



**LA MONDIALE**

# La Mondiale

## **FULL YEAR 2014 EARNINGS**

April 2015

# 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 2014" 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. Those relating to the solvency margin are, according to regulatory rules, calculated with current French Gaap standards.



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# Highlights



- La Mondiale announced in November 2014 the acquisition of 35% of Aegon's stake in La Mondiale Participations for € 350m. The operation has been completed in March 2015 following the granting of approval by the French Competition Authority (Autorité de la Concurrence).

The operation has no impact on 2014 La Mondiale consolidated results and solvency.

- S&P considered that since AG2R Prévoyance and La Mondiale have become increasingly integrated, the rating must be now considered on an holistic basis. Moreover the merger of Protection Institution Réunica with AG2R La Mondiale in 2015 will strengthen the group's capital buffers and business position. Therefore, the rating BBB+ is affirmed and the outlook is revised to positive from stable.



- Issuance of € 768 m Undated Subordinated Notes : € 268 m due to an exchange offer and € 500 m of new inflow

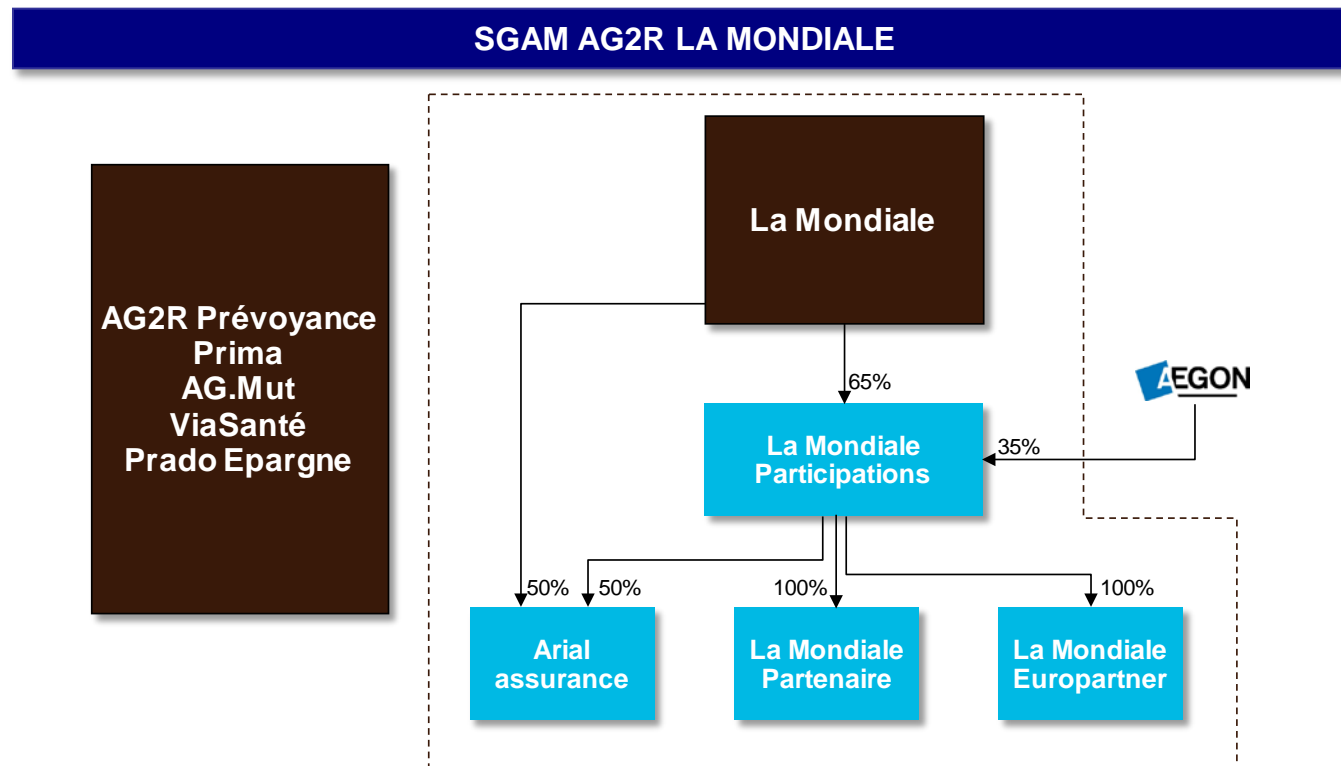




# KEY FIGURES

# La Mondiale at a glance (december 2014, 31<sup>st</sup>) \*

- Founded in 1905
- French Mutual Life Insurance Company
- Strong positions on private wealth management market, Group and Self Employed Retirement Plans
- Multi channel distribution networks
- Long record of sustained growth
- In the capital market since 1989
- Strong risk management and well diversified asset allocation
- La Mondiale and AG2R Prévoyance are members of a mutual insurance group through a Société de Groupe d'Assurance Mutuelle (SGAM). Within this framework, all the members are committed with each others to a financial solidarity.



\* RÉUNICA Prévoyance and its subgroup joined AG2R LA MONDIALE on January 1<sup>st</sup>, 2015. AEGON left the Group on March 3<sup>rd</sup>, 2015.



# FY 2014 Summary

- Significant growth of premiums with a strong growth in private wealth savings and a lower growth in retirement plans
- Net income well above the average of previous years with strong reinforcement of the policyholder surplus reserve
- Equity is above € 3.3 bn and has more than doubled over the last six years
- Core Solvency ratio (excluding unrealized gains) up 35 points since 2006, excluding the redemption of Aegon' shares in La Mondiale Participations in march 2015.
- Regulatory Solvency ratio: 280% which represents an excess of almost € 4 bn



# FY 2014 Key figures

(1/2)

In € million	FY 2012	FY 2013	FY 2014	FY14 / FY13
Premiums	6,234	6,752	7,870	+16.6%
Net Income	310	222	260	+17.1%
Equity	2,726	2,898	3,341	+15.3%
Gearing Ratio <sup>(1)</sup>	16.6%	29.5%	46.2%	+17 pts
Technical Provisions	55,642	61,411	67,582	+10.0%
Total Balance Sheet	67,013	73,257	85,294	+16.4%
Solvency I ratio	246%	250%	280%	+30 pts
Number of employees	2,811	2,852	2,817	-1.2%

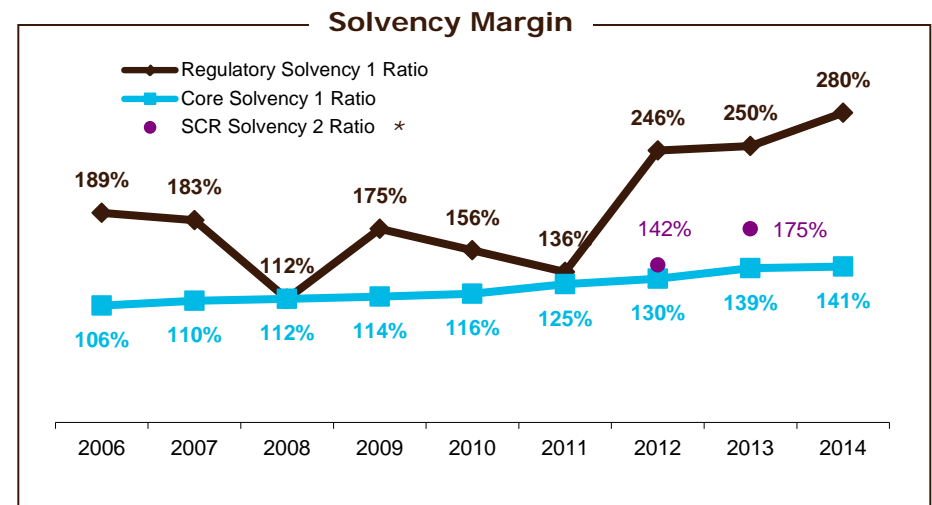
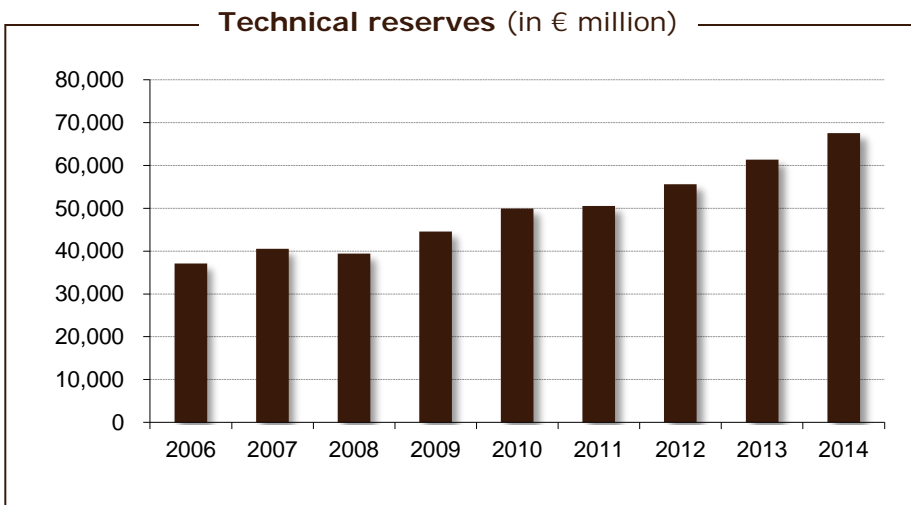
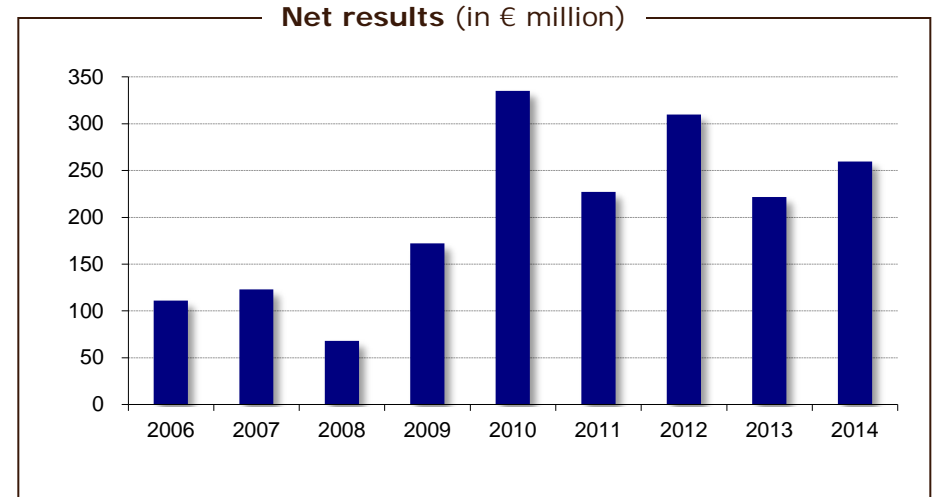
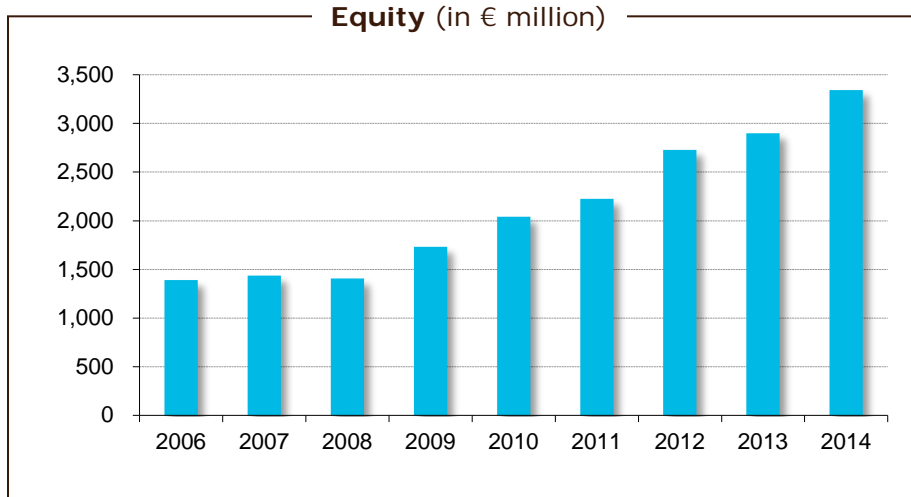
(1) *Financing debt / total equity*





