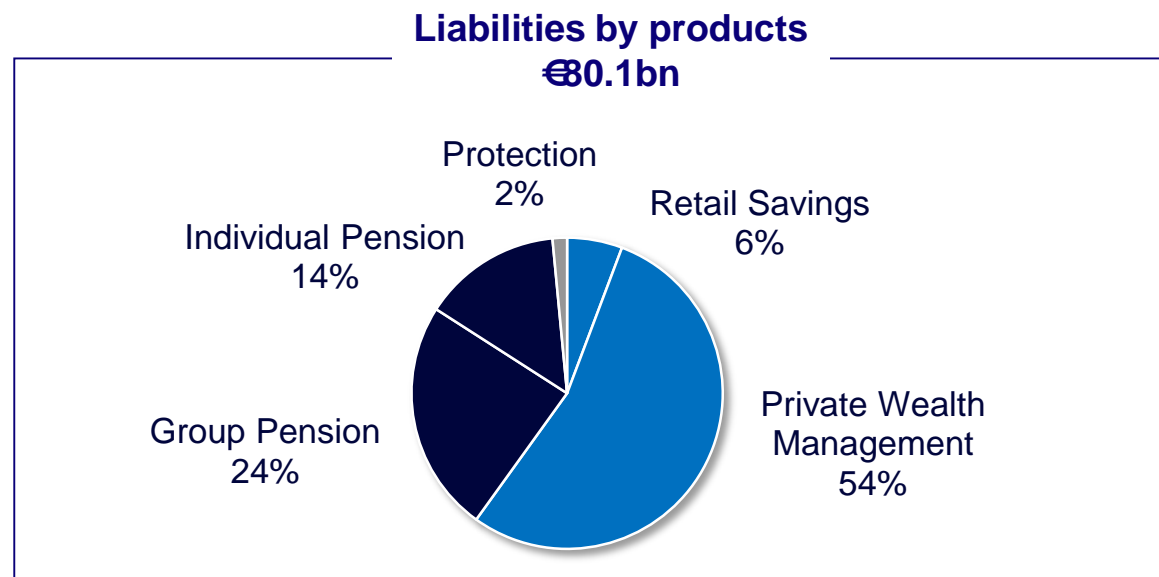
**Liabilities** : stability (+0,3% compared to FY 2017)

General account : +3.0%

- ✓ + 1.0% from net inflows
- ✓ + 2.0% : contracts revaluation (profit-sharing)

Unit linked : -5.6%

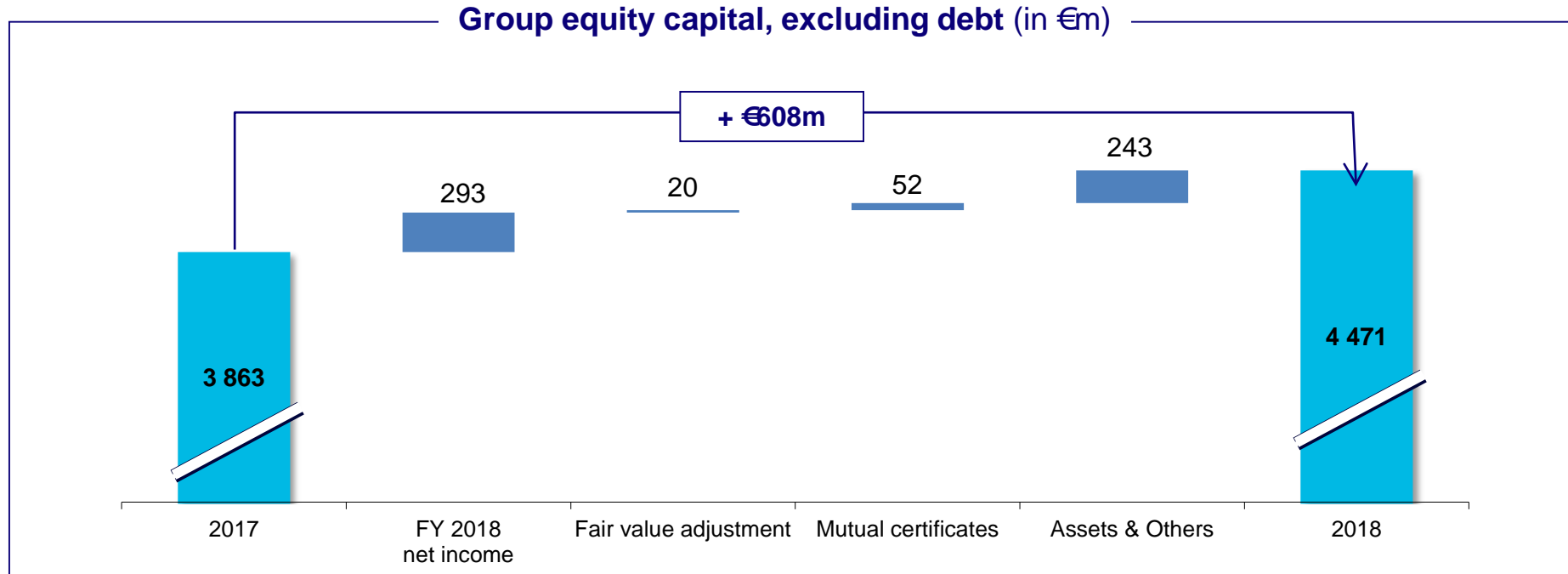
- ✓ +2.3% : net inflows and transfers UL/GA
- ✓ -7.9% : market impact



UL liabilities represent 30% of total liabilities (about 10pts above the market).

Liabilities are largely split in to pensions (40%) and savings (60%). Pensions are sensitive to rates decrease and savings to rates increase, therefore leading to a natural hedge between liabilities.

# Performance in line with our financial strategy

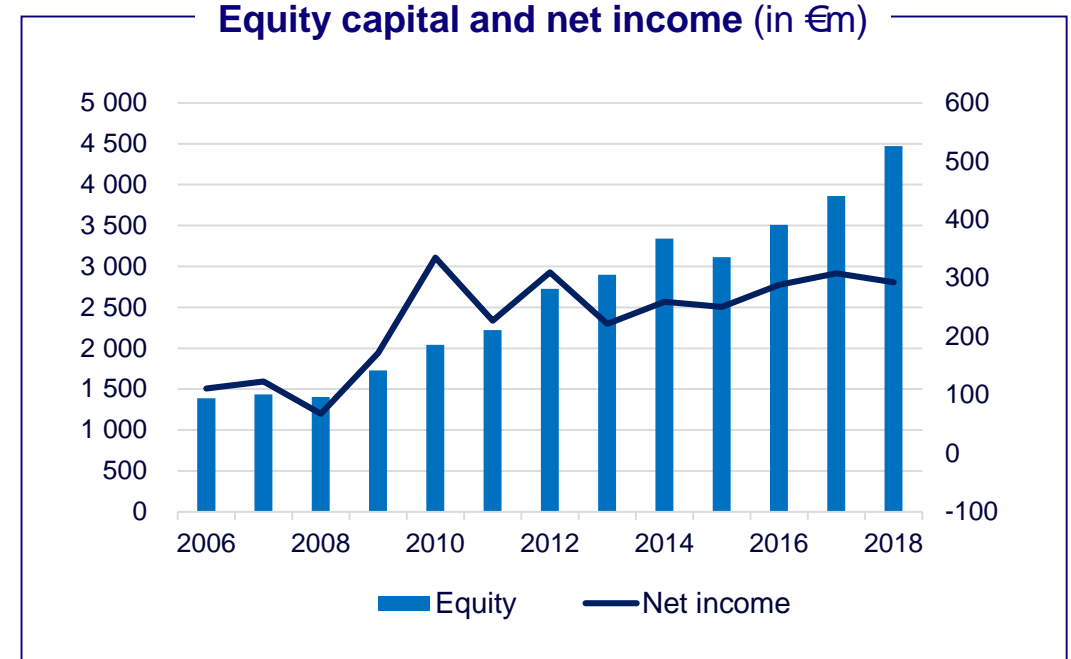
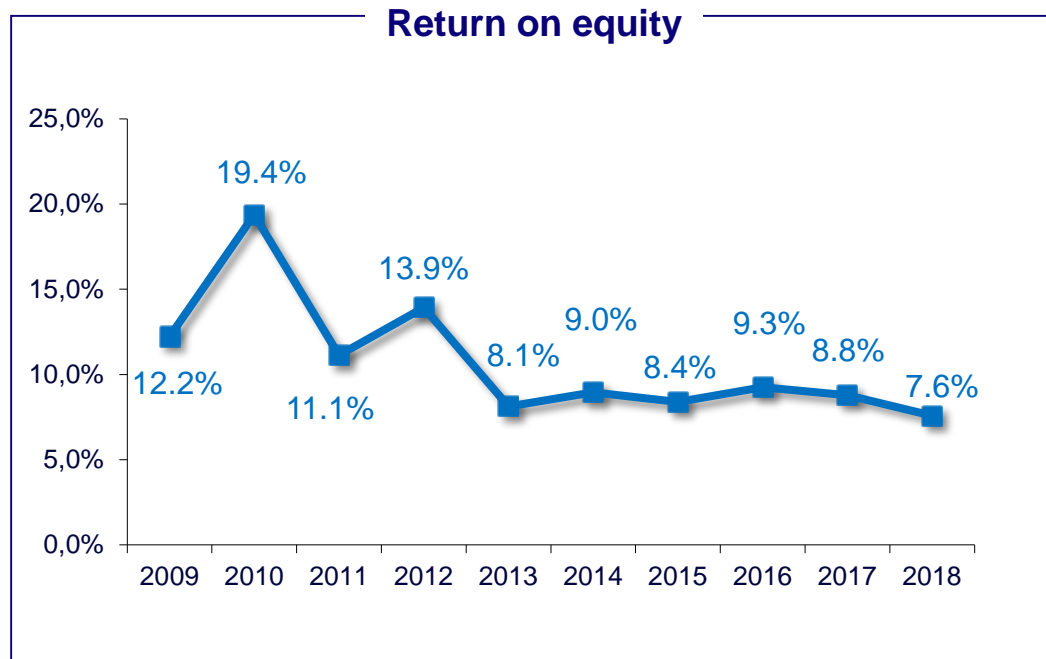


**La Mondiale : €4.5bn of IFRS own funds (+15% compared to FY 2017, x3 compared to 10 years ago), as a result of**

- ✓ €293m of net income
- ✓ €52m of mutual certificates issuance
- ✓ €243m of “assets & others”, including a particularly significant increased of the property portfolio - thanks to the growing maturity of the group’s property vehicle.



# A strong financial performance



**Group equity capital target : €1bn of growth every three years, due to the net results**

- ✓ Results contribute to equity, hence driving growth in equity
- ✓ No dividend distribution
- ✓ ROE is in line with target

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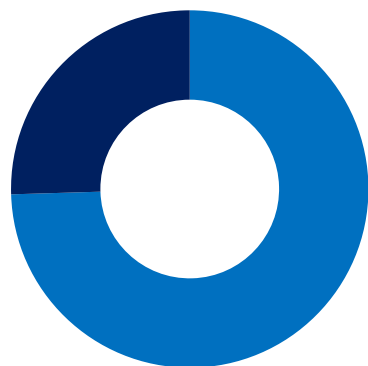
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# Asset allocation

## Outstanding assets

€3.5bn

Unit linked  
assets  
€23.8bn  
25%



General  
account  
assets  
€23.8bn  
75%

**Assets** : minor decrease (-1%) compared to FY 2017

- ✓ General account : +1%
- ✓ Unit linked : -1%

Assets under management have grown significantly over the last decade at an average annual growth rate of **+7.9%** since 2008.

The UL/GA mix is stable at 25% / 75% compared to FY 2017.

## General account assets allocation

€69.7bn

Repo collateral (\*)  
€2.8bn  
4%

Cash  
€0.9bn  
1%

Property (\*\*)  
€3.5bn  
5%

Equity  
€5.6bn  
8%

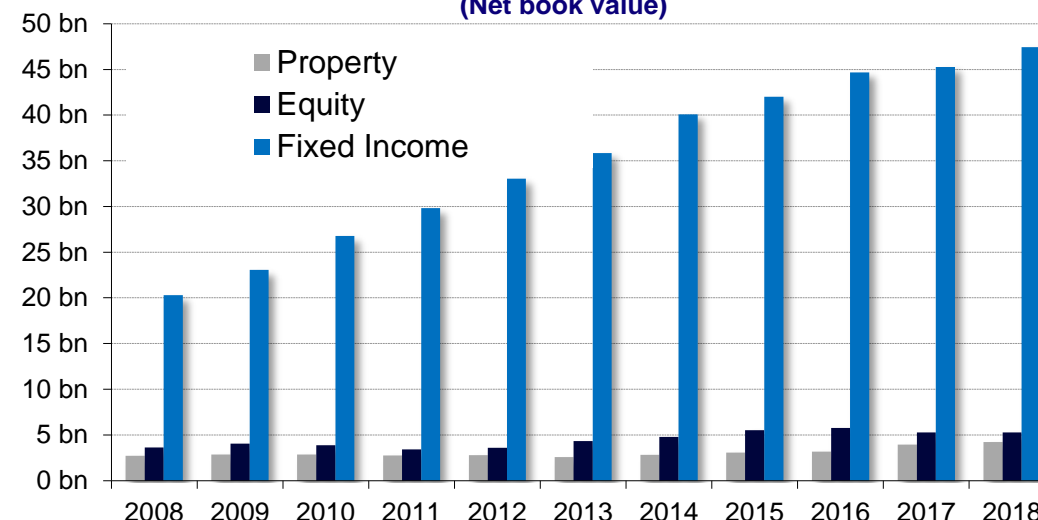


Fixed  
Income  
€56.8bn  
82%

## Historical asset allocation

### General Account

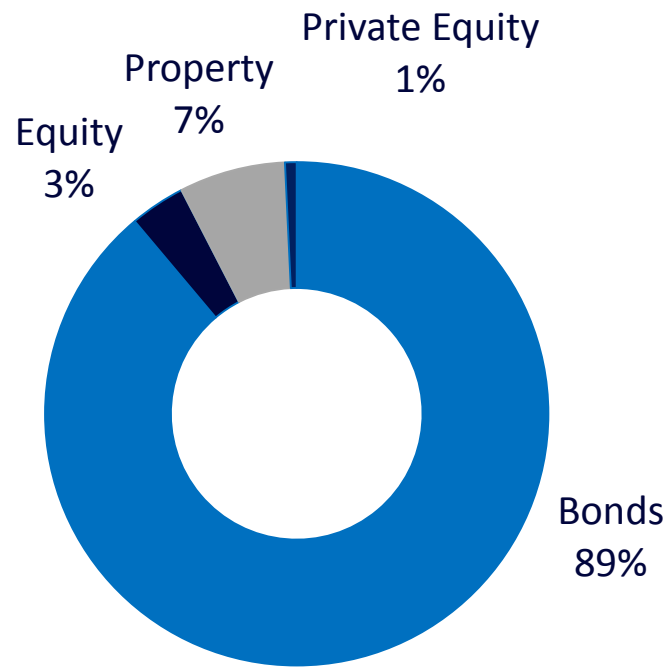
(Net book value)