# FY 2014 Key figures

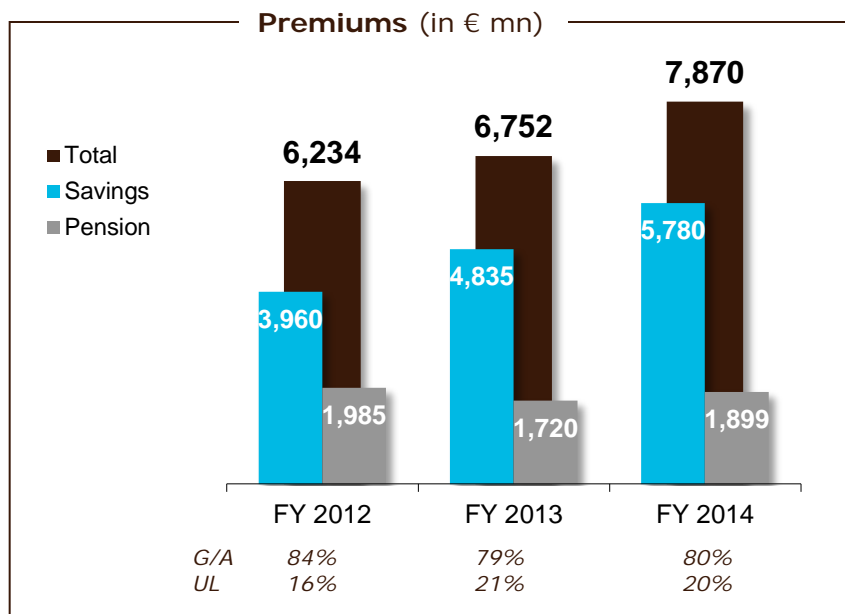
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# BUSINESS ACTIVITY

# Business activity



**Premiums** : +16.6% compared to FY 2013

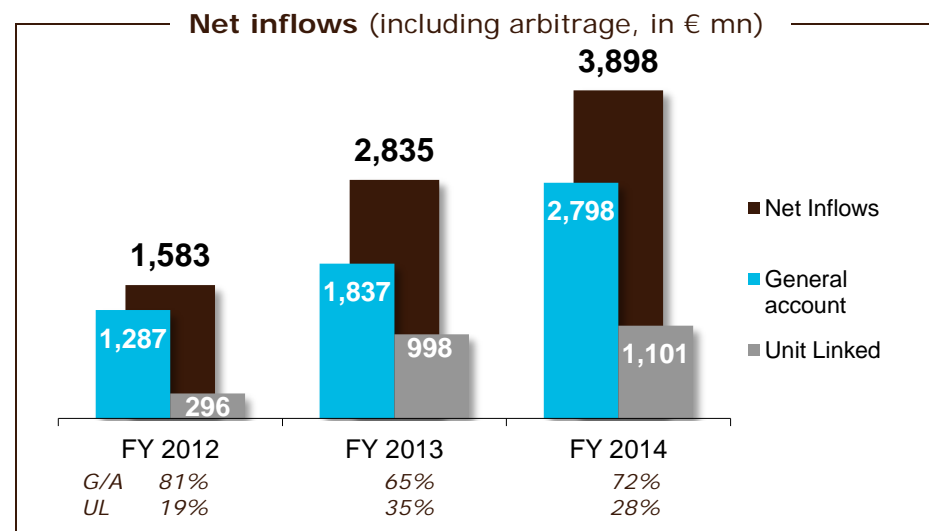
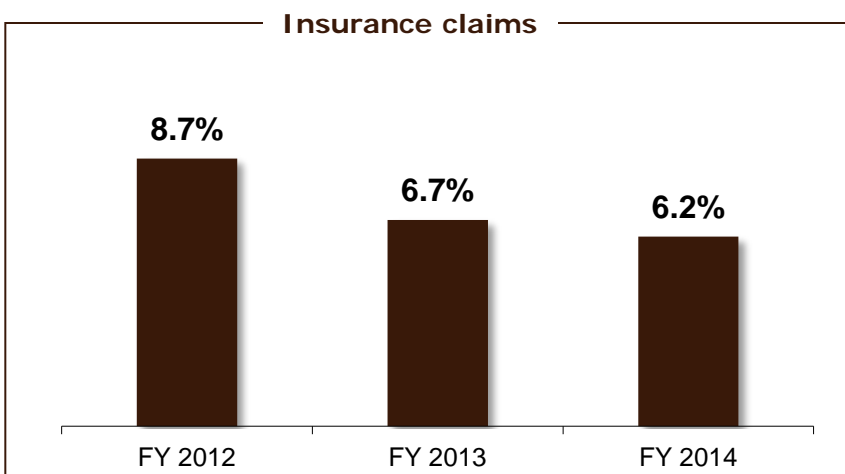
Stability of UL / General account mix

✓ Savings : +19.5%

✓ Pension : +10.4% (3.9% without outstanding premiums in 2013 and 2014)

**Claims** : -0.5pt compared to FY 2013 (vs. -0.4pt for the French Market) ; back to normal after 2 years of high level for the market as a whole.

**Net inflows** : +38% compared to FY 2013



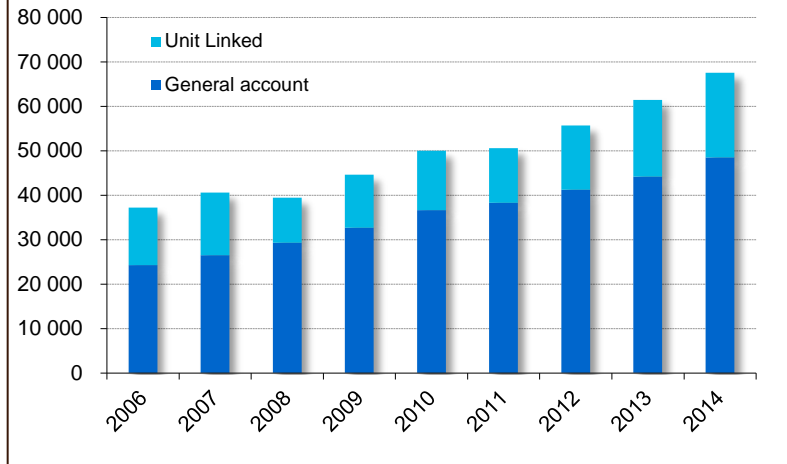
\* France + Luxembourg



# Core businesses' financial structure

**Outstanding liabilities**

67.6 € bn



**Liabilities** : global growth by +10.0%

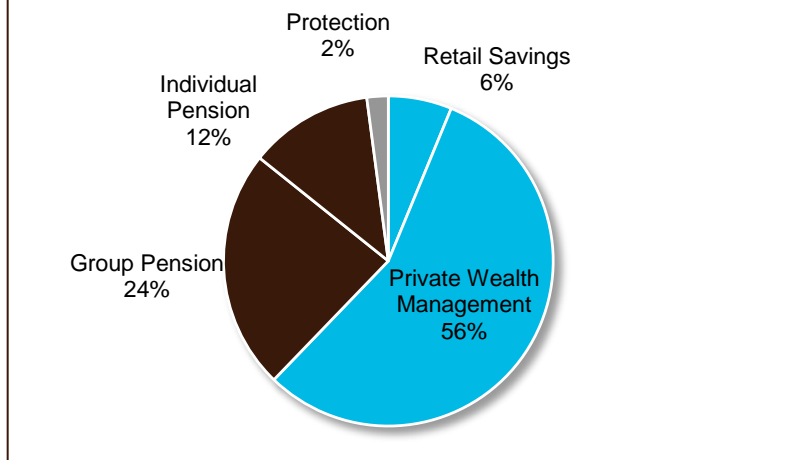
- ✓ General account : +9.7%
- ✓ Unit linked : +10.9%

In 2014 and 2013 UL liabilities represent 28% of total liabilities

Outperformance of the market in both general account (+3.5%) and unit linked (+7.9%)

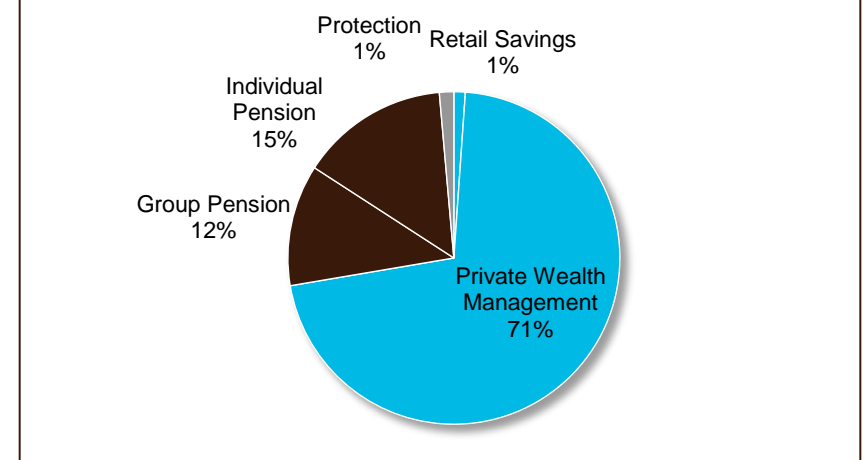
**Liabilities by products**

67.6 € bn

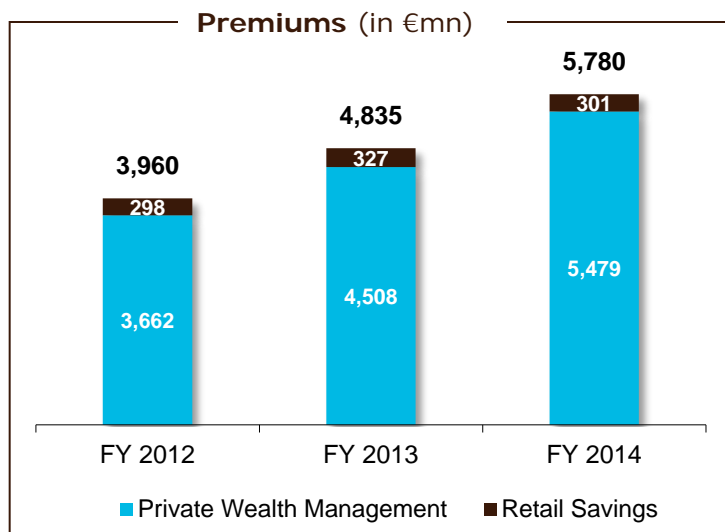


**New business breakdown (APE)**

595 € mn



# Private wealth and retail savings

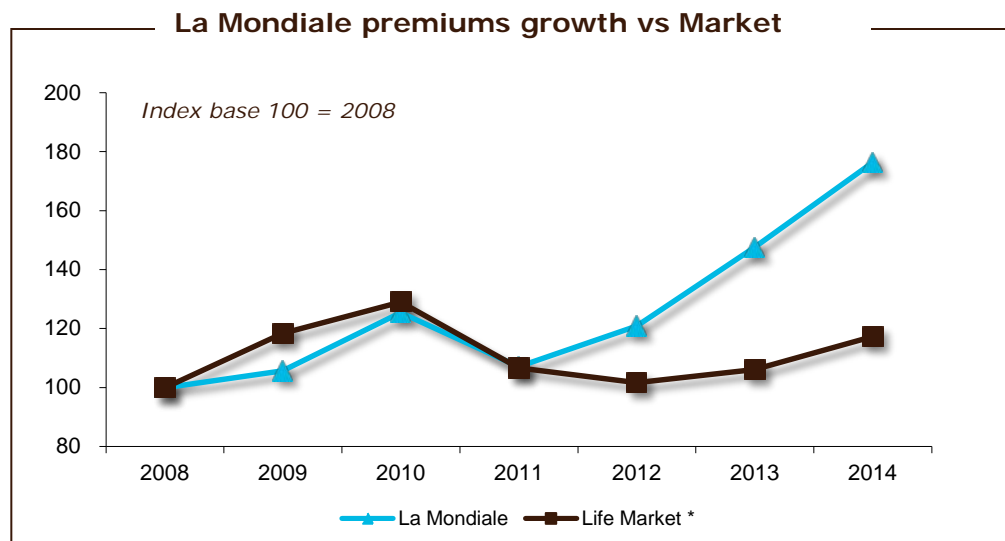
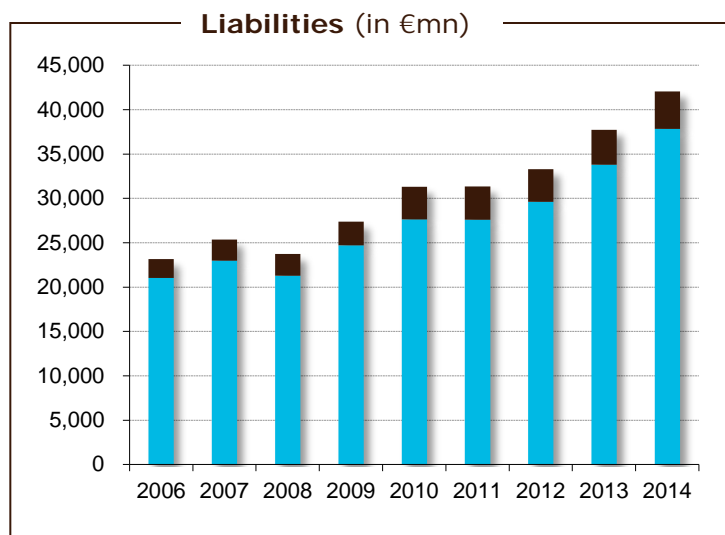


**Premiums** : growth by +19.5%

- Private wealth management savings : +21.5%
- Retail savings : -8.0%

63% through French partnerships, 20% via international partnerships, 10% via brokers and 7% via direct distribution channel

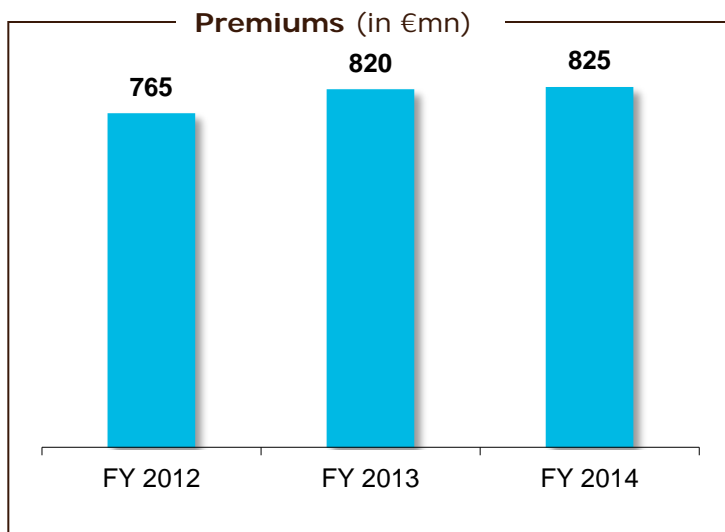
**Liabilities** : CAGR of 7.8% since 2006



\* FFSA + commissariat aux assurances Luxembourg



# Individual retirement plans



## Premiums :

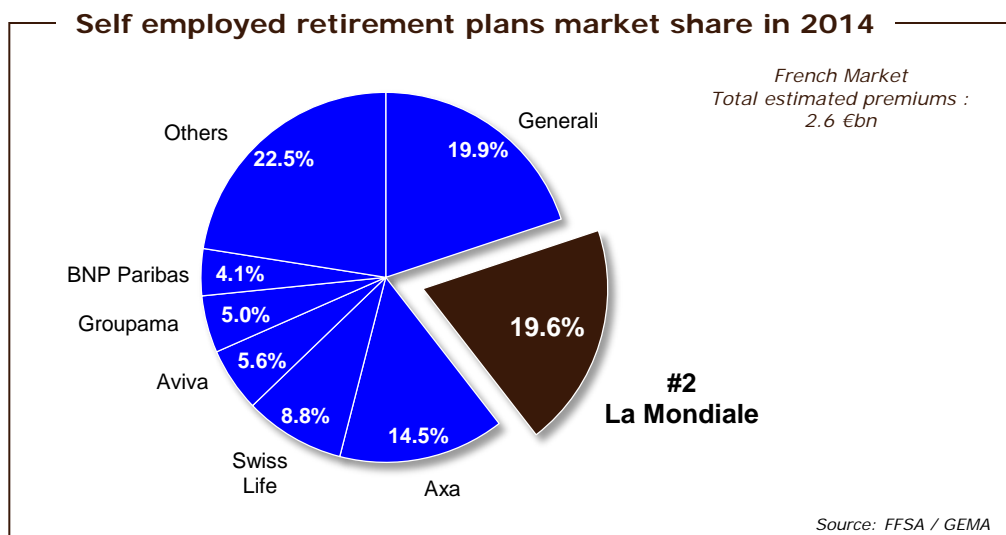
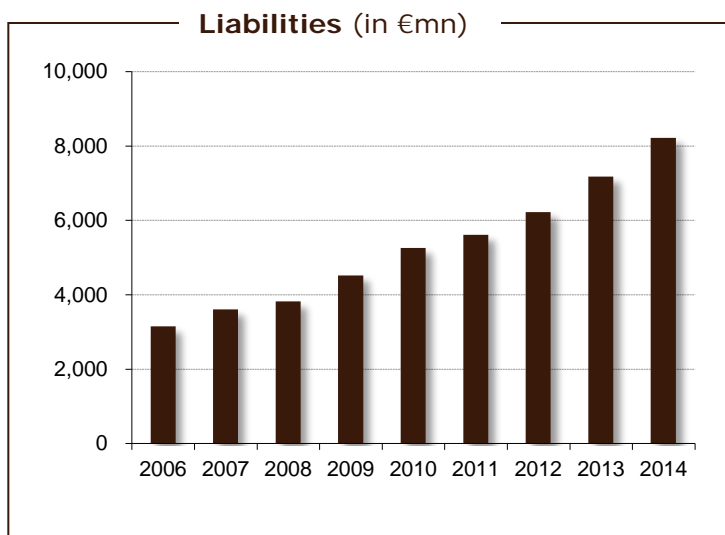
- Growth by +0.7% in 2014 including +0.4% for Self employed retirement plans
- Strong performance compared to estimated -7% for the French market

## Liabilities :

- Increase by +14.5% in 2014
- CAGR\* of 12.7% since 2006

## Market shares :

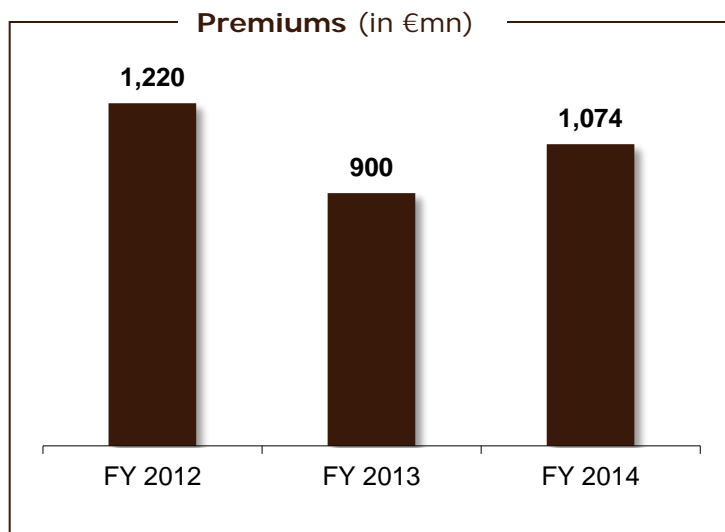
- +1.3pt compared to 2013



\* CAGR : Compound Annual Growth Rate



# Group supplementary pension

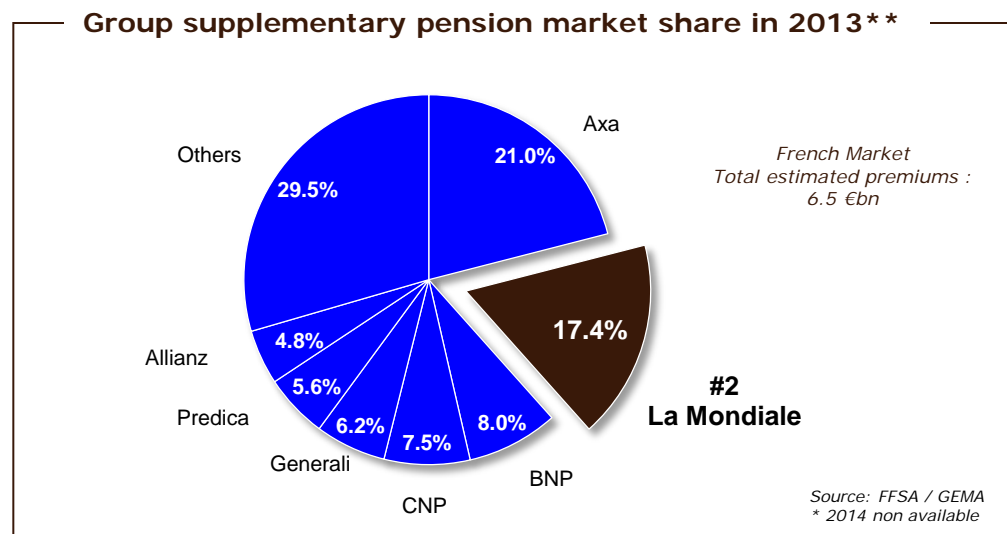
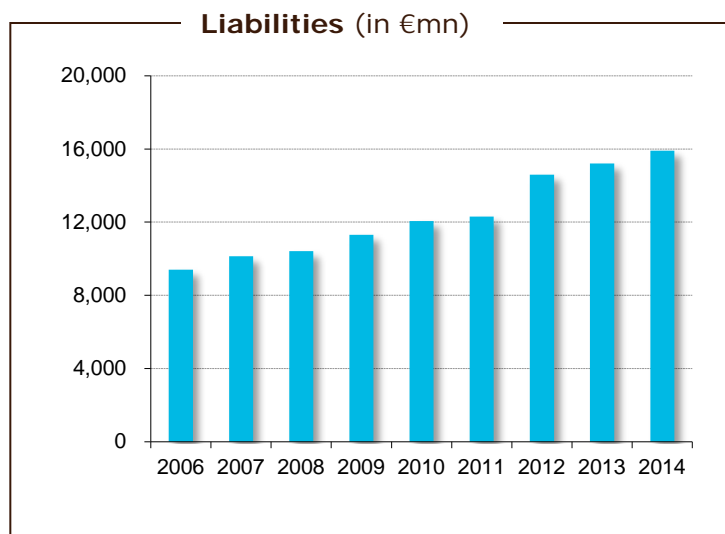


## Premiums :

- Increase by +19.3% in 2014
- +6.5% without exceptional premiums
- compared to estimated +3.9% for the French market