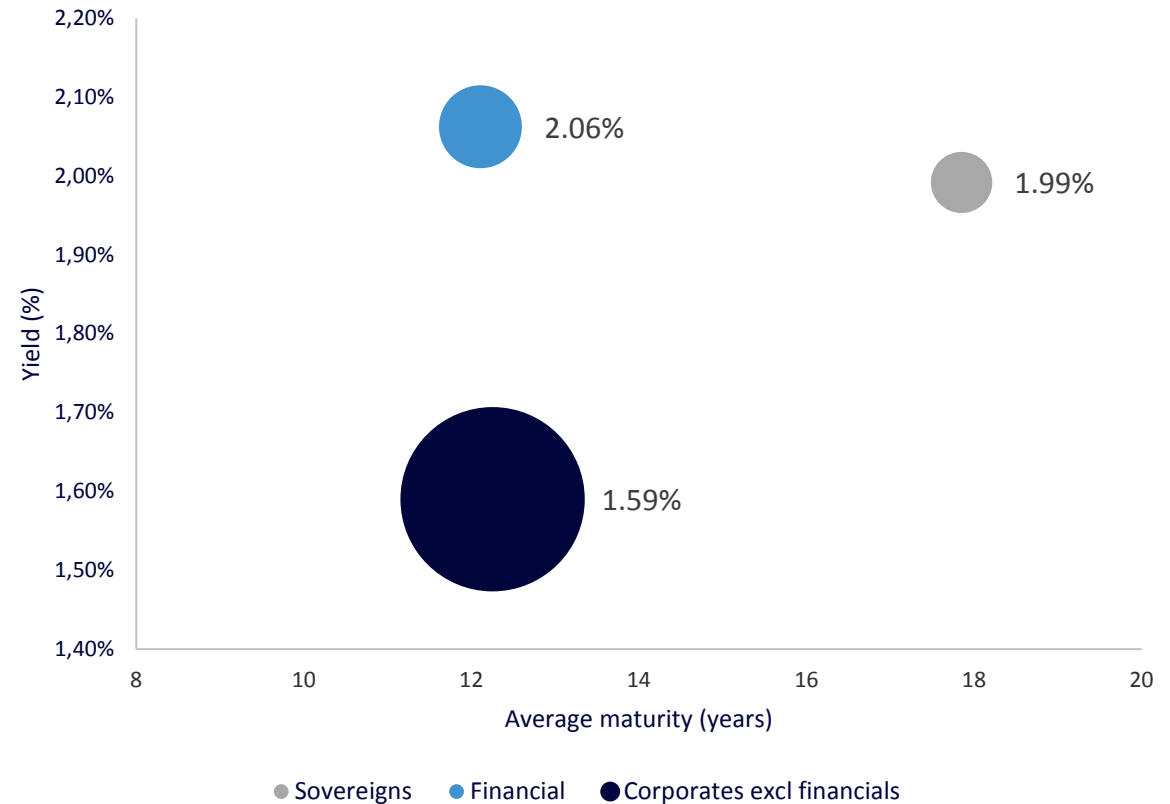
# 2018 Investments

Average investment rate on European bond portfolios : 1.79%

2018 investment flows

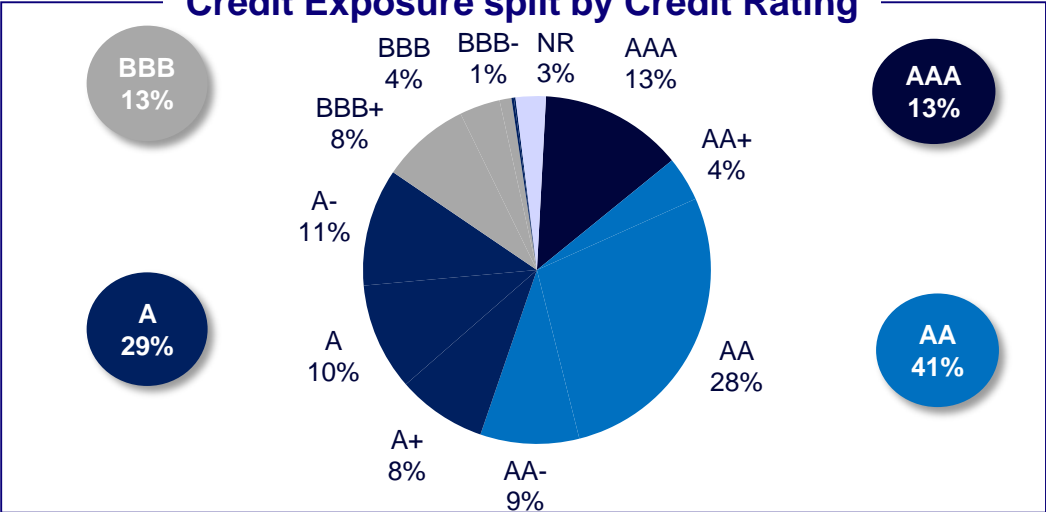


2018 bond investment flows



# Fixed income allocation

Credit Exposure split by Credit Rating



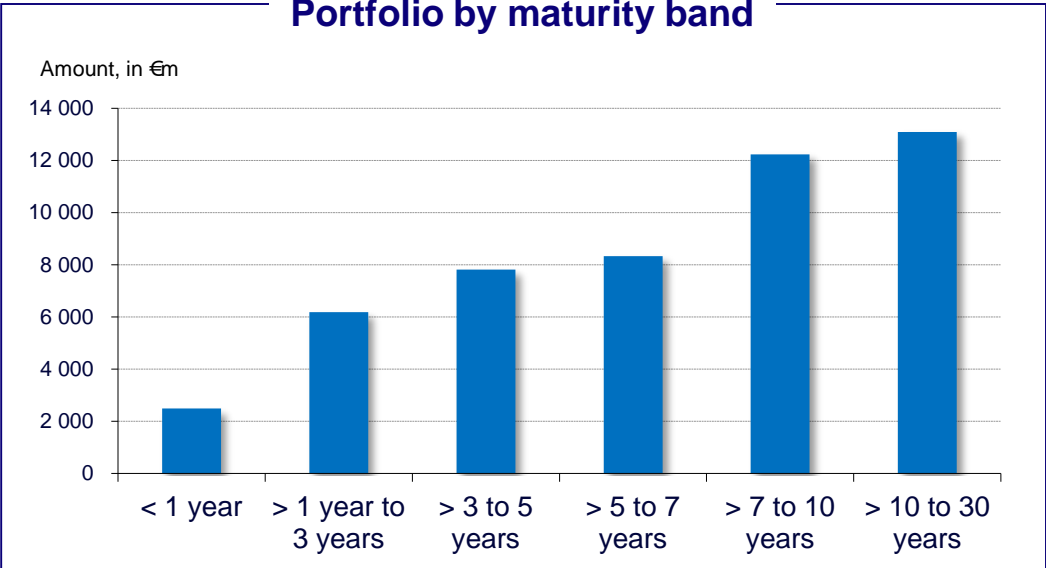
Total fixed income exposure is at €56.8bn (excluding mutual funds and repo)

Limited exposure to risky investments, demonstrated by around 15% of the investments currently rated BBB+ or below

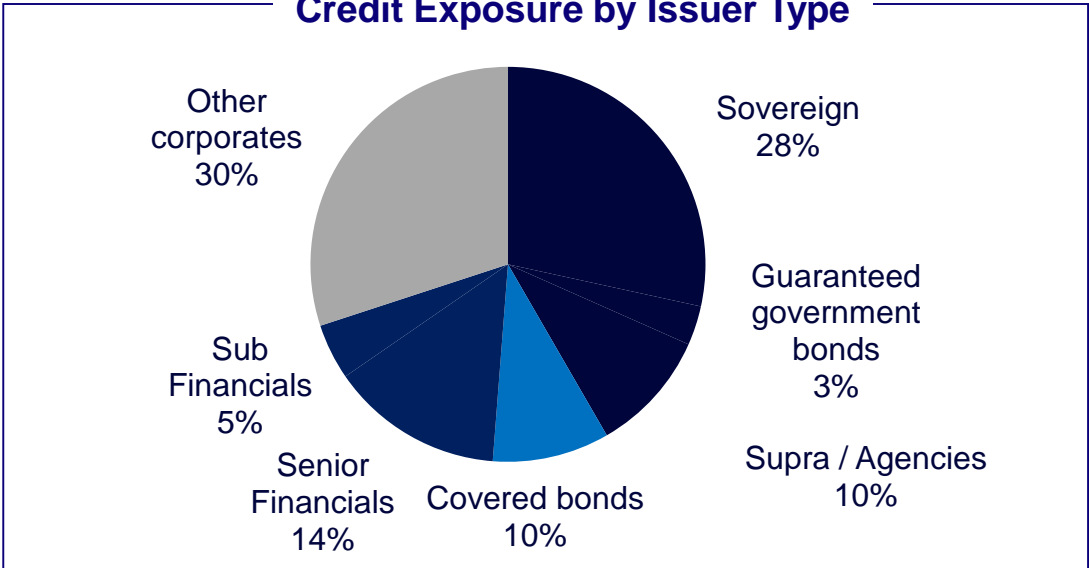
No floating rate bond

Duration / sensitivity of portfolio (7.3) in line with liabilities sensitivity, much lower than their duration (10.8) due to crediting rate policy

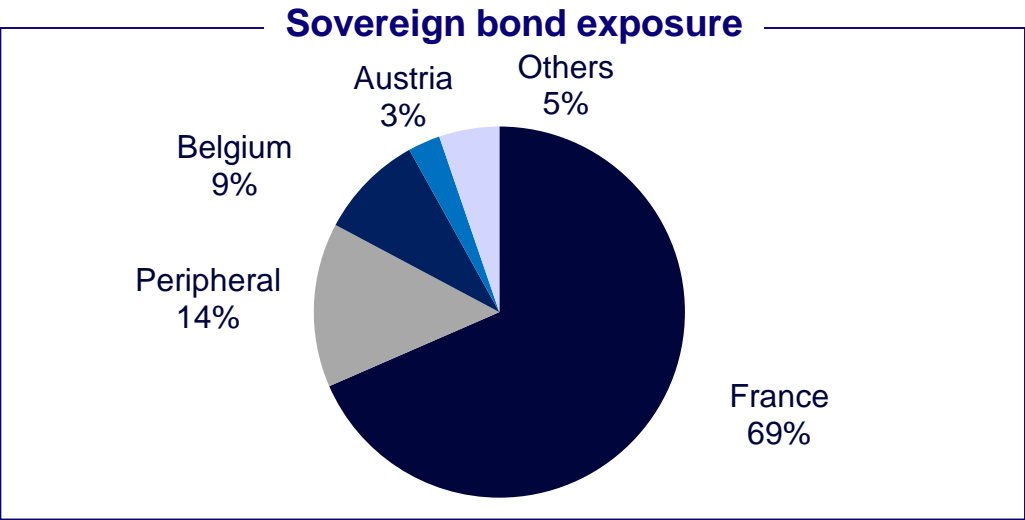
Portfolio by maturity band



Credit Exposure by Issuer Type

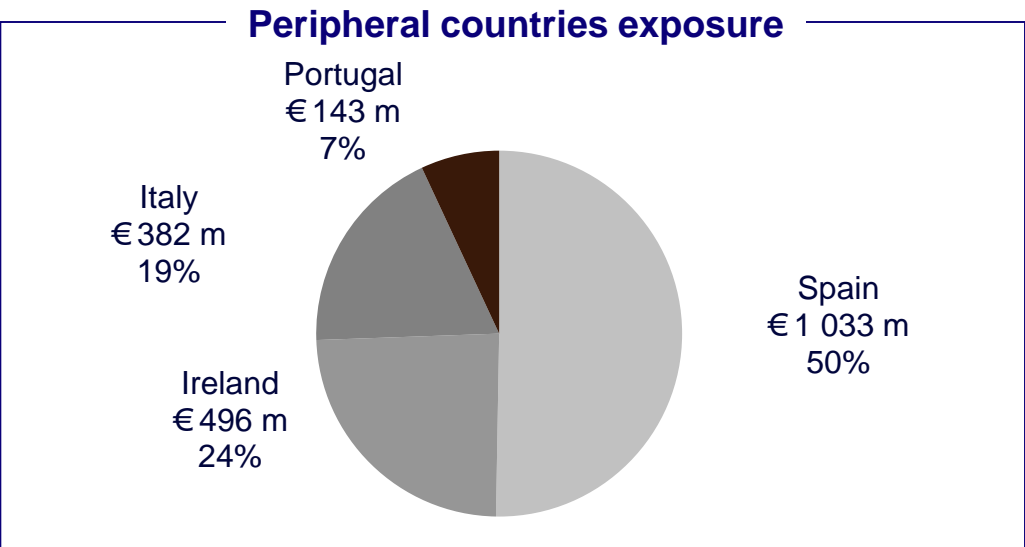


# Fixed income allocation – Sovereign exposure



**Total Sovereign exposure is at €14.3bn.**

Sovereign exposure accounts for 28% of total fixed income exposure.

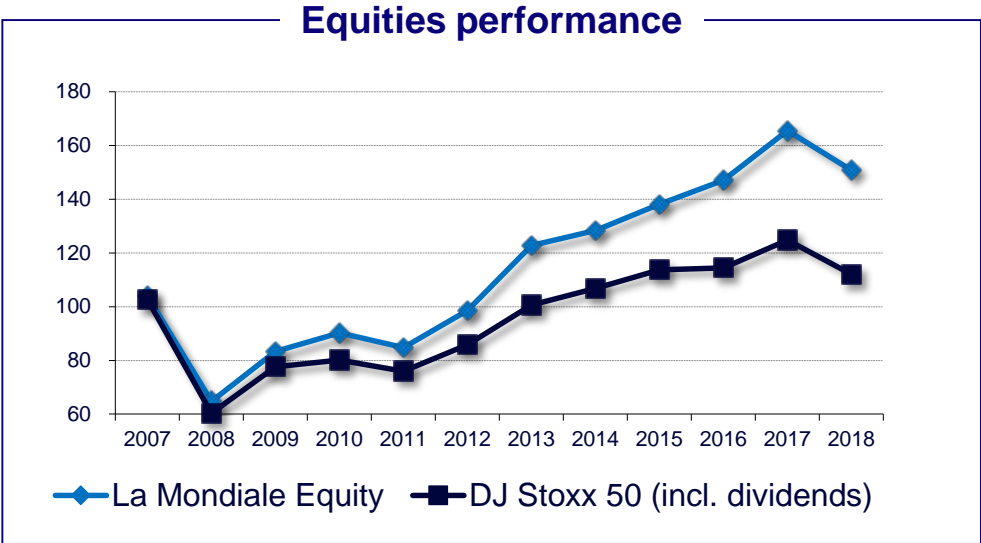


**Total Sovereign on Peripheral countries exposure is at €2.1bn.**

Peripheral countries exposure forms 14% of this sovereign bucket and hence represents only 4% of overall total investments.