## Liabilities :

- Increase by +4.6% in 2014
- CAGR by 6.8% since 2006

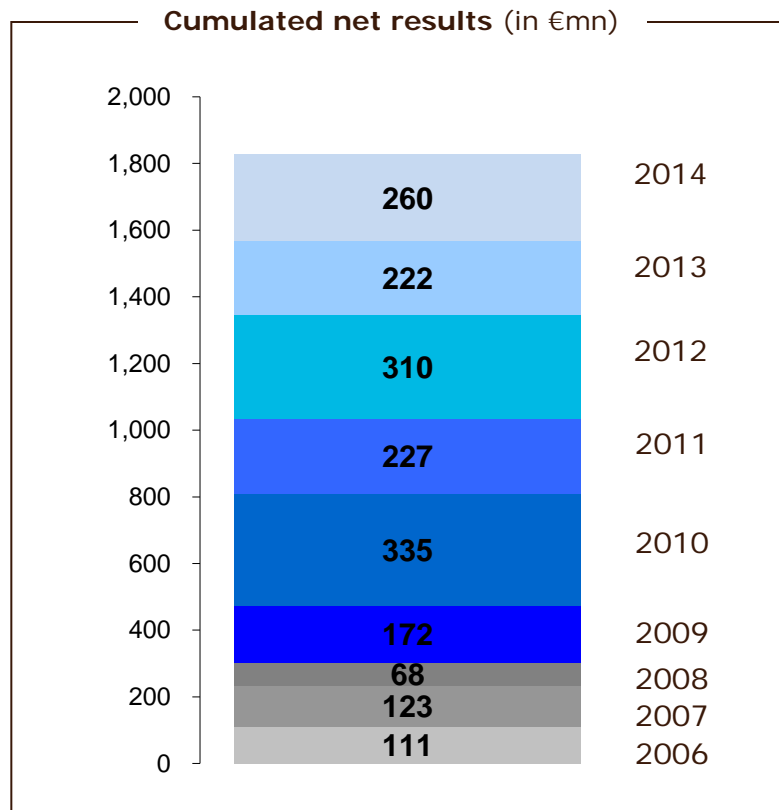


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# FINANCIAL PERFORMANCE

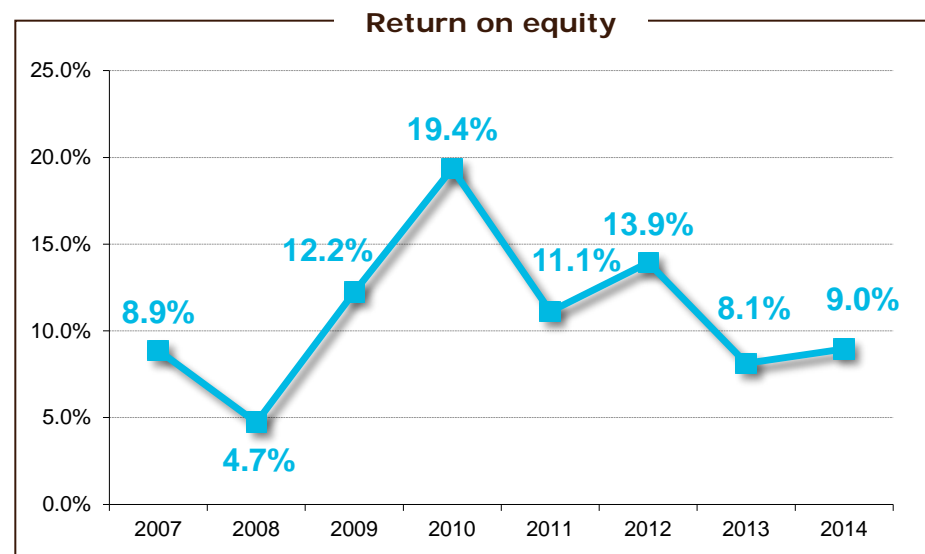


# Earnings and profitability



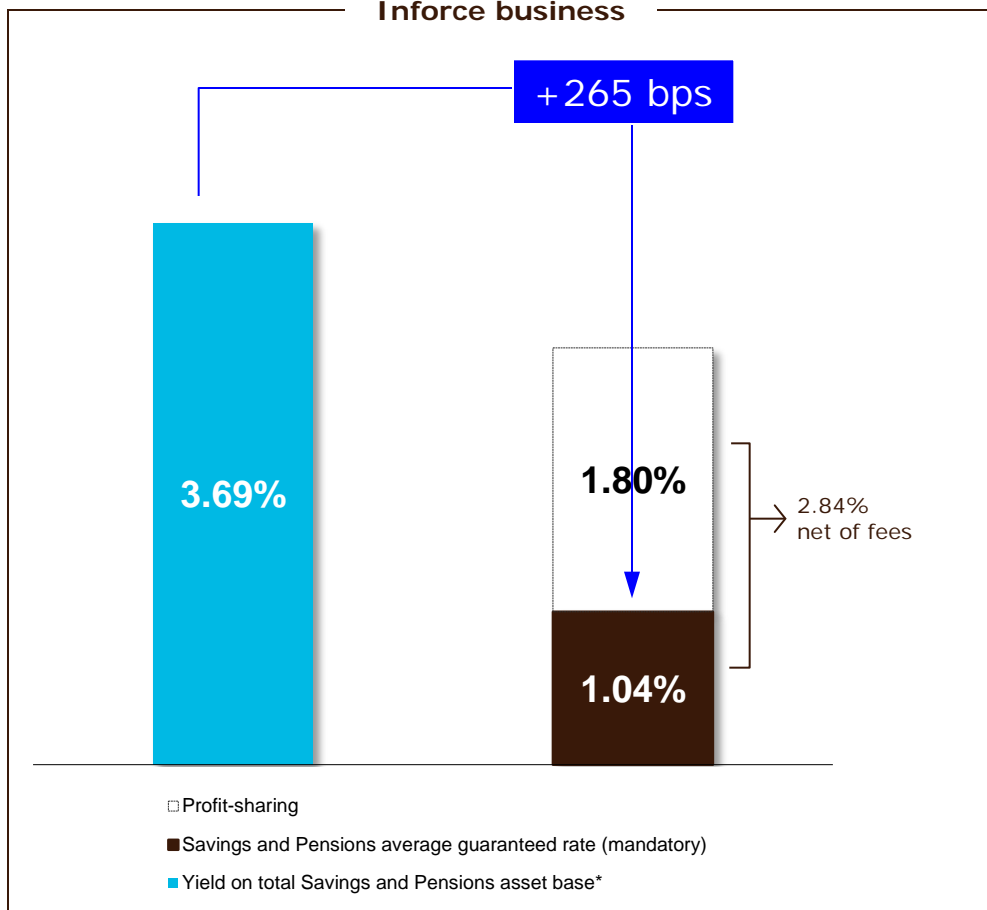
## 2014 net result : 260 € million

- +17.1% compared to 2013 net result
- Over the average net result of the past 7 years
- Cumulated net results of **1,827 €mn** since 2006, despite two financial crisis

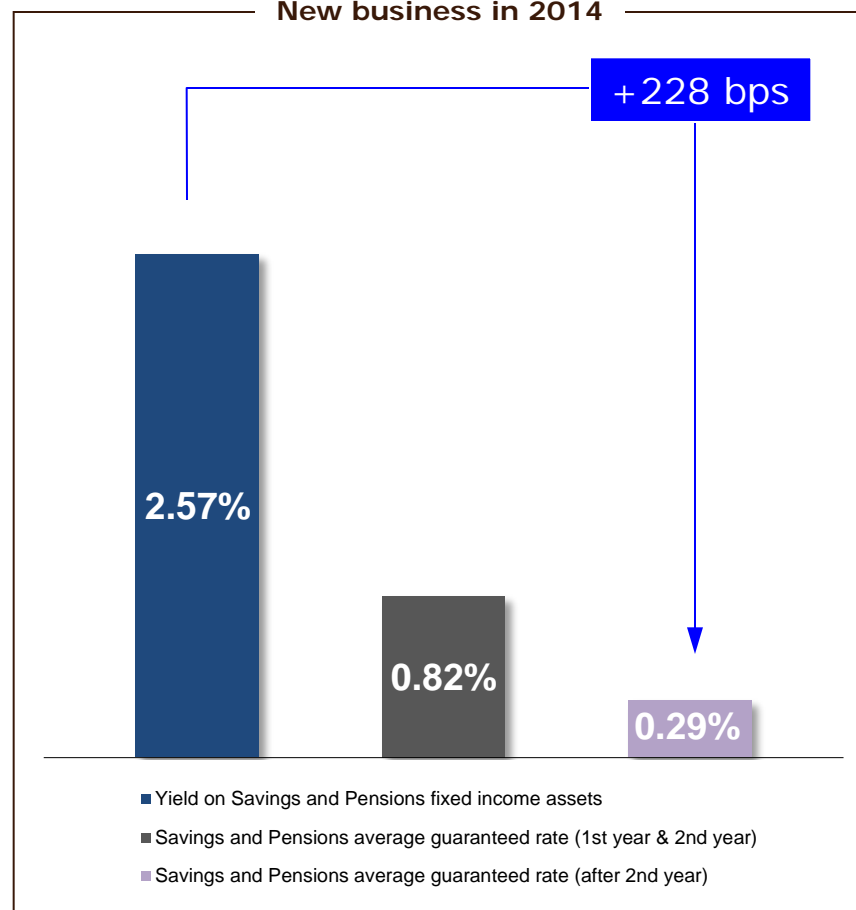


# Savings and pensions investment spreads

Inforce business



New business in 2014



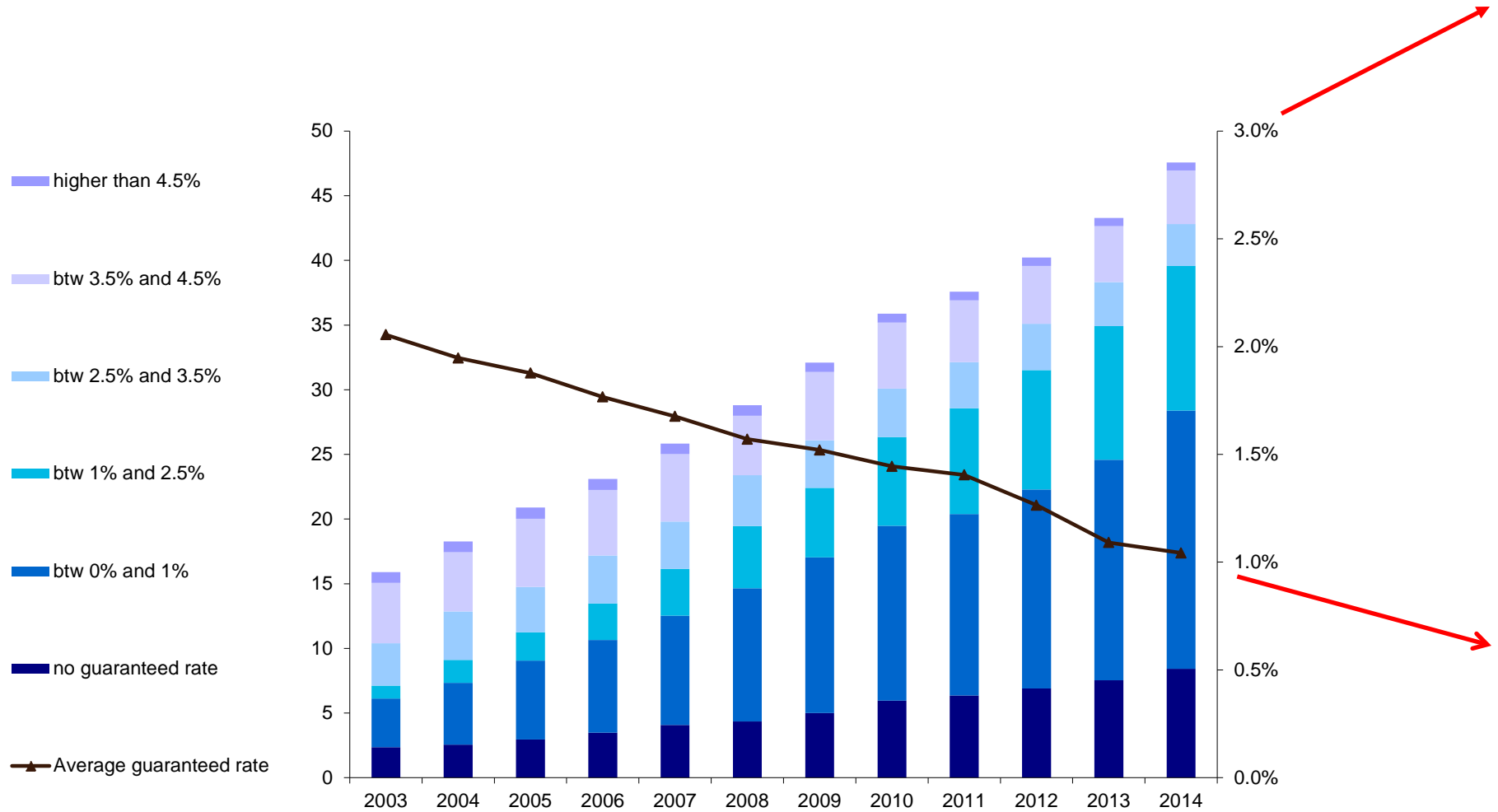
- Buffer of **1.2 €bn** above minimum guaranteed rate
- Average reserves of **46.3 €bn**

Very low long term guaranteed rate, in line with financial market conditions



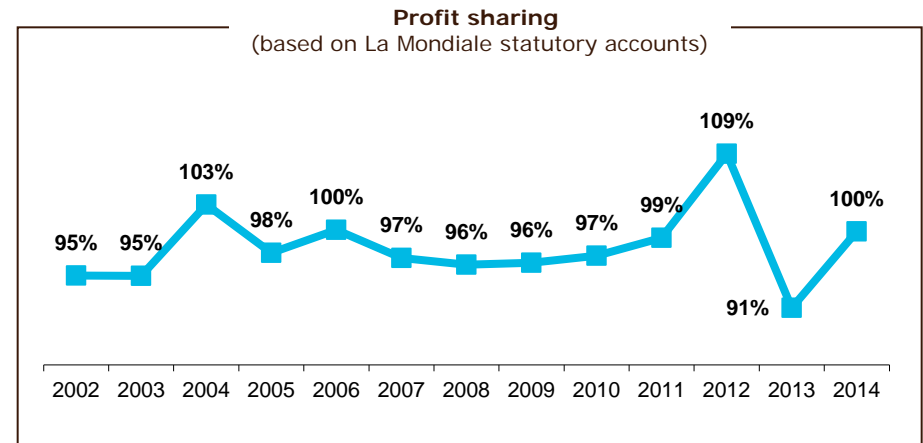
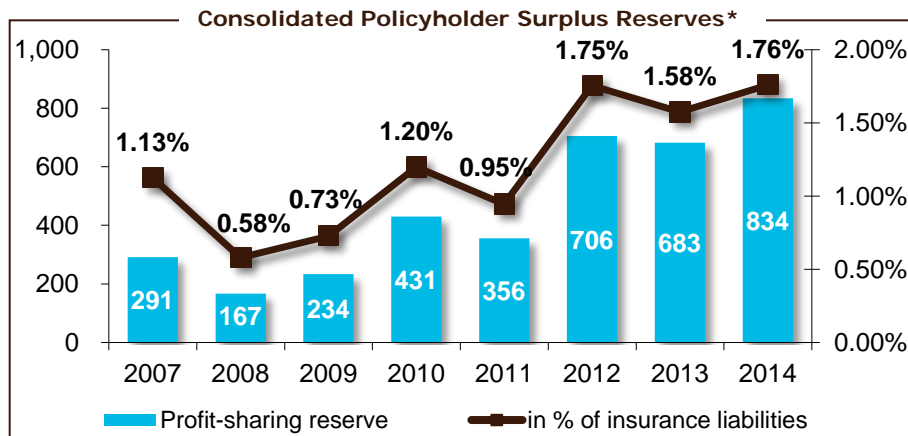
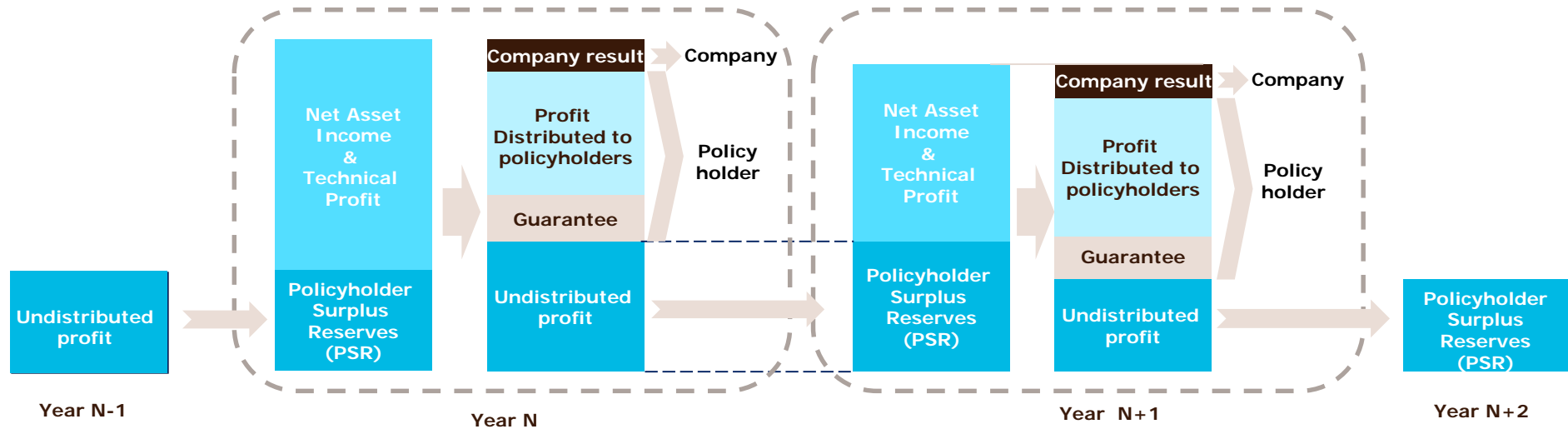
\* Weighted average based on statutory accounts

# Low average guaranteed rates



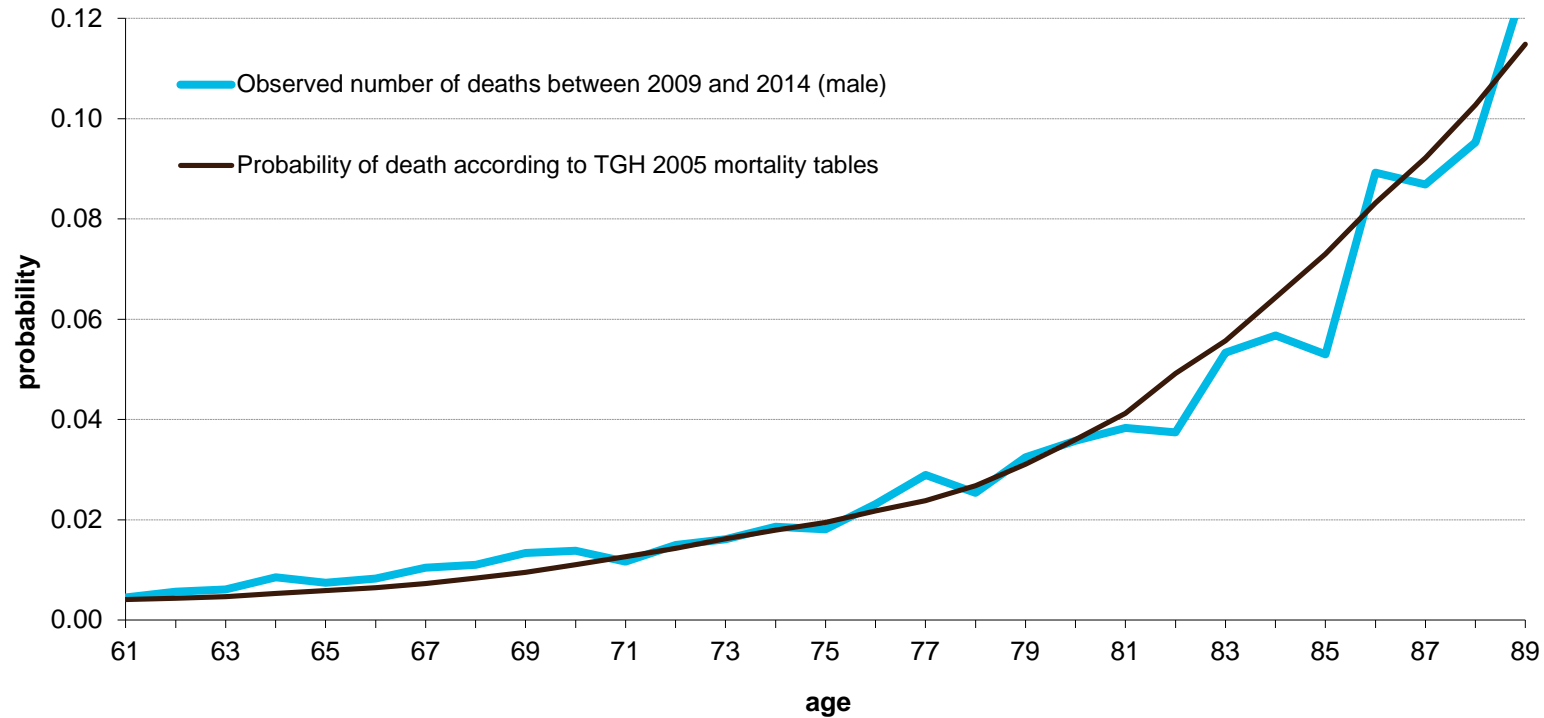
# Significant loss absorption mechanism in its life contracts

French life insurance savings have loss absorption mechanism that gives flexibility to manage policyholders yield through the cycle without impacting company profit



\* Savings and Pensions surplus reserve

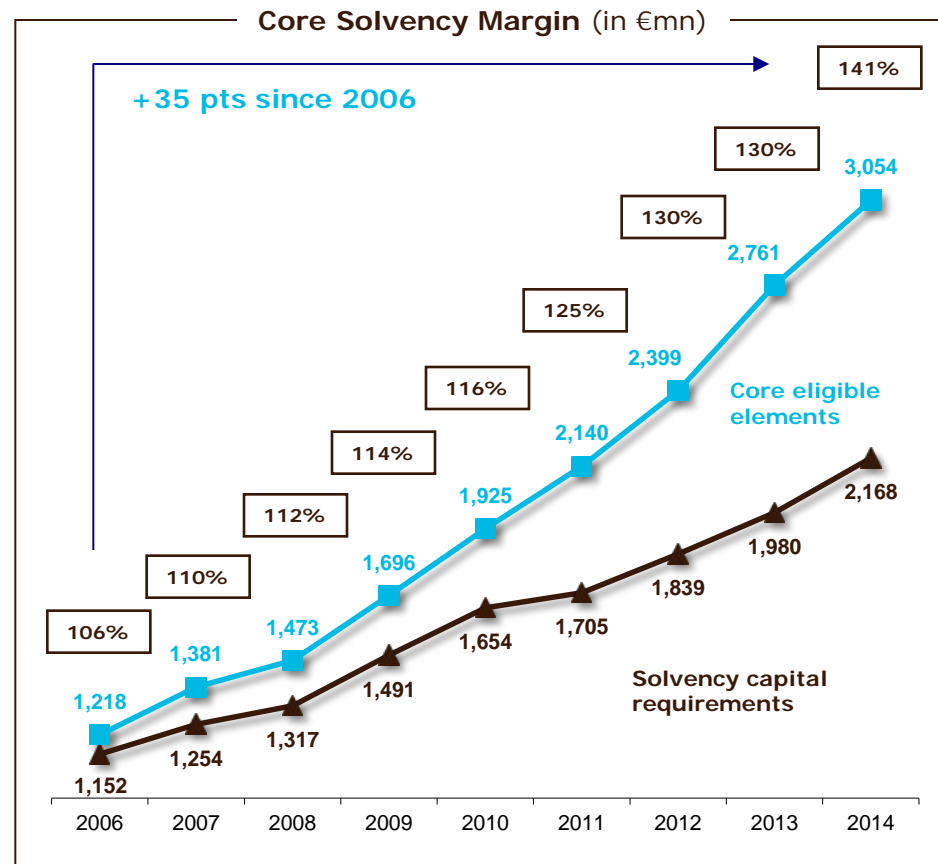
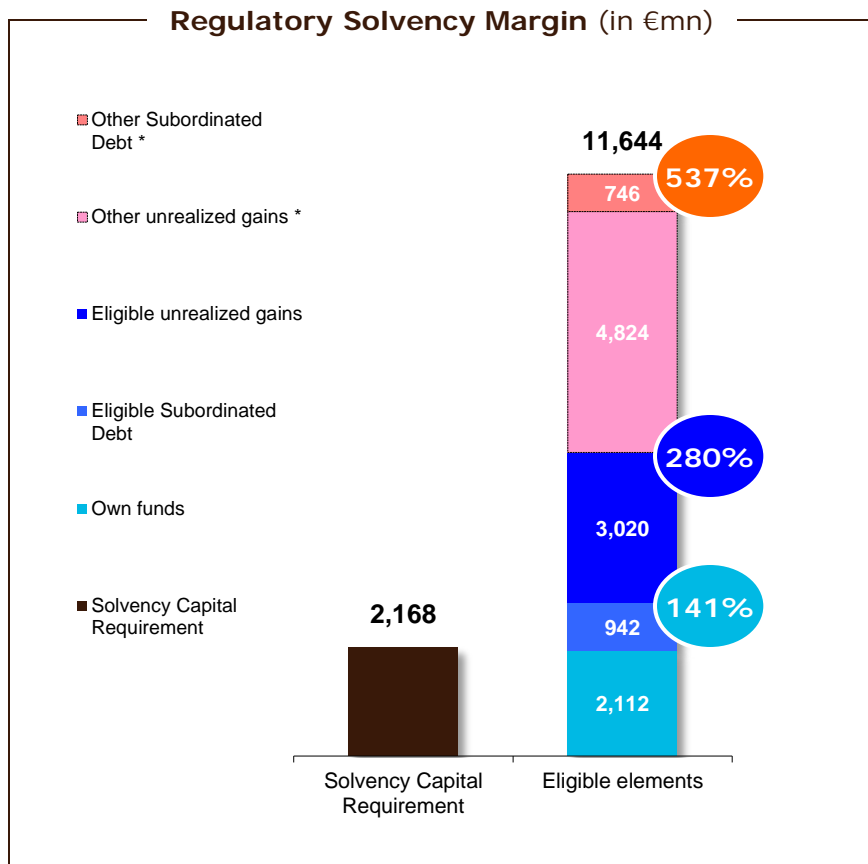
# Longevity risk management