High level of unrealized gains (€248m) allowing credit shock absorption

# Equities investment allocation



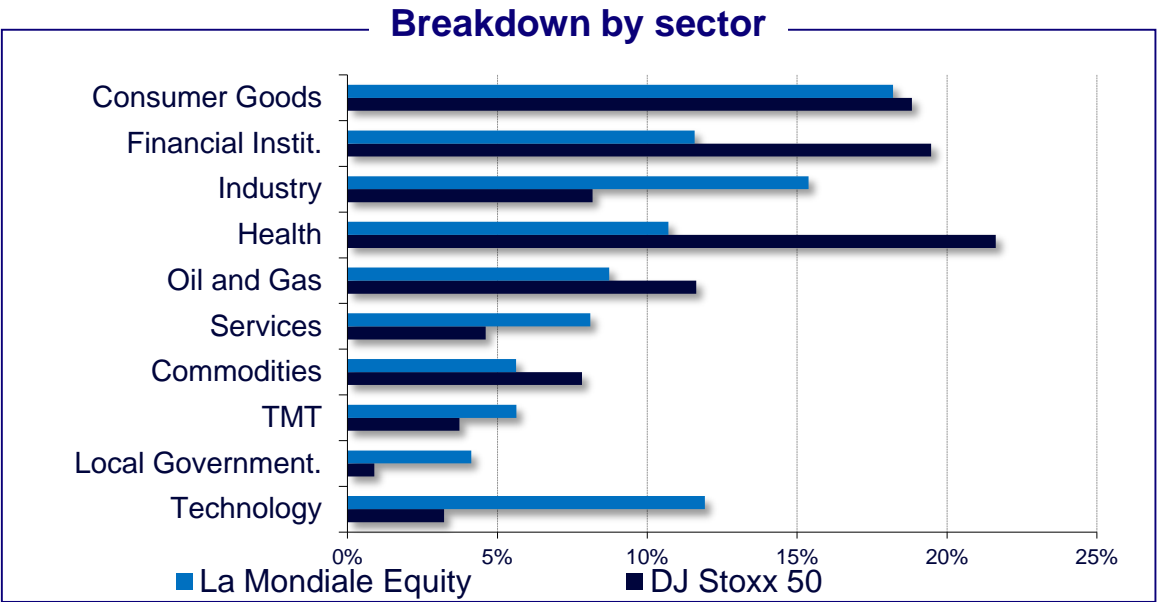
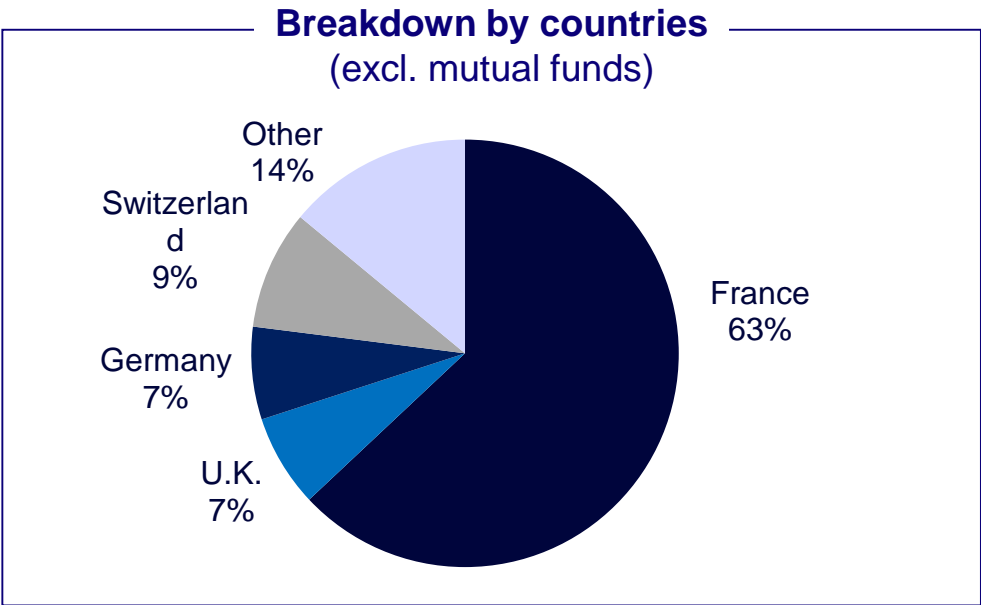
**Equities exposure : €5.7bn**  
(including €1.6bn through mutual funds)

FY2018 performance at -8.9%, after +12.5% performance in 2017

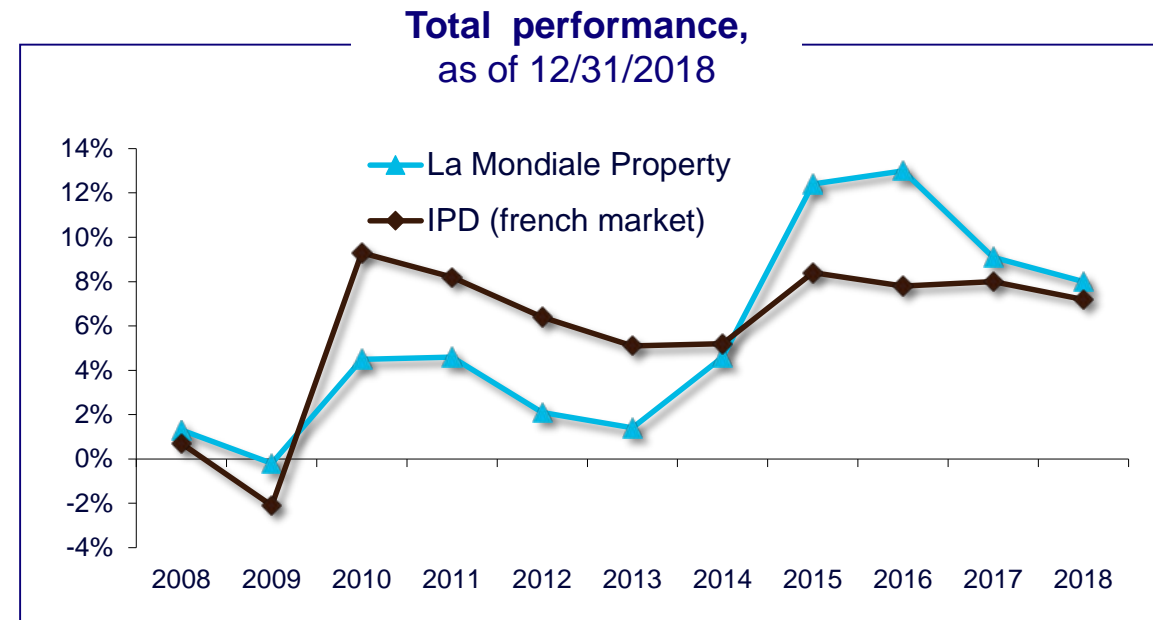
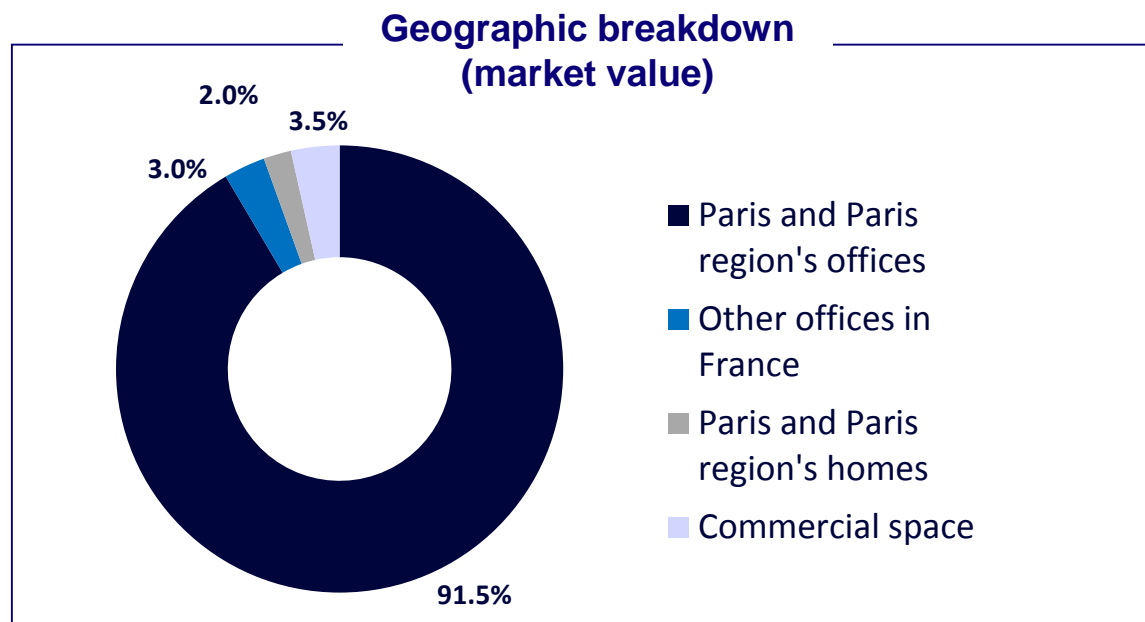
A well diversified Equity portfolio by geography and sector

Focus on large liquid Equity stocks traded on the main exchange markets

All FX exposures are fully hedged



# Property allocation



**Total Property exposure is at €3.5bn (fair value : €5.2bn)**

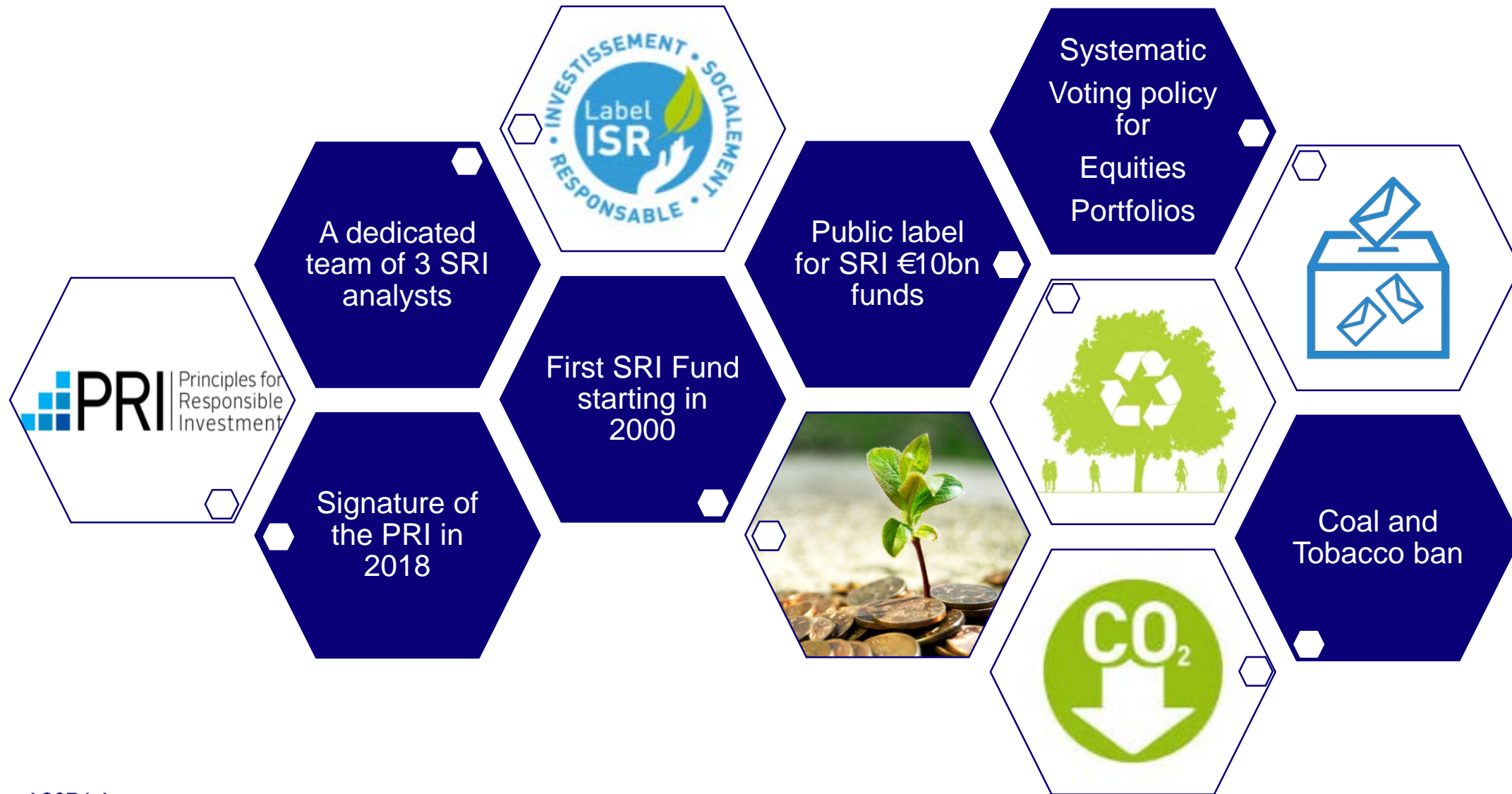
La Mondiale property assets represent 1 000 000 sq.m. and are mainly offices located in the center or Western Paris, i.e. only Prime Real Estate.