- La Mondiale closely monitors longevity risk
- La Mondiale is able to face a major longevity shock.  
In case of a 15% decrease in death probability, impact on profit sharing is limited to 30bp



# Solvency margin



- **Core S1 margin has continued to improve in 2014**, including the growth of eligible subordinated debt (€942m vs €857m at the end of 2013)
- Other Subordinated debt represents €746m vs €239m at the end of 2013. This debt will be eligible following the growth of the Solvency Capital Requirement.
- Core solvency margin has increased by **35 points since 2006 and 27 points for 5 years.**



\* Other Subordinated Debt and Other unrealized gains temporary above regulatory ceiling

# La Mondiale Rating - S&P : BBB+ /Positive

## La Mondiale

Last rating update: November 24<sup>th</sup>, 2014

S&P considered that since AG2R Prévoyance and La Mondiale have become increasingly integrated, and their links deepened, the rating must be now considered on a group basis.

Moreover the merger of Protection Institution Réunionica with AG2R La Mondiale in 2015 will strengthen the group's capital buffers and business position.

Therefore, the rating BBB+ is affirmed and the outlook is revised **to positive from stable**.

### Rating Strengths

- ▲ Strong competitive position with a diversified product offer backed by its strong brands and multichannel distribution
- ▲ Upcoming merger with Réunionica in 2015, consolidation of the leading position as health and long term care provider, with the integration of Reunica & Via Santé
- ▲ Expected capital and earnings level of in the moderately strong range over the next two years
- ▲ Adequate financial flexibility with a proven ability to access debt markets

### Rating Challenges

- ▼ Net assets exposed to higher than average volatility in capital and earnings (due to over the average exposure to equities and real estate)
- ▼ Capital adequacy reliance on market-sensitive items (interest rates)
- ▼ Fungibility of capital constrained by AG2R LM' legal structure

### S&P Outlook: positive

"The positive outlooks indicate that we could raise the ratings on AG2R Prévoyance and La Mondiale over the next 24 months if group integration deepens and the group weathers material regulatory changes in France's health and protection insurance markets, while safeguarding its financial risk profile".

#### Upside scenario

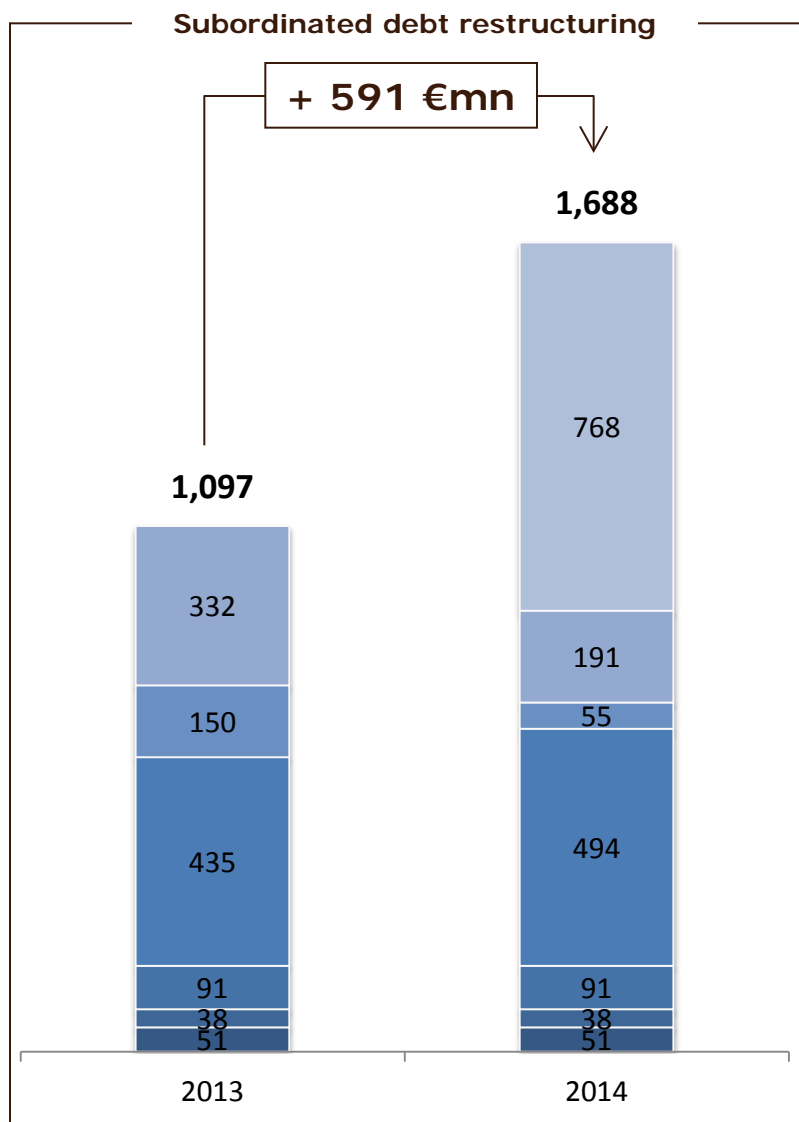
S&P could consider raising the ratings if integration within the AG2R LM group as a whole deepens and the group weathers material changes in France's health and protection insurance markets, while safeguarding its financial profile. For La Mondiale, S&P could raise the rating if policyholder reserves are strengthened, with lower credit rates that assessed continuously depressed long-term bond yields.

#### Downside scenario

S&P could revise the outlooks to stable if AG2R and La Mondiale's group integration and the fungibility of their capital were unlikely to increase, if the combined group's capital adequacy unexpectedly and materially deteriorated, if regulatory changes hampered performance more than expected.