Solid rental market, especially on all recently delivered surfaces, prompting a very good vacancy rate of c.5%

Exceptional IPD index outperformances of 2015 and 2016 explained by the strong value creation on the deliveries of the restructured buildings. Average revenue : 426 €/m<sup>2</sup>



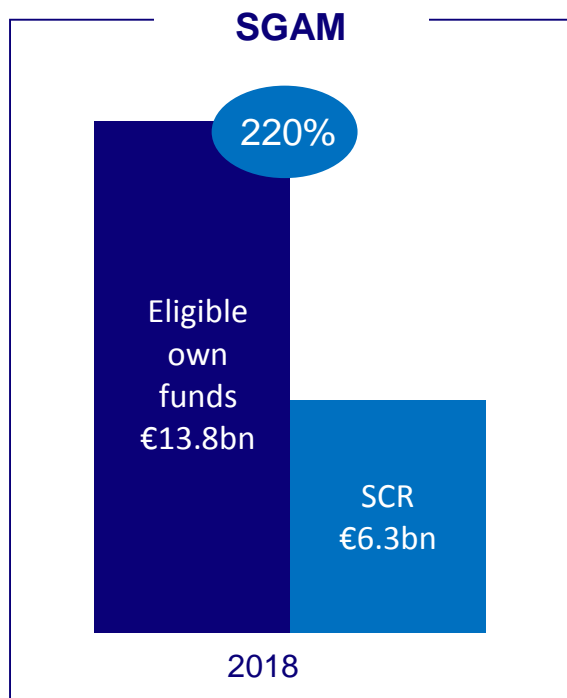
# Corporate social responsibility and SRI investments



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# Solvency 2 – SCR coverage ratio



S2 ratios	2017	2018
SGAM AG2R LA MONDIALE	224%	218%
SGAM MATMUT GROUP	208%	203%
<b>SGAM AG2R LA MONDIALE MATMUT</b>	<b>226%</b>	<b>220%</b>

**SGAM AG2R LA MONDIALE MATMUT’s solvency ratio is better than that of each of its affiliates due to diversification benefit.**

Decrease of the ratio by 6% in FY 2018 vs FY 2017 :

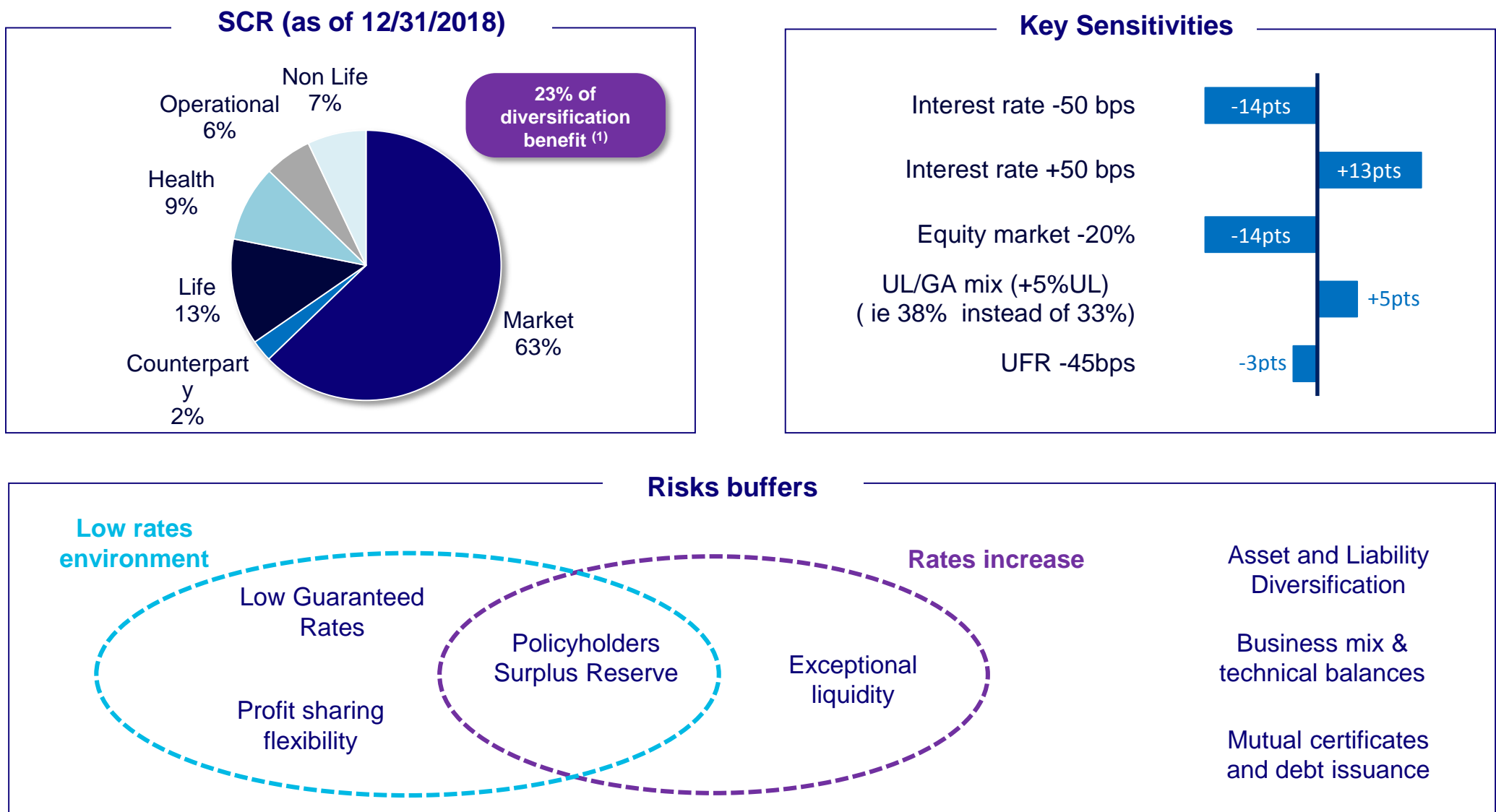
- The net income offsets the transitional measures amortization
- Negative impact of the financial environment

The amount of the transitional measure on technical provision is €3.7bn and represents 59pts of SGAM AG2R LA MONDIALE MATMUT ratio. The measure has been agreed by the supervisor until 2032.

**Despite persistent low rates, the FY 2018 ratio excluding transitional measures remains stable.**

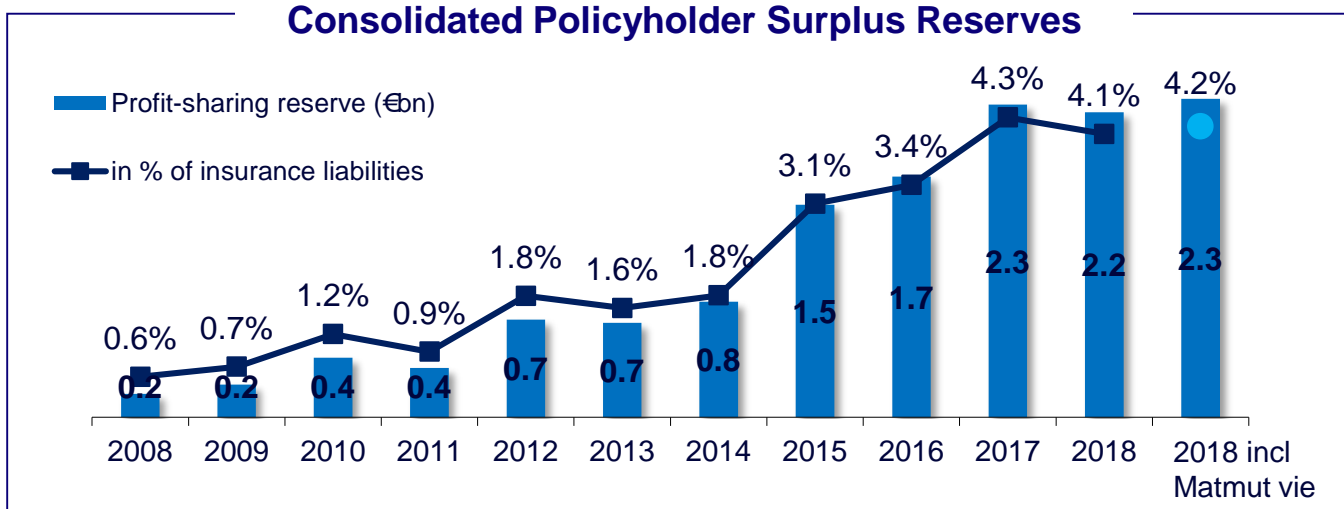
The issuer La Mondiale (solo) S2 ratio is at 268%.

# Strong risk management policy



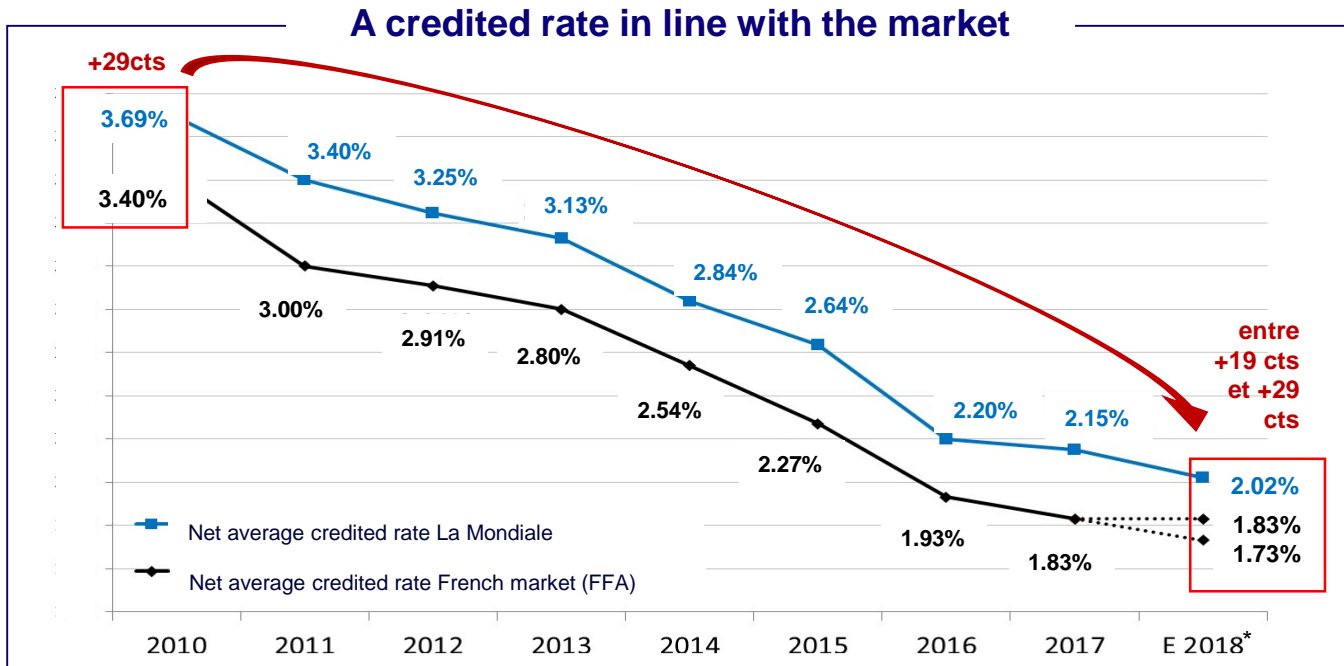
(1) Diversification benefit = (sum of net SCR excluding Operational risk SCR - net BSCR) / sum of net SCR excluding Operational risk SCR

# Policyholder surplus reserve : still above 4% of the reserves



## Target : Stability of the indicator

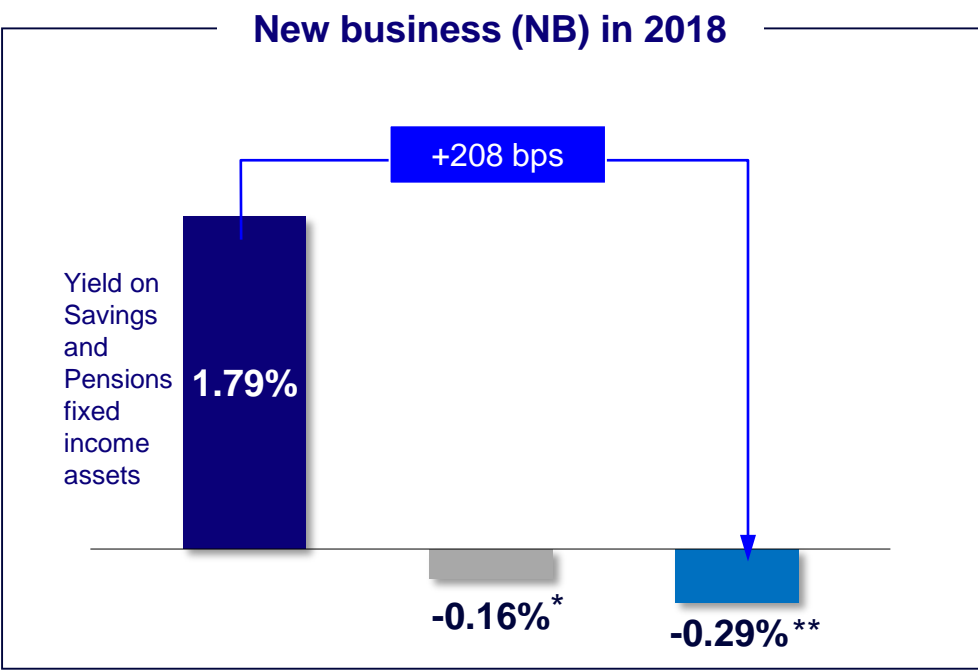
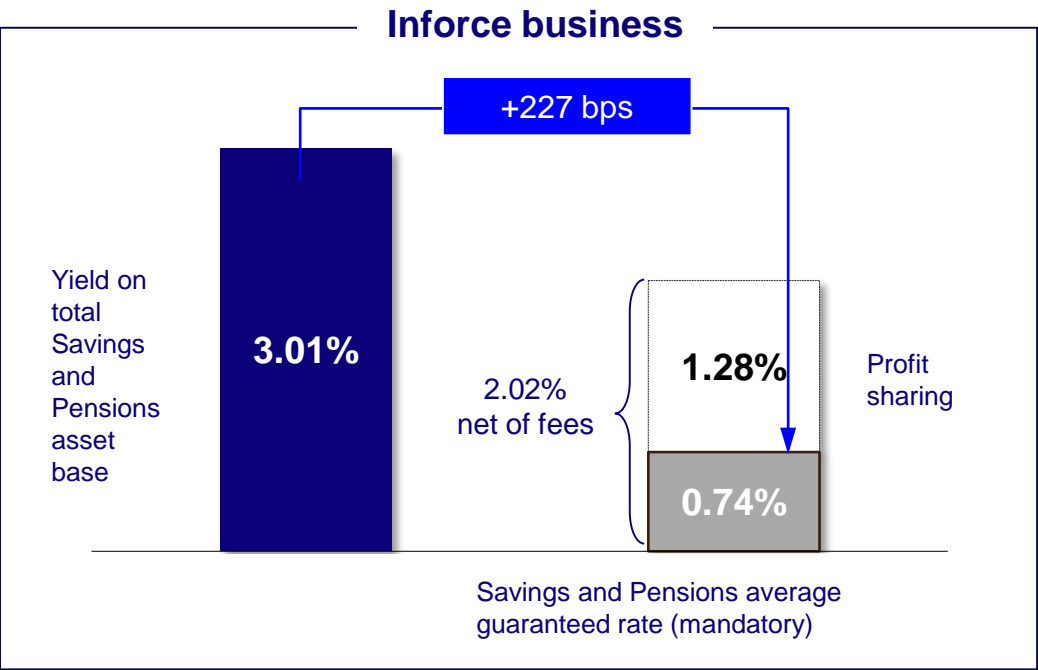
- ✓ €2.2bn Policyholder Surplus Reserve, representing 4.1% of total technical reserves
- ✓ Slight decrease in the provision between 2017 and 2018 (€56m) to absorb the capital losses reserving on mainly equity securities (impact of €60m)