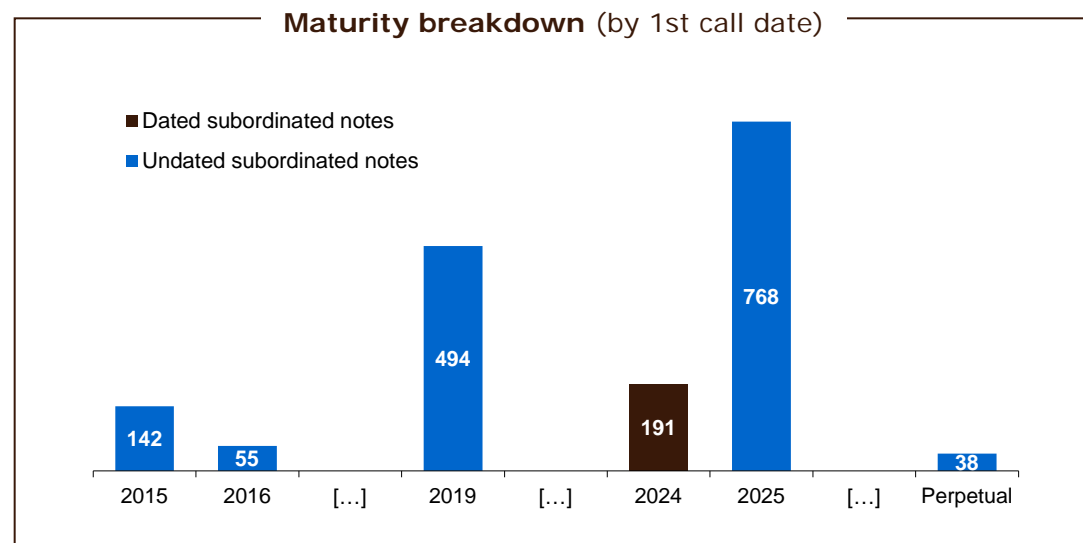


# Subordinated redemption profile



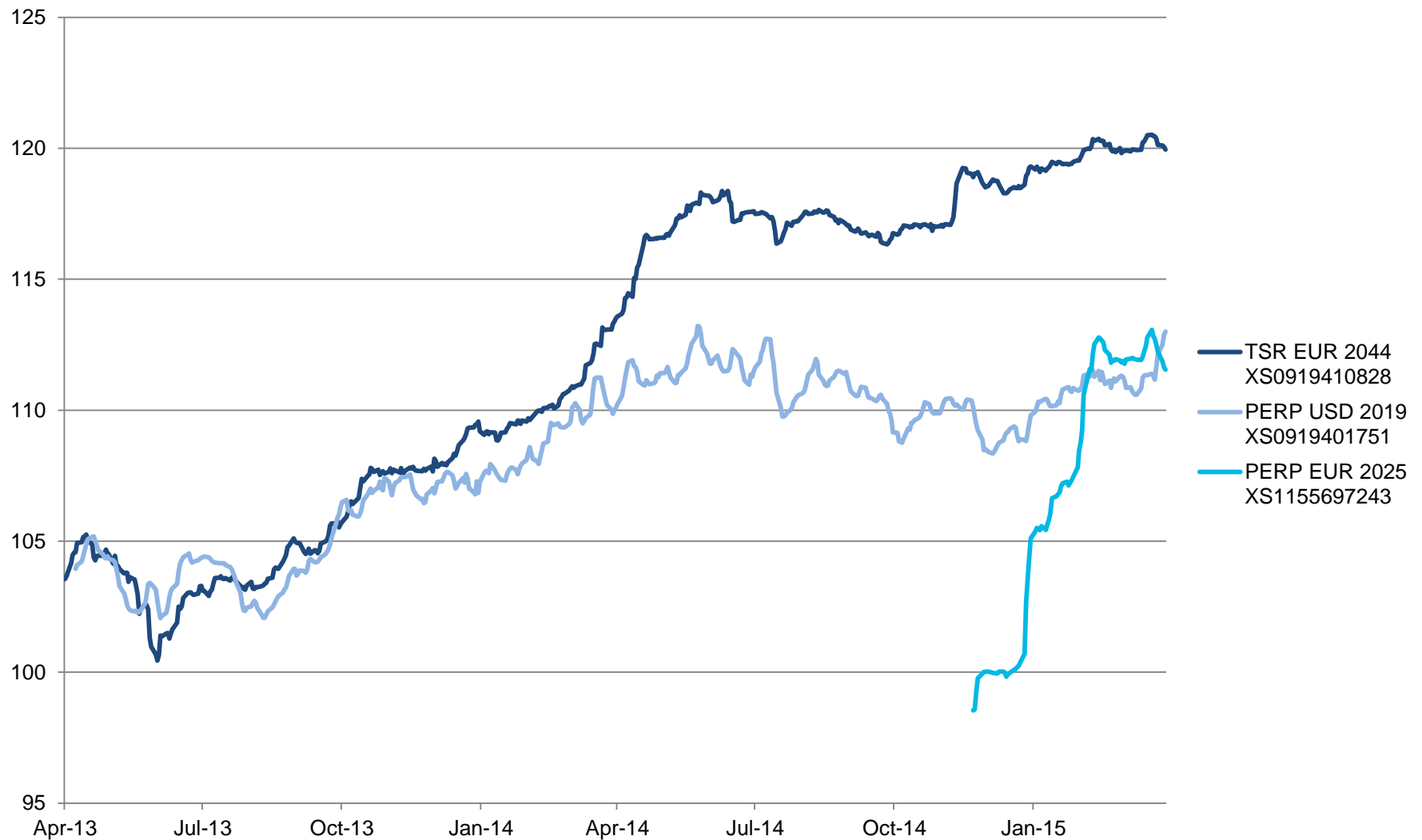
## Hybrid capital +54%

- Tender and Exchange offer on dated subordinated notes (332 €mn TSR)
  - 42% of success
  - 169 €mn invested in a new Undated Subordinated Note
- Tender and Exchange offer on Undated Subordinated Notes (150 €mn TSDI)
  - 63% of success
  - 99 €mn invested in a new Undated Subordinated Note
- Issuance of 768 €mn Undated Subordinated Notes
  - Expected to be restricted Tier 1 under Solvency2
  - 268 €mn of the exchange offer
  - 500 €mn of new inflow





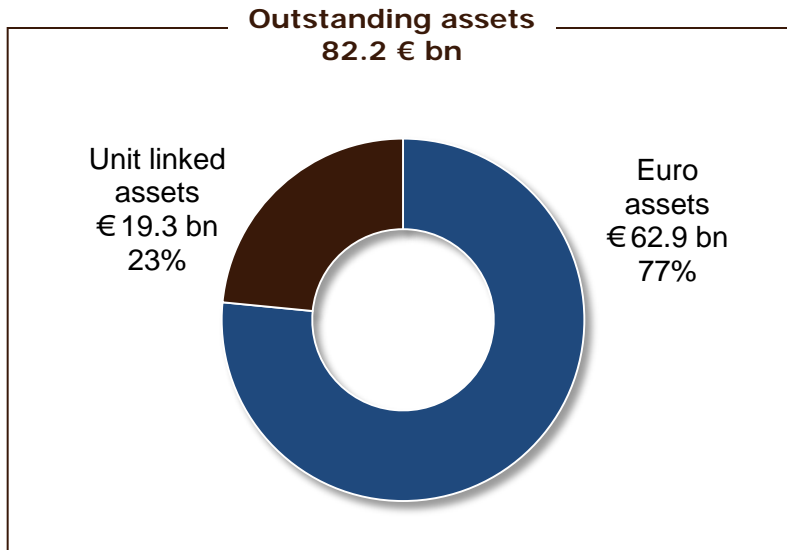
# Robustness of La Mondiale' secondary levels





# INVESTED ASSETS

# Diversified asset allocation

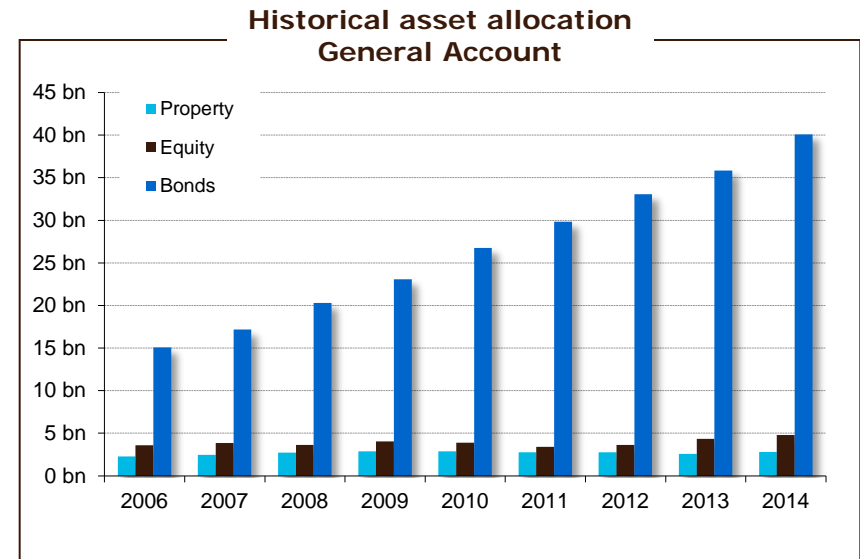
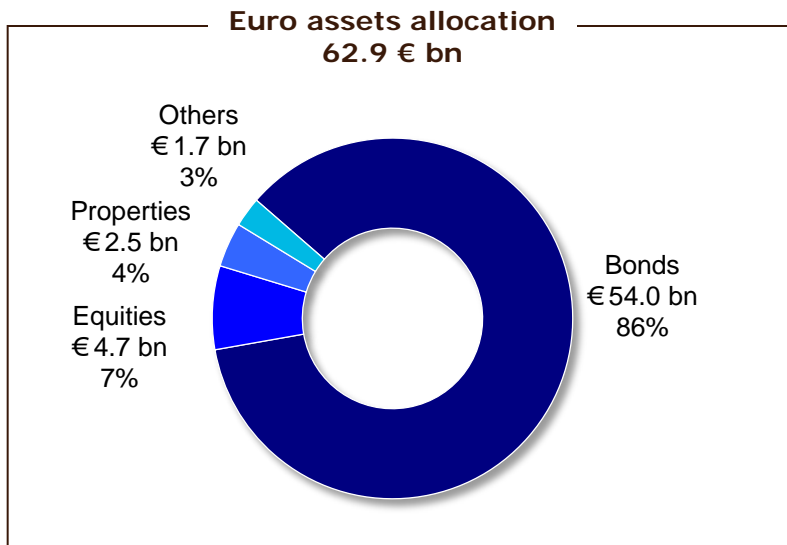


**Assets** : global growth by +17.0%

- ✓ General account : +19.1%
- ✓ Unit linked : + 10.6%

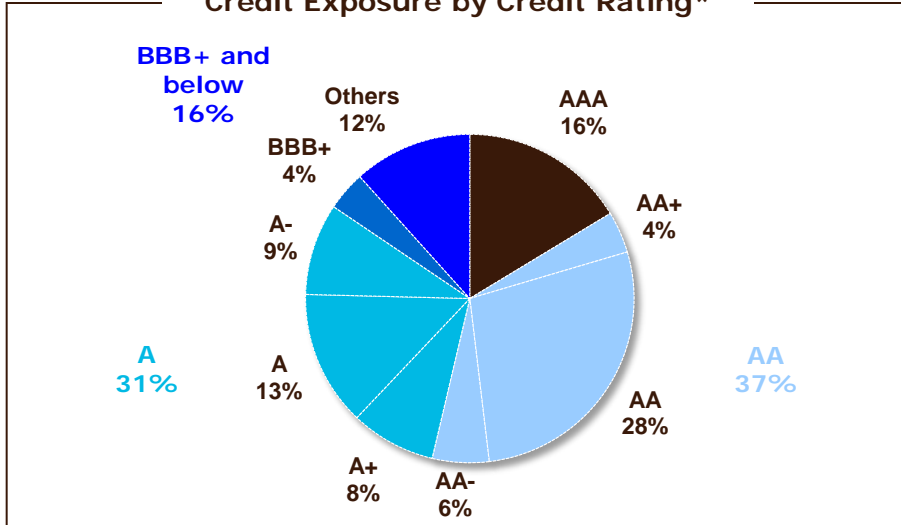
Assets under management have grown significantly over the last decade at an average annual growth rate of **+11%** since 2006

Bonds represent 84% of General account in 2014 vs. 72% in 2006



# Bonds – Low risk asset allocation

Credit Exposure by Credit Rating\*

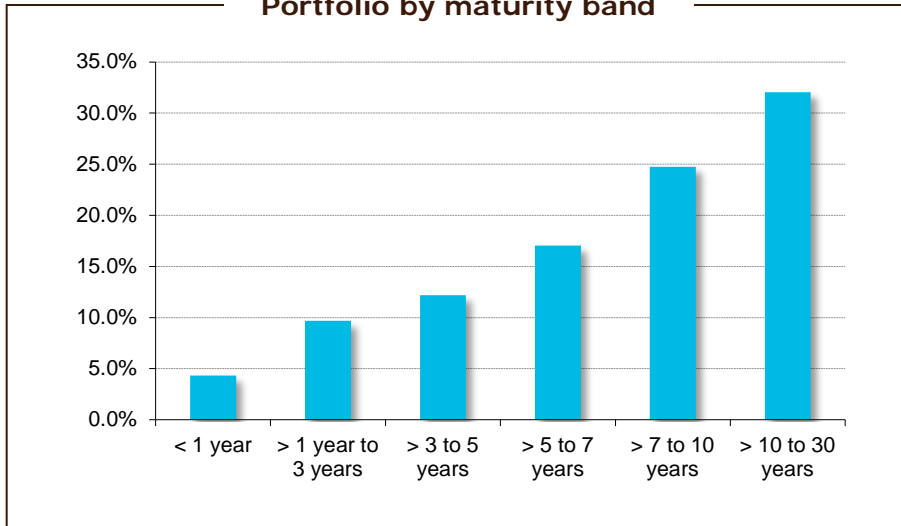


Total Bond exposure is at 49.6 €bn

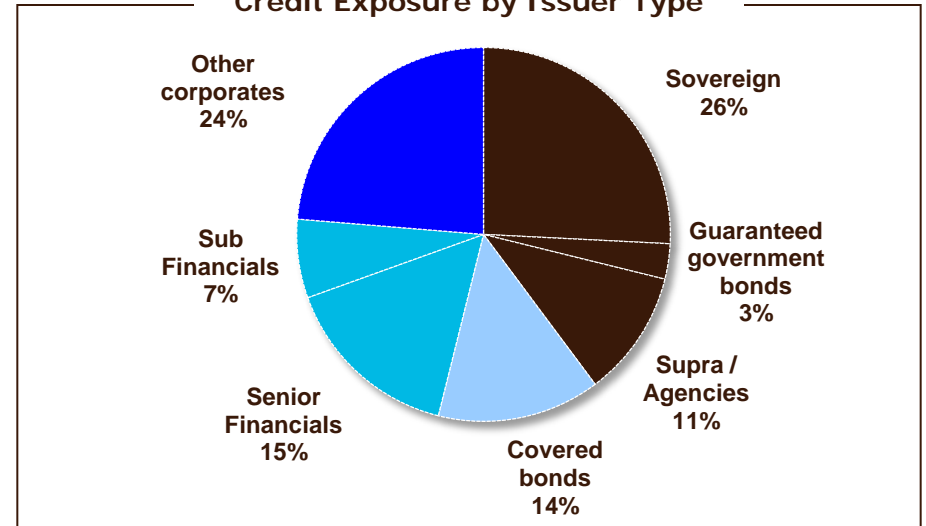
Limited exposure to risky investments with as less than 16% of the investments currently rated BBB+ or below

An estimated 15-year liabilities duration is a key strategic element of our asset management policy