- ✓ The profit-sharing rate is still decreasing, along with the decline in the asset return rate.
- ✓ While keeping our policyholders surplus reserve target above 4% of reserves

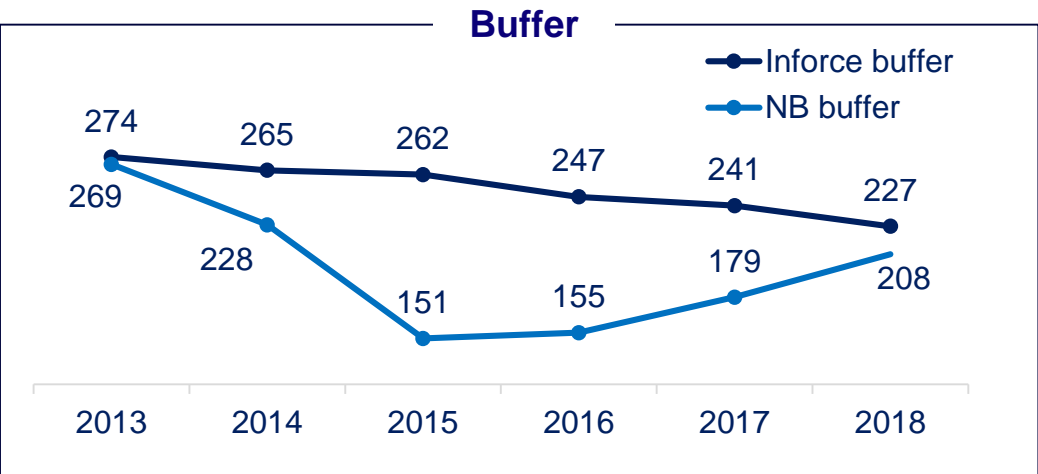
\*: Assumption of a 10cts decrease of the market as provided by numerous press articles

# Large investment spreads on savings and pensions



•: Savings and Pensions average guaranteed rate (1st year & 2nd year)

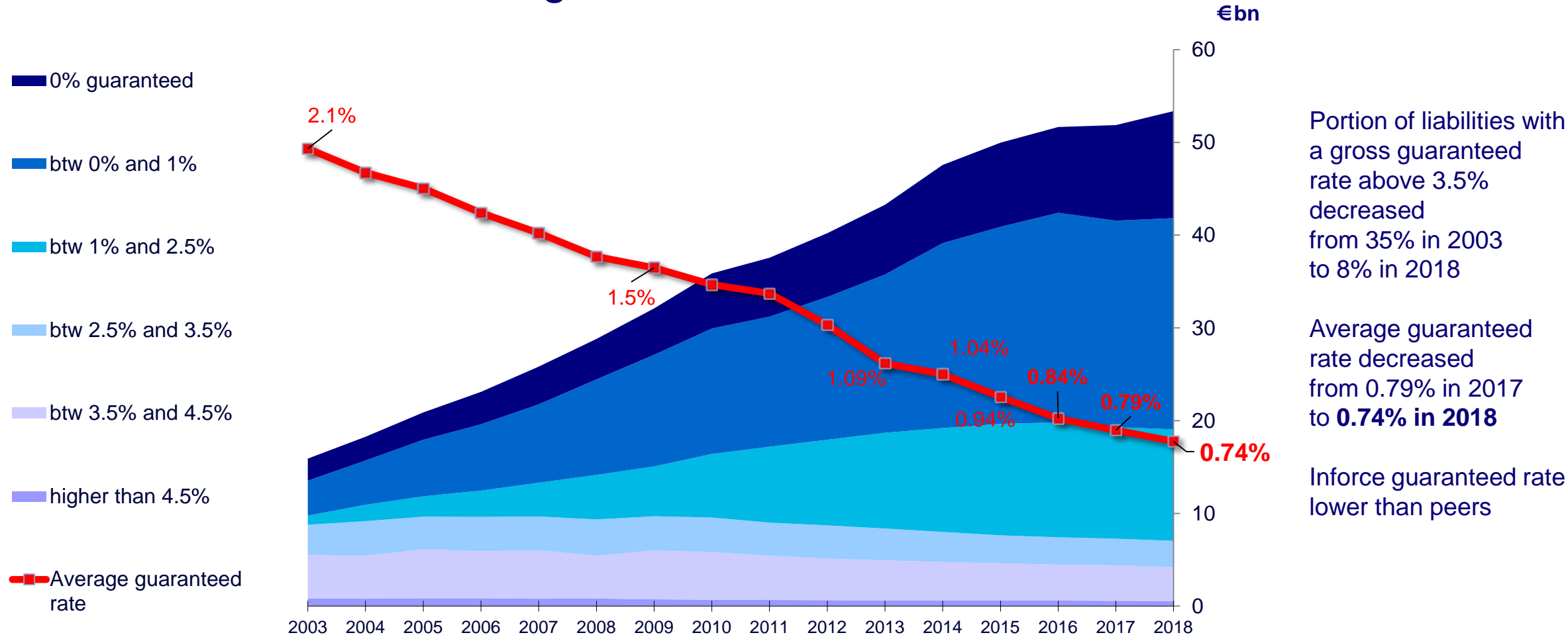
\*\* : Savings and Pensions average guaranteed rate (after 2nd year)



**Market buffer (bps)**

	Inforce buffer	NB buffer
SGAM	227	208
CNP	240	117
AXA	135	220
Generali	174	189
Groupama	100	170

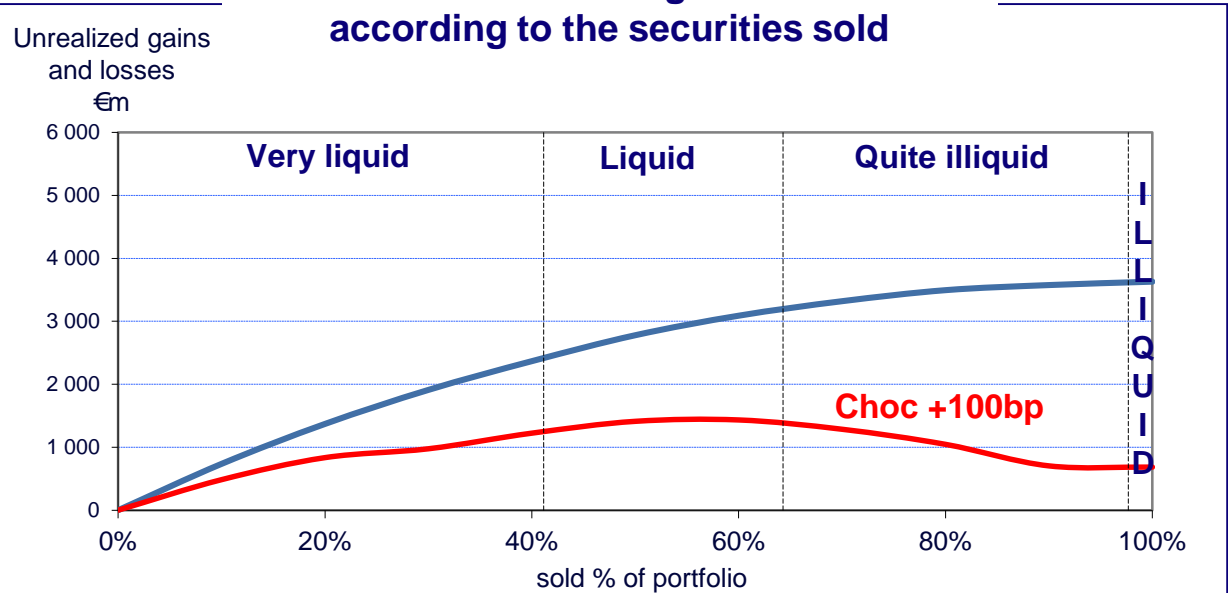
# Continuous decrease of guaranteed rates



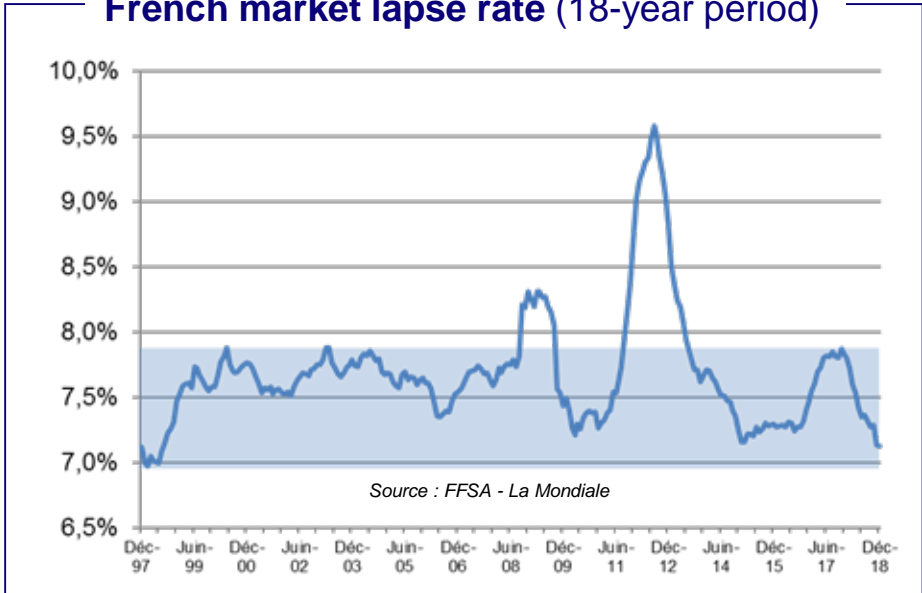
	SGAM	CNP	AXA	Generali	Groupama
Inforce guaranteed rate	0.74%	0.28%	1.8%	1.36%	1.2%
New business guaranteed rate	0%	0.02%	0.3%	0.12%	0%

# Exceptional liquidity in the event of a sharp rise in interest rates

Evolution of unrealized gains and losses according to the securities sold



French market lapse rate (18-year period)



## S&P analysis

### Liquidity: Exceptional

“We believe AG2R LM has exceptional liquidity, sustained highly liquid assets, and positive net inflows. The group's pension business, which cannot be surrendered easily, is positive for its liquidity, in our view. Should any cash needs arise, we believe that AG2R LM's investment assets are highly marketable and could provide liquidity.”

Extract of detailed analysis - December 20, 2018

## Cash buffer : €13.2bn



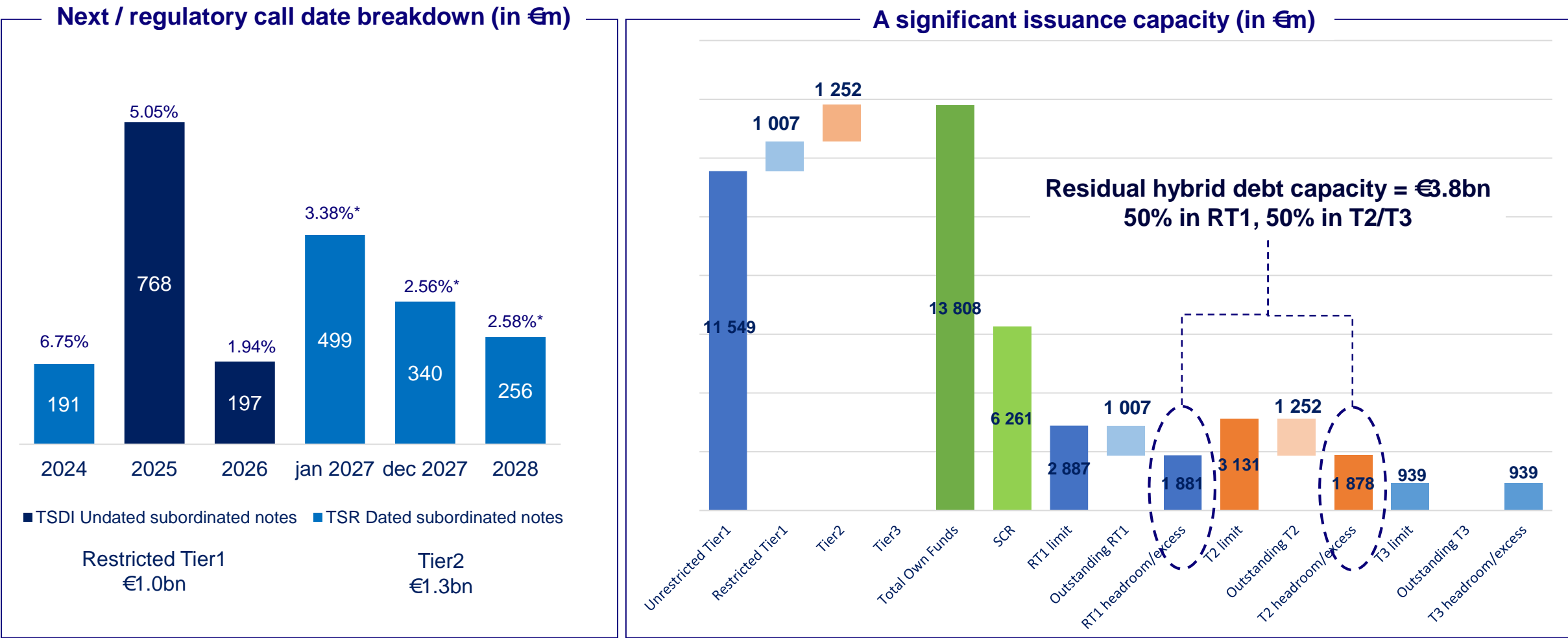


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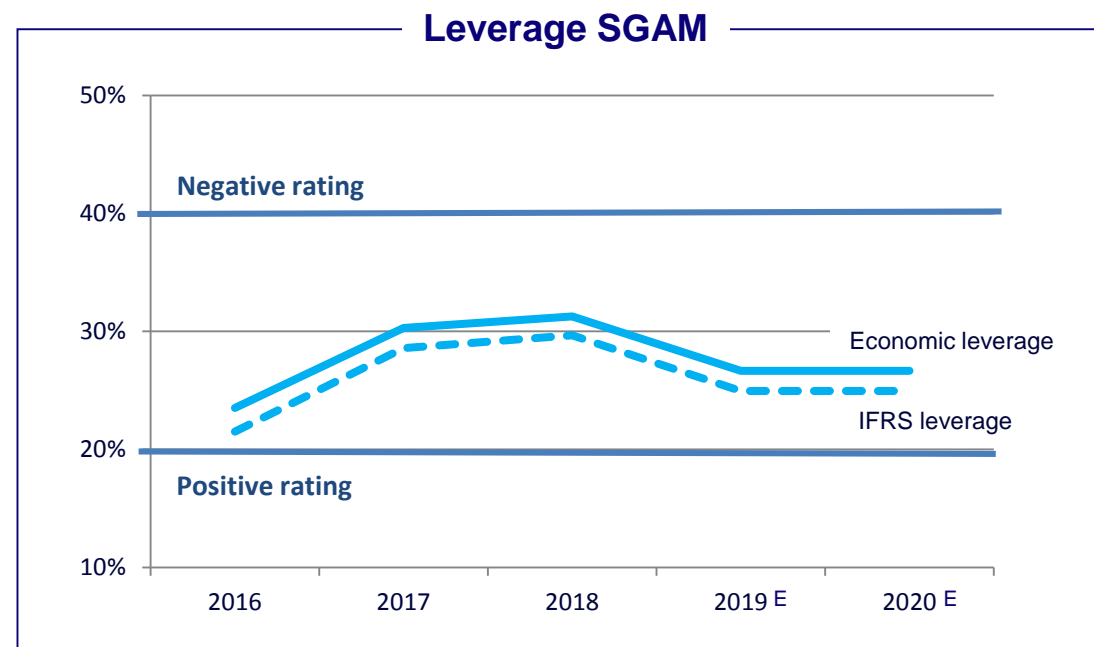
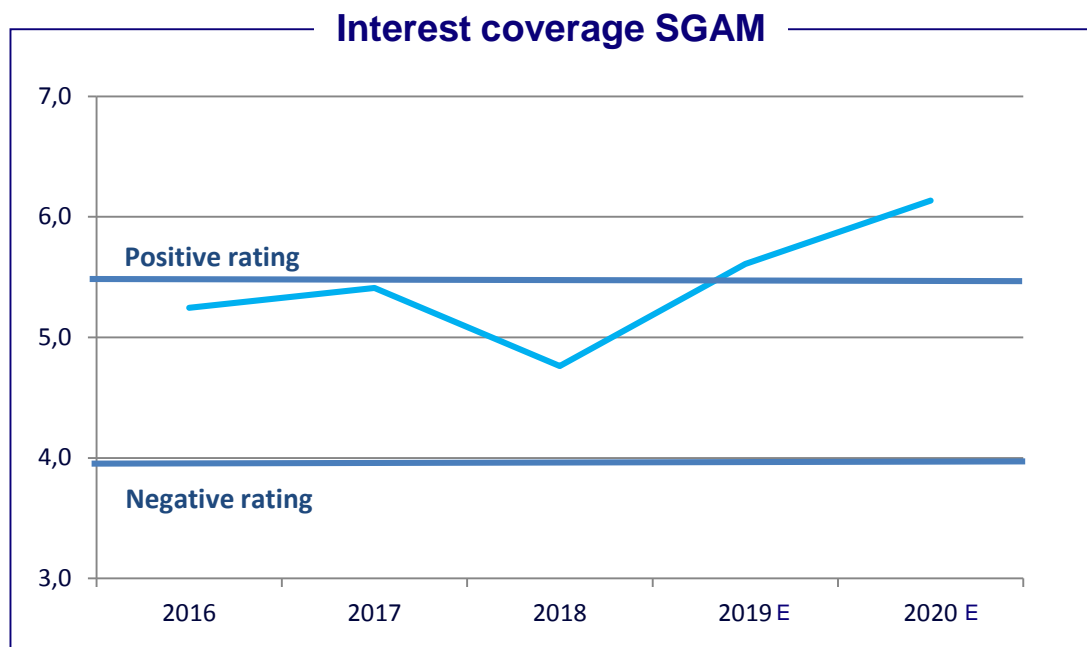
# Subordinated redemption profile

SGAM subordinated Financial debts : €2.3bn after 2013 PerpNC6 call in April 2019



\* : euro equivalent issuance rate, after hedging

# Interest coverage and Leverage, as of 12/31/2018



NB : IFRS leverage doesn't take into account €146m of Super Subordinated Debts

Interest coverage and leverage remain in a highly satisfying range.

The liability management of the 2013 PerpNC6, thanks to extremely good early refinancing conditions, leads to a strong improvement of leverage ratios.

Those indicators are based on AG2R LA MONDIALE and should be better at AG2R LA MONDIALE MATMUT level.

# Standard & Poor's rating

## La Mondiale is rated A-, with a positive outlook

S&P Global Ratings	August 2012	June 2013	November 2014	2015-2017	December 2018
Rating	BBB+	BBB+	BBB+	A-	A-
Outlook	Negative	Stable	Positive	Stable	Positive
Business Risk Profile	Strong	Strong	Strong	Strong	Strong
Financial Risk Profile	Lower adequate	Lower adequate	Upper adequate	Upper adequate	Moderately strong

### Rating

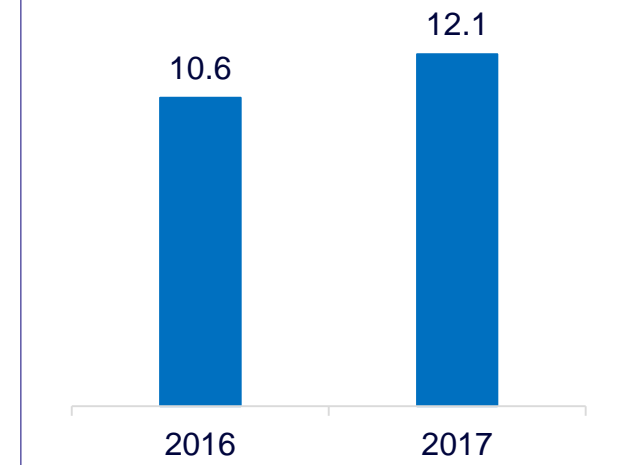


Long-term counterparty credit and financial strength



Long-term La Mondiale's subordinated debt

### Estimated Adjusted Capital of La Mondiale (€bn)



# Standard & Poor's improves AG2R LA MONDIALE's rating to A-, positive outlook



- Insurance group SGAM AG2R LA MONDIALE (AG2R LM) has strengthened its capitalization and continues to reduce the proportion of new business with long-term guaranteed interest rates.
- AG2R LM's merger with retail property and casualty mutual insurer Matmut, expected in January 2019, will diversify earnings and further enhance capital adequacy.
- S&P are revising our outlook to positive from stable on AG2R LM's core subsidiaries AG2R Réunica Prévoyance, PRIMA, La Mondiale, and Arial CNP Assurances.
- The positive outlooks on AG2R LM's subsidiaries indicate that S&P could raise the ratings in the next 18-24 months if the group successfully merges with Matmut, maintains a satisfactory operating performance, and continues to reduce its sensitivity to low interest rates.

## A-, positive outlook

S&P also affirmed 'A-' for financial strength and issuer credit ratings on these entities. At the same time, they also affirmed 'BBB' issue rating on La Mondiale's subordinated debt.

In the base-case scenario, S&P expect the group will consistently exceed the 'AA' capital level under our capital adequacy requirements. S&P have therefore revised their view of AG2R LM's financial risk profile to moderately strong to capture capital strengthening.

# Contents

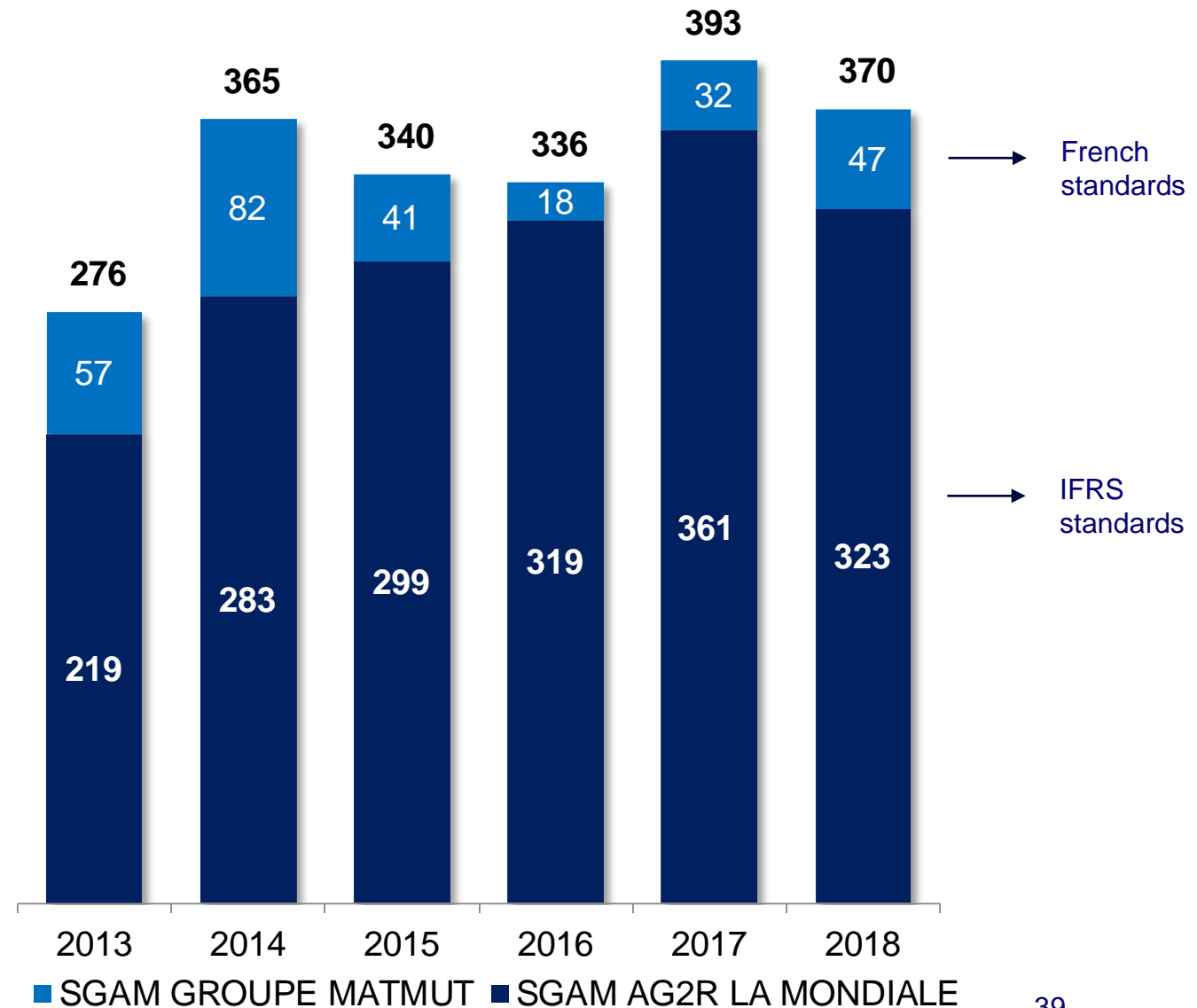
- 1. Group profile**
- 2. La Mondiale : a resilient business model**
- 3. Invested assets**
- 4. Solvency & Risk management**
- 5. Capital management**
- 6. Appendix**

# An excellent net income that supports the growth of own funds

**2018 net income**

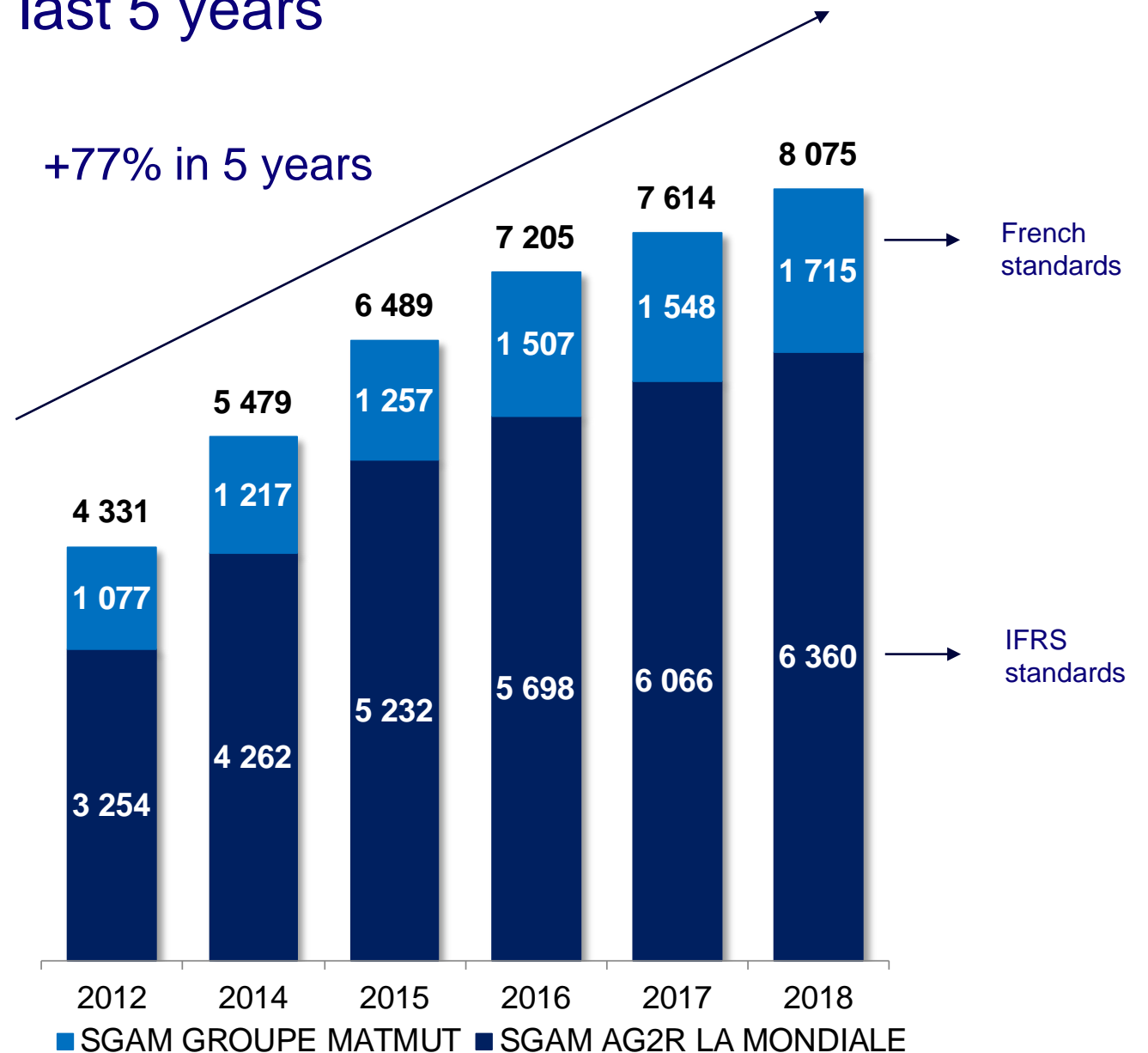
(Group share)

**€370m**



# Strong growth of equity over the last 5 years (€m, group share)

**2018 SGAM equity capital  
€8.1bn**





# Overview of La Mondiale Balance sheet

## (consolidated, IFRS)

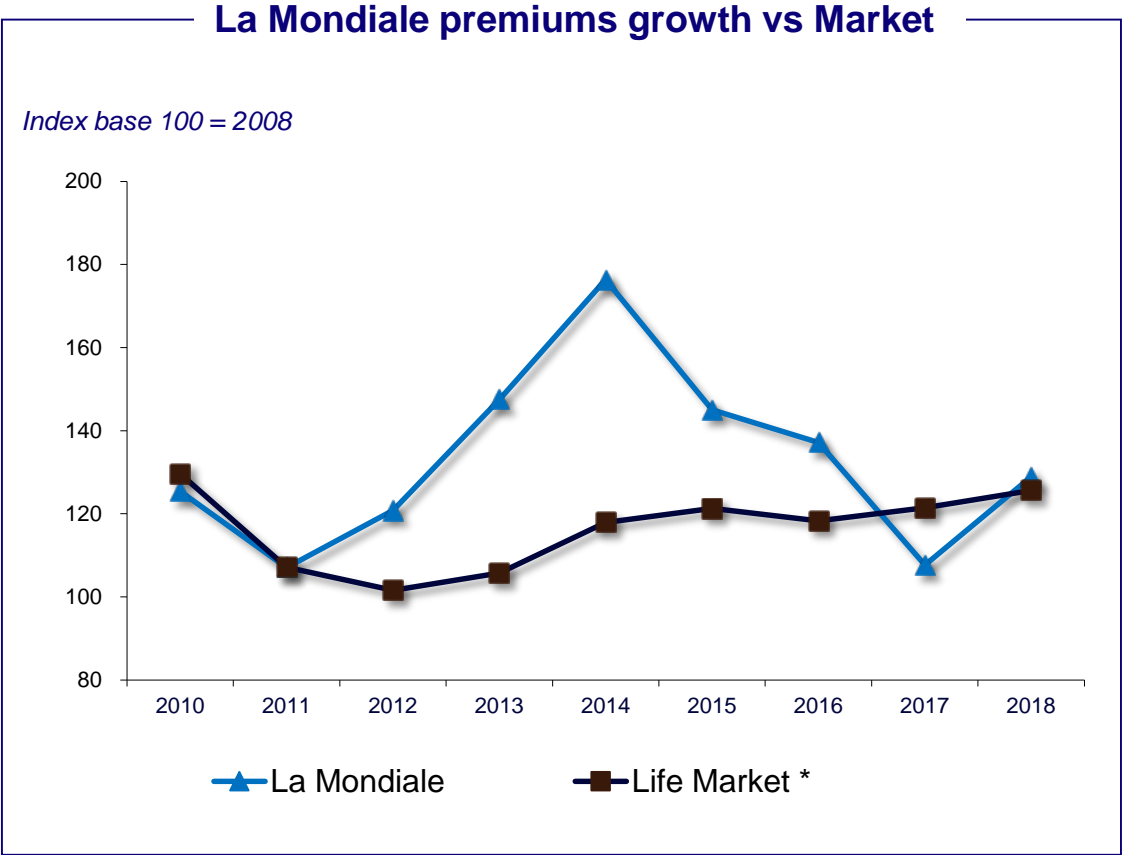
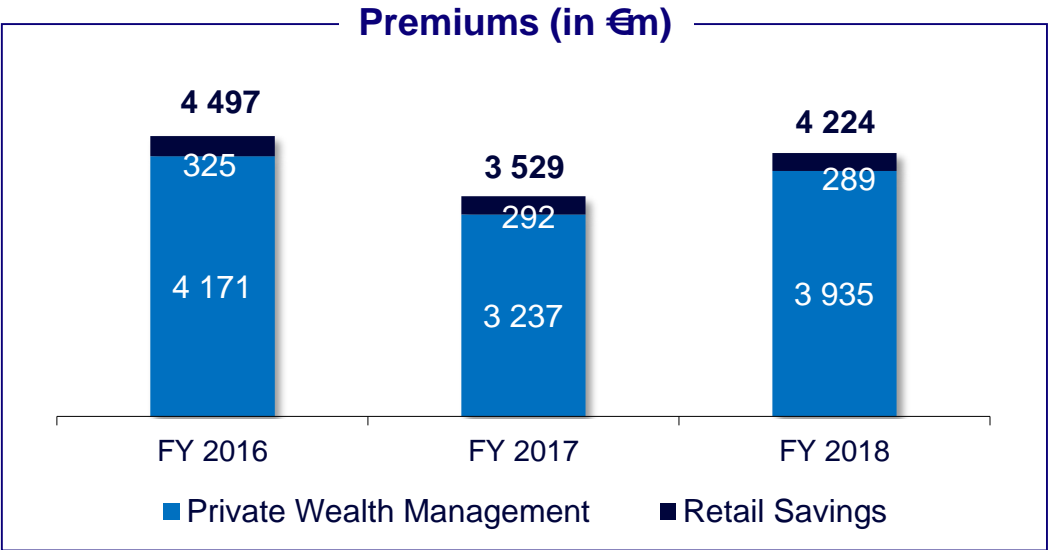
€m	FY 2016	FY 2017	FY 2018	%Change FY 2018/ FY 2017
<b>TOTAL ASSETS</b>	<b>94,242</b>	<b>98,357</b>	<b>97,479</b>	<b>-0.9%</b>
Intangible assets	63	62	49	-20.9%
ow. Goodwill	54	52	41	-21.9%
<b>Insurance investments</b>	<b>68,086</b>	<b>68,495</b>	<b>69,699</b>	<b>1.8%</b>
<b>Unit Linked investments</b>	<b>22,829</b>	<b>25,498</b>	<b>23,826</b>	<b>-6.6%</b>
Others assets	2,801	3,164	3,042	-3.9%
Cash and cash equivalent	462	1,138	863	-24.1%

€m	FY 2016	FY 2017	FY 2018	%Change FY 2018/ FY 2017
<b>TOTAL LIABILITIES</b>	<b>94,242</b>	<b>98,357</b>	<b>97,479</b>	<b>-0.9%</b>
Equity Group Share	3,498	3,848	4,132	7.4%
Minority Interests	10	14	339 *	2,270.4%
<b>Total Equity</b>	<b>3,508</b>	<b>3,863</b>	<b>4,471</b>	<b>15.7%</b>
Financing debt	1,590	2,304	2,641	14.6%
Insurance and financial liabilities	82,224	85,472	83,731	-2.0%
Other liabilities	6,920	6,717	6,636	-1.2%

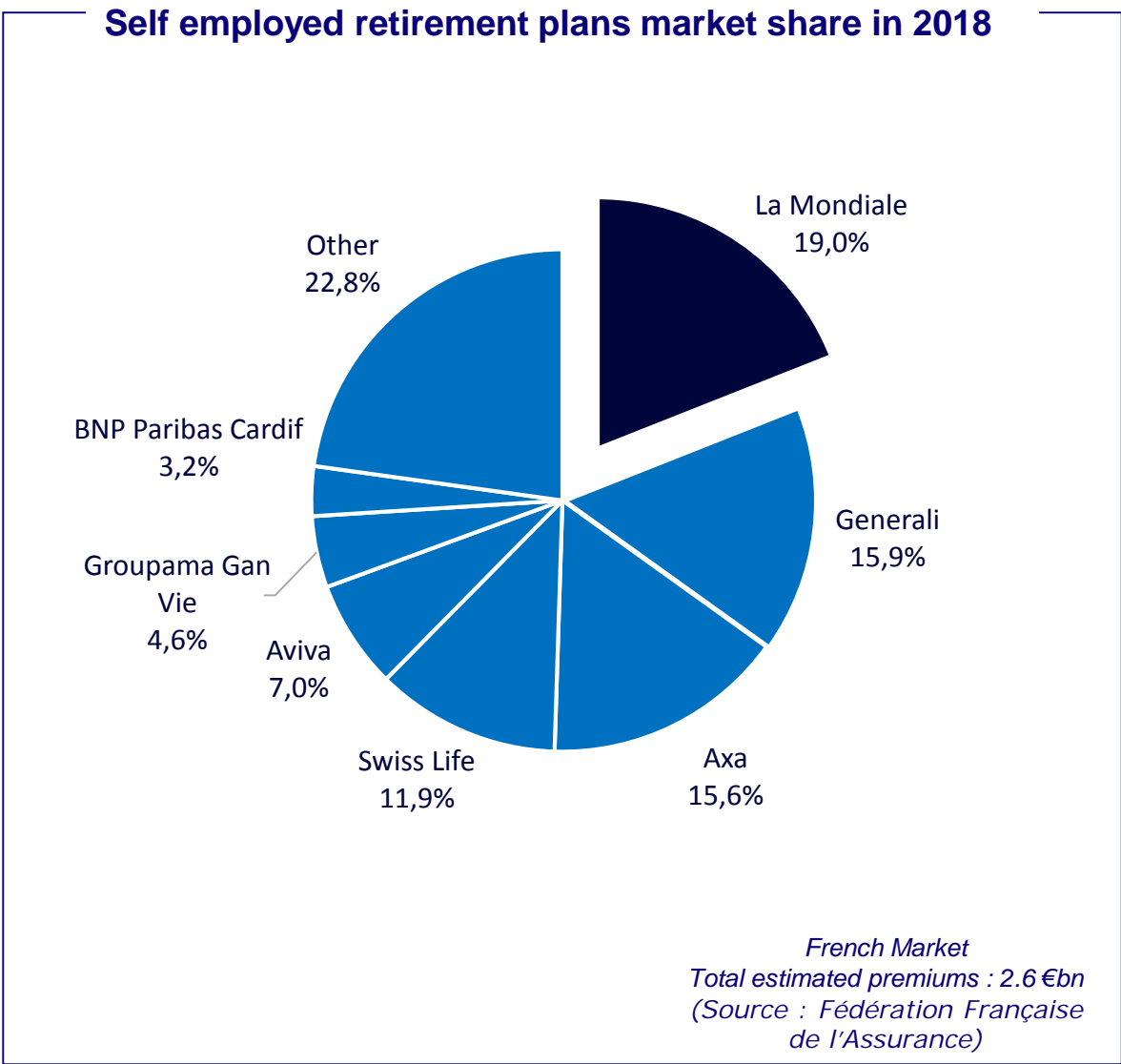
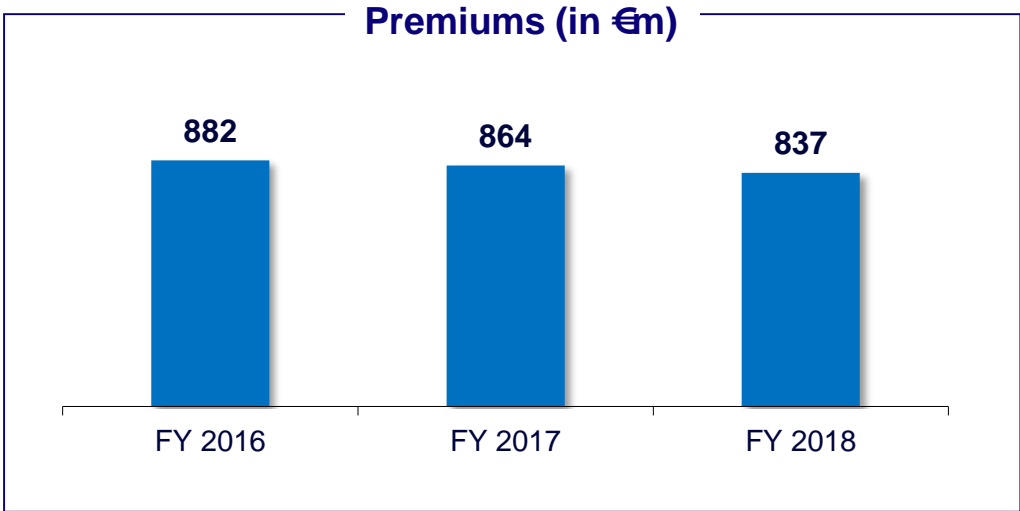
# Overview of La Mondiale P&L account (consolidated, IFRS)

€m	FY 2016	FY 2017	FY 2018	%Change FY 2018/ FY 2017
Revenue	6,611	6,205	6,161	-0.7%
Financial Products	2,381	2,549	2,429	-4.7%
Others	839	1,625	-2,307	-242.0%
<b>Current operating income</b>	<b>9,831</b>	<b>10,379</b>	<b>6,282</b>	<b>-39.5%</b>
<b>Current operating expenses</b>	<b>-9,470</b>	<b>-9,999</b>	<b>-5,876</b>	<b>-41.2%</b>
<b>Operating Income</b>	<b>360</b>	<b>380</b>	<b>406</b>	<b>6.8%</b>
<b>CONSOLIDATED NET RESULT</b>	<b>288</b>	<b>308</b>	<b>293</b>	<b>-5.0%</b>
<i>o.w Group share</i>	<i>288</i>	<i>308</i>	<i>292</i>	<i>-5.3%</i>
<i>o.w Minority Interest</i>	<i>0</i>	<i>0</i>	<i>1</i>	

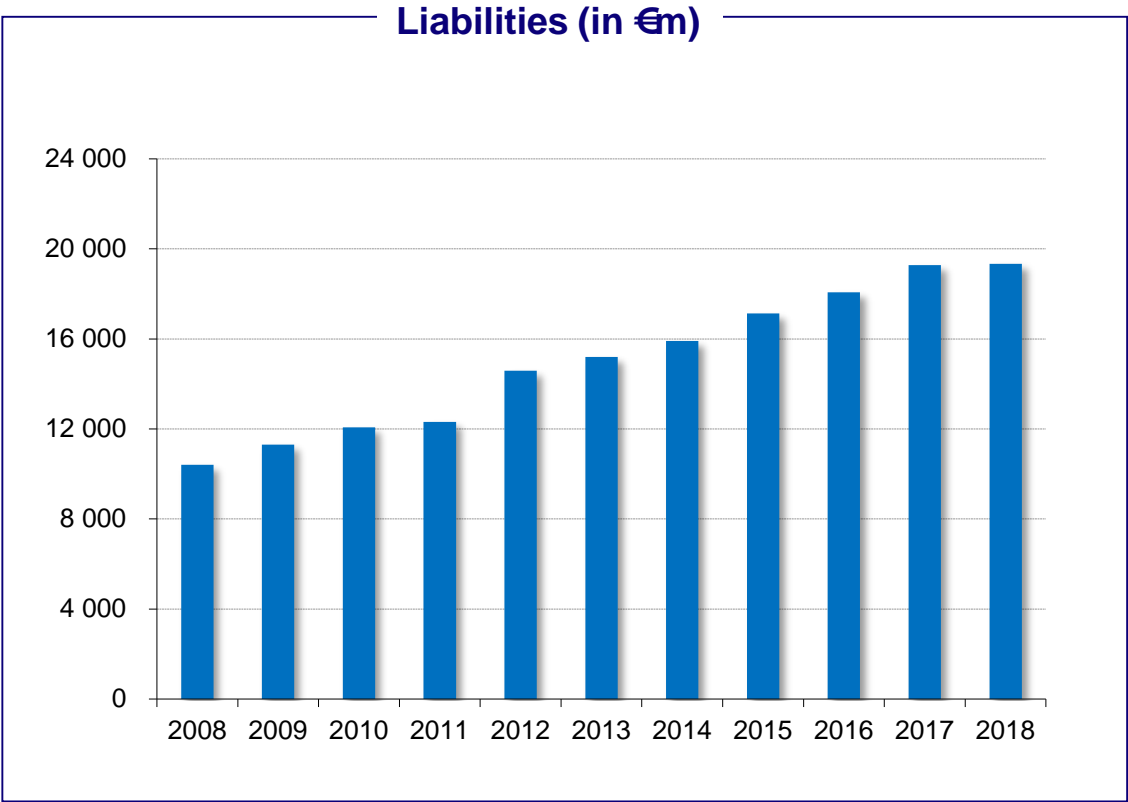
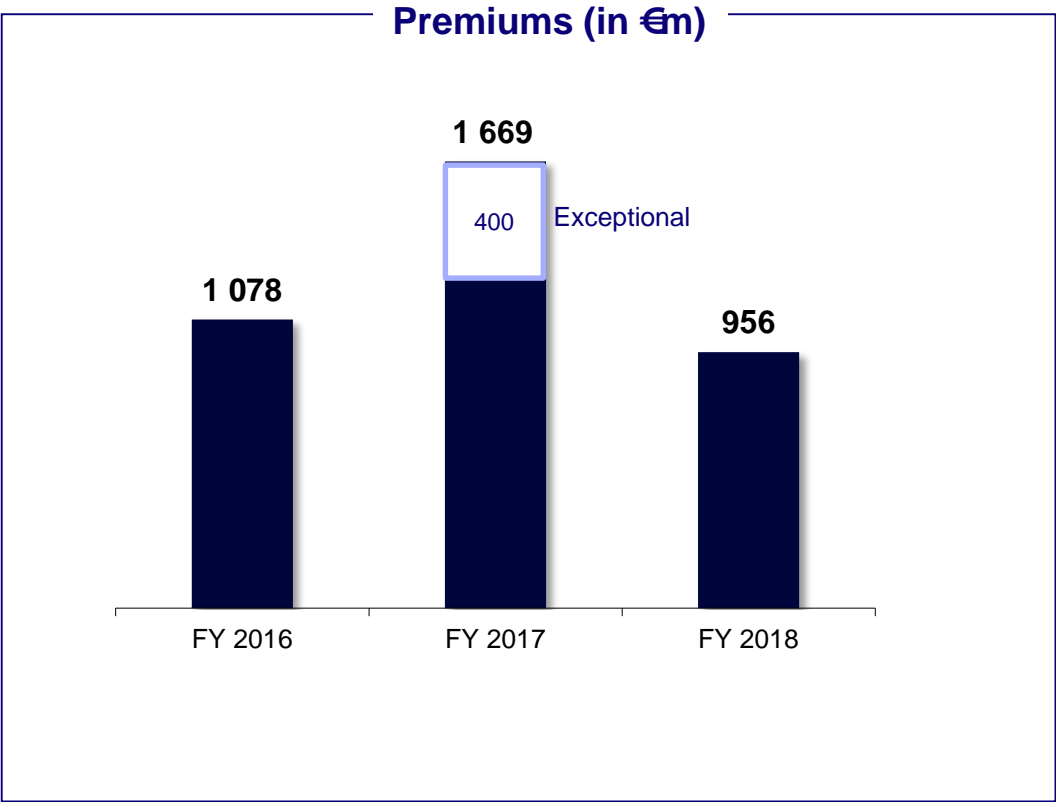
# Private wealth and retail savings



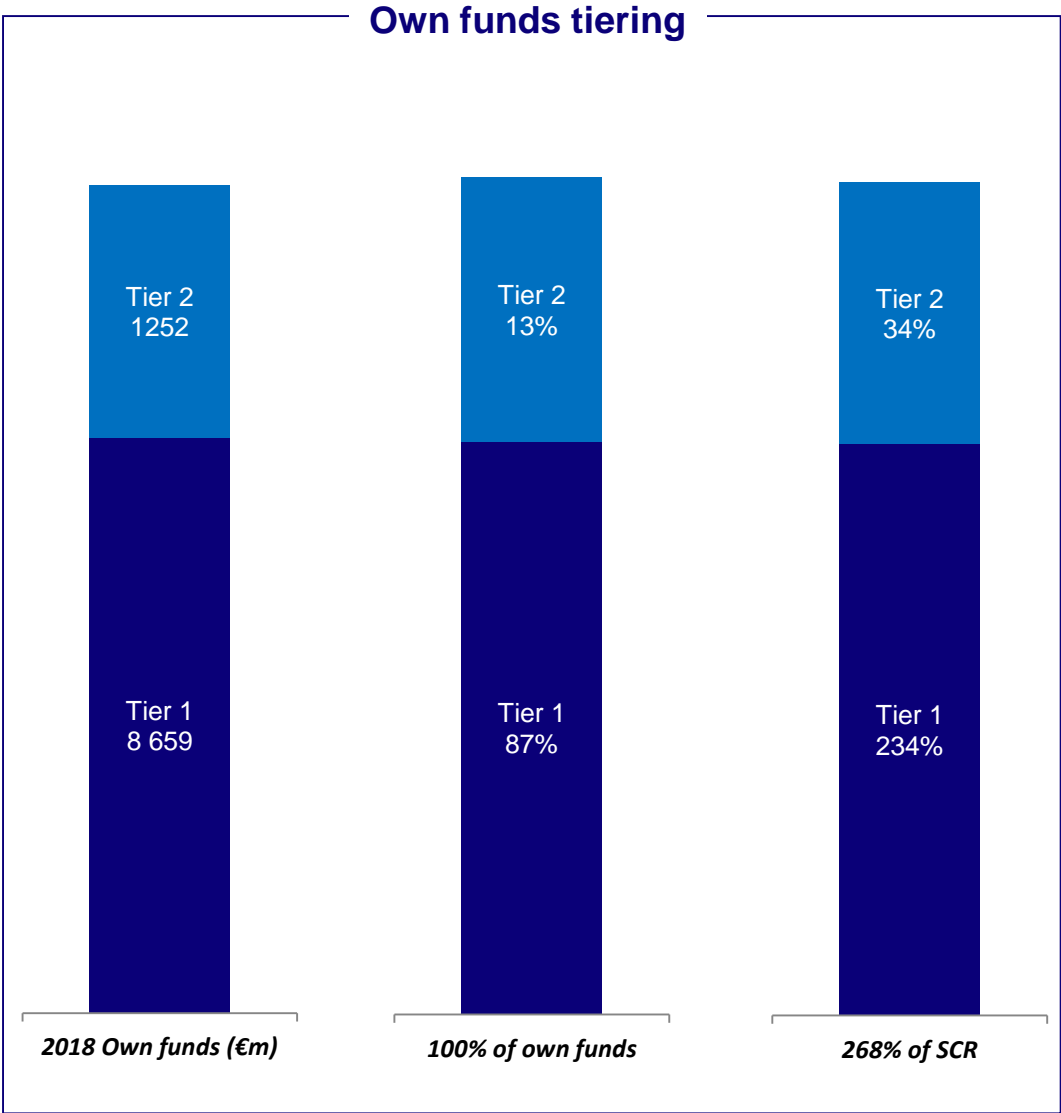
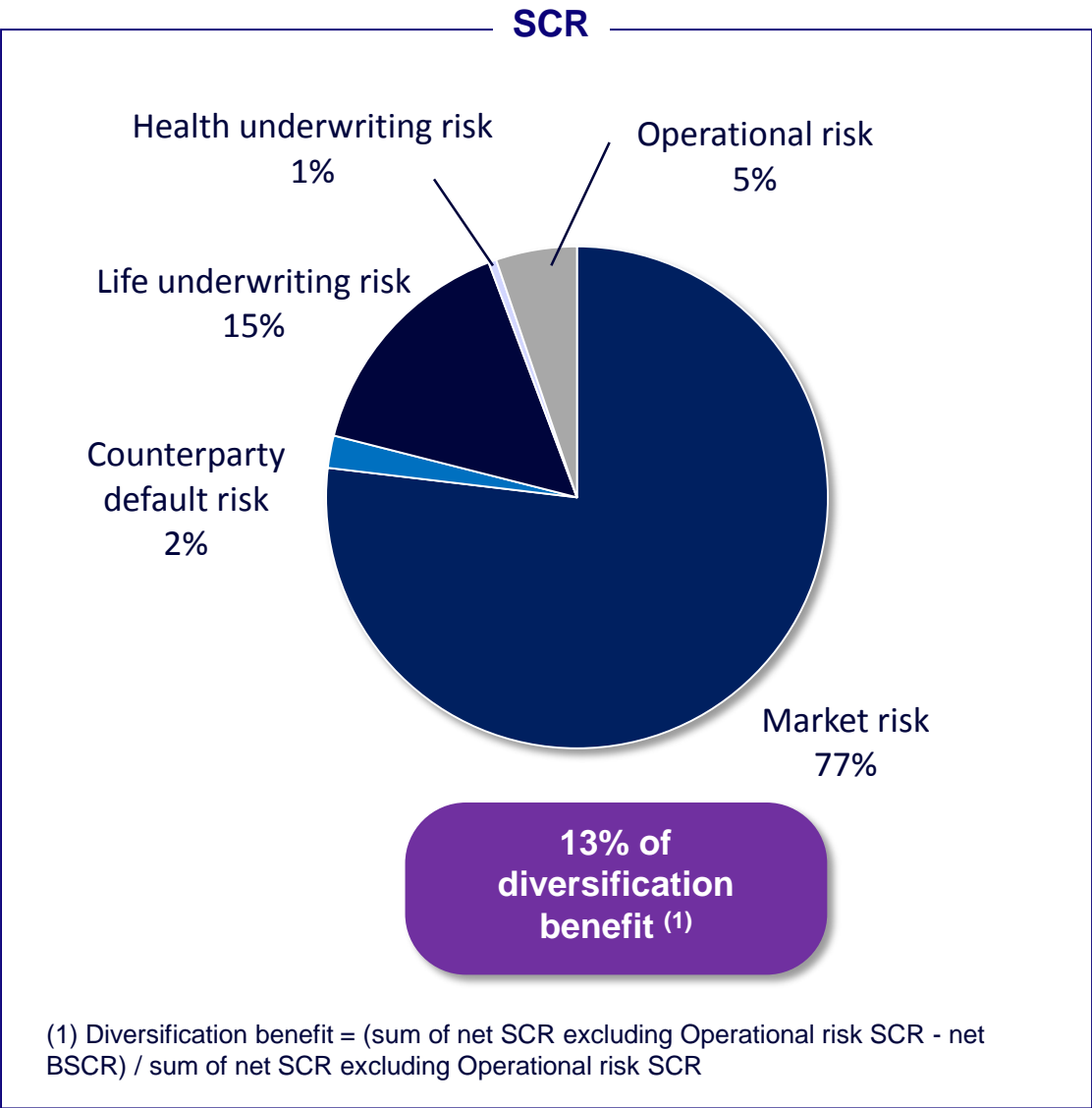
# Individual retirement plans



# Group supplementary pension



# SCR breakdown and Own funds tiering (LA MONDIALE)



# IFRS 17 : a dedicated group program, started in 2017

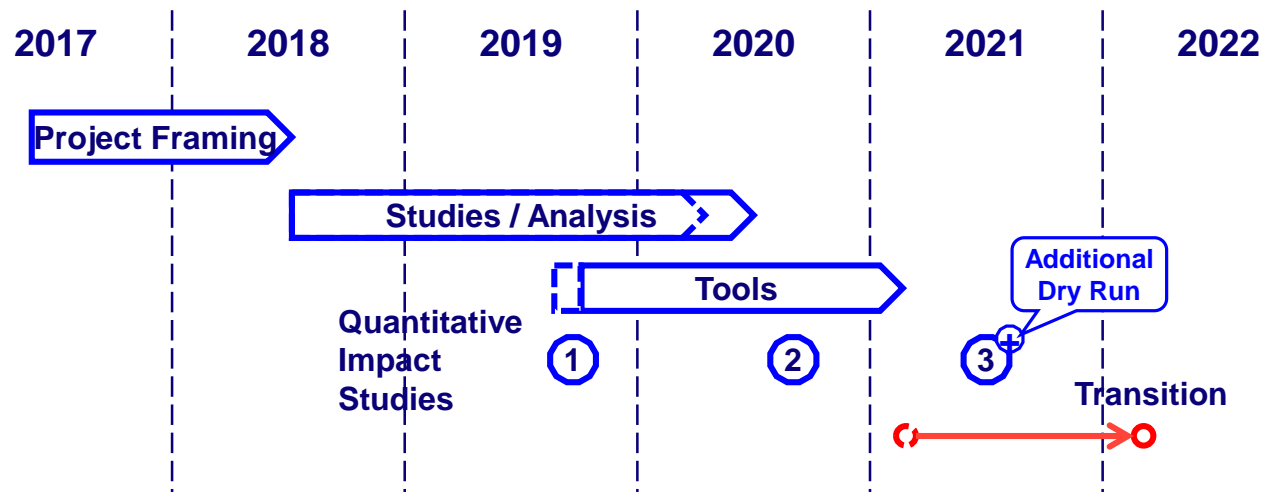
## Targets :

- IFRS income **volatility control**
- **IFRS9 consistency**
- **Pragmatic solutions** implementation
- IFRS and S2 process **convergence**

## Means and ressources :

- Change in **actuarial and accounting processus**
- **New tools**
- **Regulatory monitoring**
- An annual **preparatory exercise**

The postponed application of the Norm gives the opportunity to achieve **one more dry run in 2022**



# Contact details

André Renaudin  
Chief Executive Officer

Nicolas Gomart  
Deputy Chief Executive Officer

David Simon  
Chief Investments, Finances and Risks Officer

Benoit Courmont  
Chief Financial & Risk Officer  
[benoit.courmont@almm.fr](mailto:benoit.courmont@almm.fr)  
+33 1 76 60 87 38

Jean-Louis Charles  
Chief Investment Officer  
[jean-louis.charles@almm.fr](mailto:jean-louis.charles@almm.fr)  
+33 1 76 60 99 91

Marie Deboosère  
Investor Relations  
[marie.deboosere@almm.fr](mailto:marie.deboosere@almm.fr)  
+33 1 76 60 87 36

***Investor Relations - Contact: [infosfinancieres@ag2rlamondiale.fr](mailto:infosfinancieres@ag2rlamondiale.fr)***

AG2R LA MONDIALE MATMUT  
104-110, boulevard Haussmann, 75008 Paris - France

[www.ag2rlamondiale.fr](http://www.ag2rlamondiale.fr)  
[www.ag2rlamondiale.matmut.fr](http://www.ag2rlamondiale.matmut.fr)



# Thank you