Portfolio by maturity band



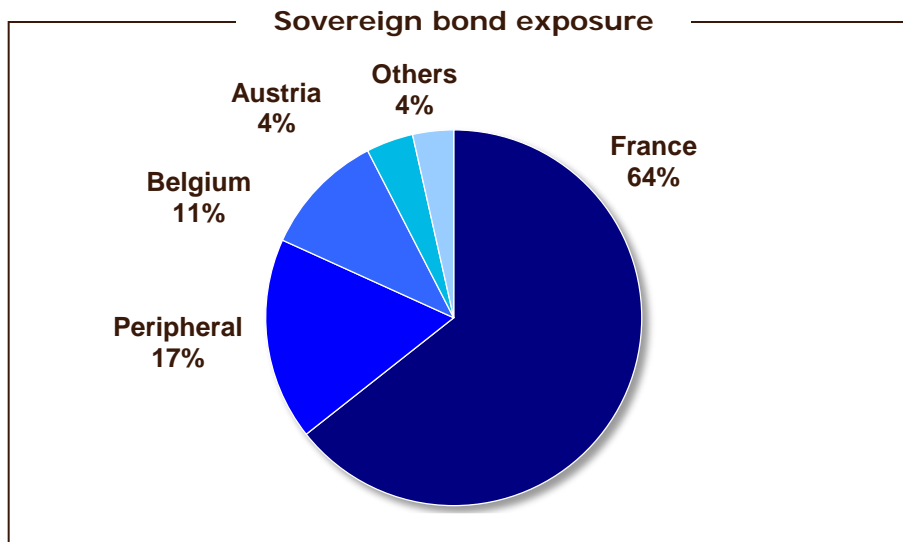
Credit Exposure by Issuer Type



\* Second best rating methodology consists of using the second best rating awarded to an issue by the three leading agencies, S&P, Moody's and Fitch



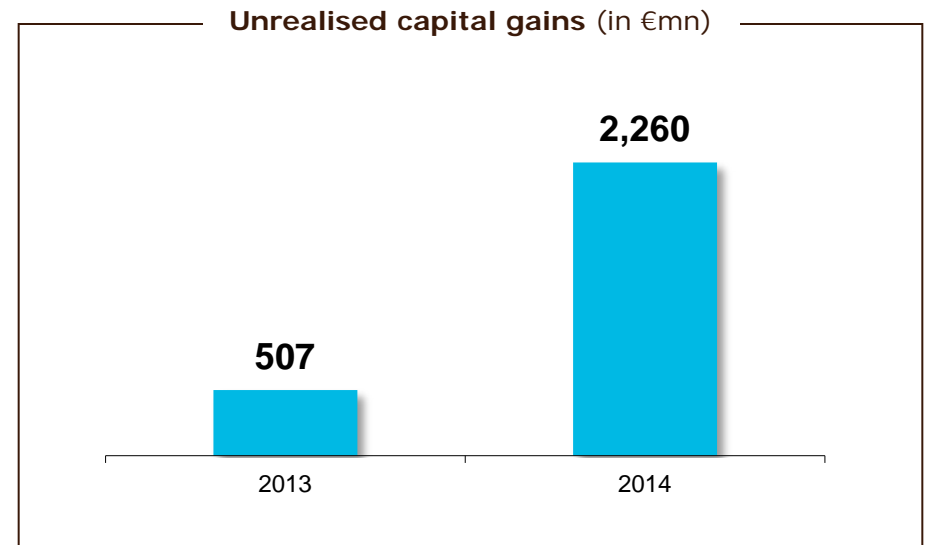
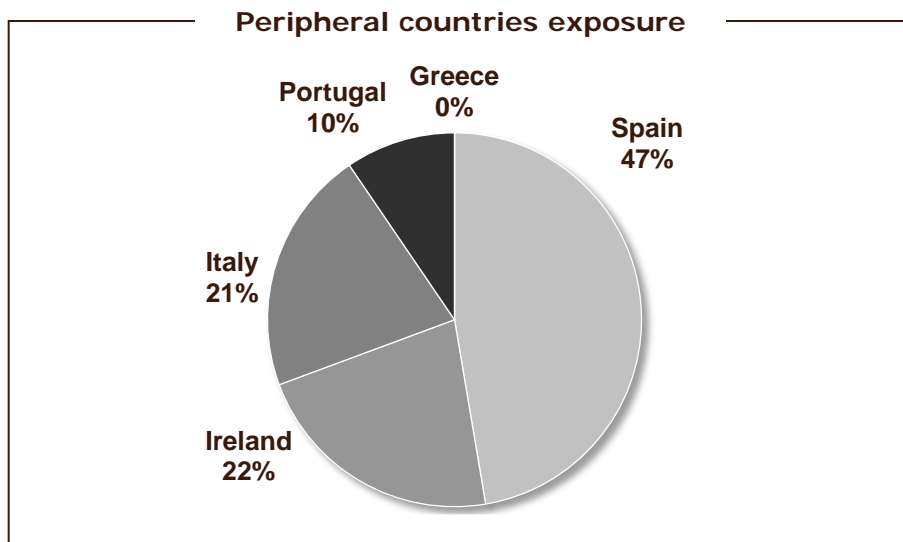
# Bonds – Sovereign exposure



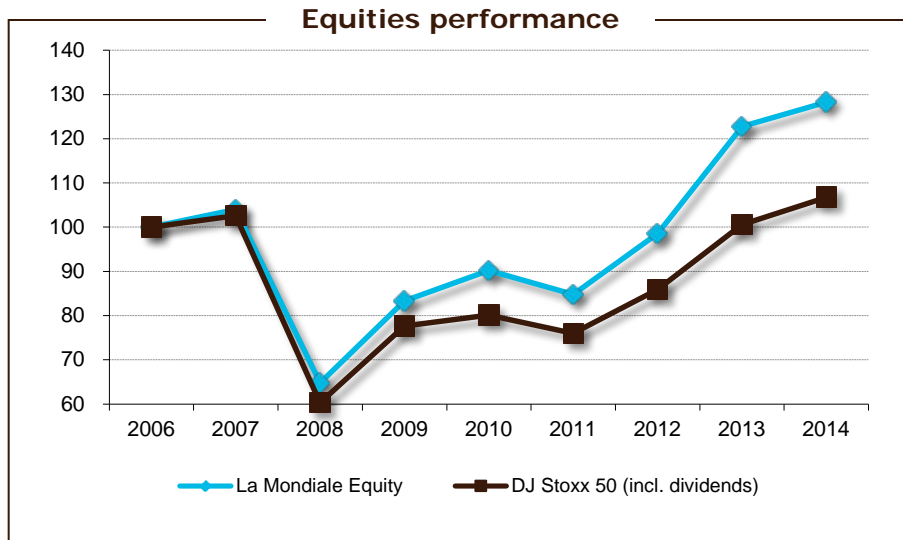
**Total Sovereign exposure is at 12.8 €bn**

Sovereign exposure is less than 26% of total bonds exposure

Peripheral countries exposure is 17% of this sovereign bucket, hence only 4.4% of the total investments



# Equities – Long term performance

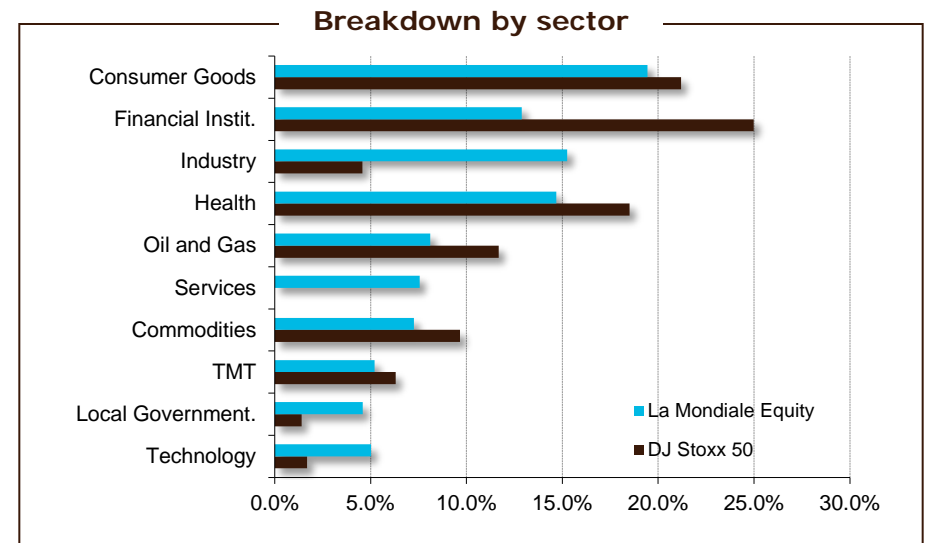
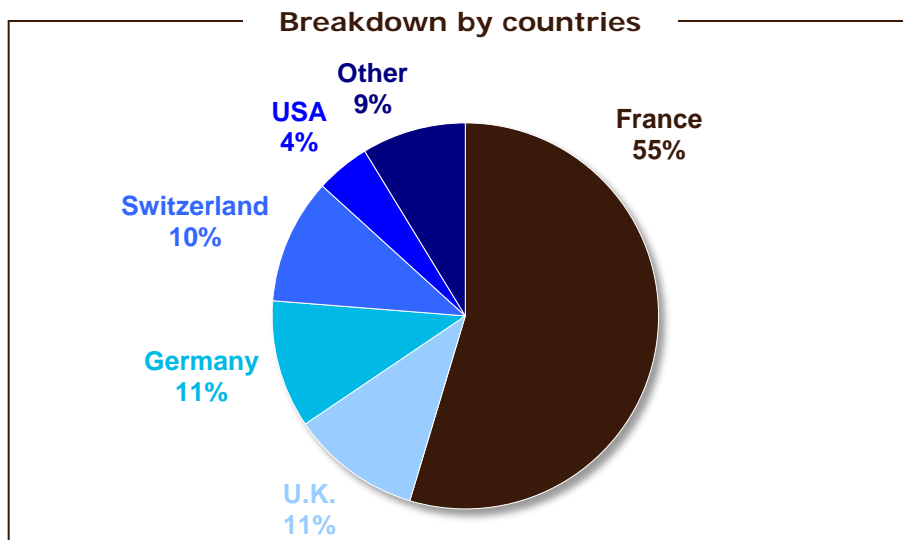


Total Equities exposure is 4.7 €bn, including 1 €bn through mutual funds

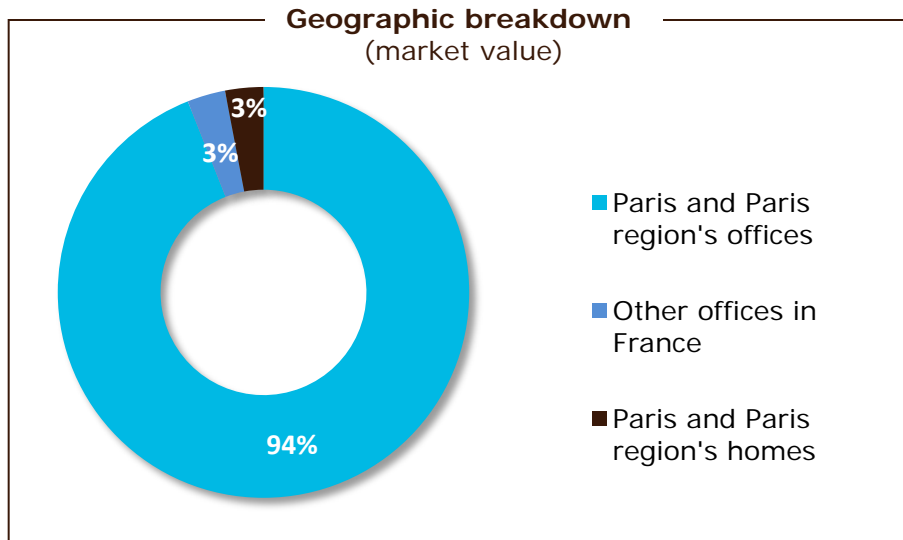
2014 performance at 4.5%, after 24.6% performance in 2013.

An Equity portfolio well diversified by geography and sector

A focus on large liquid Equity stocks traded on the main exchange markets



# Property – Resilient return

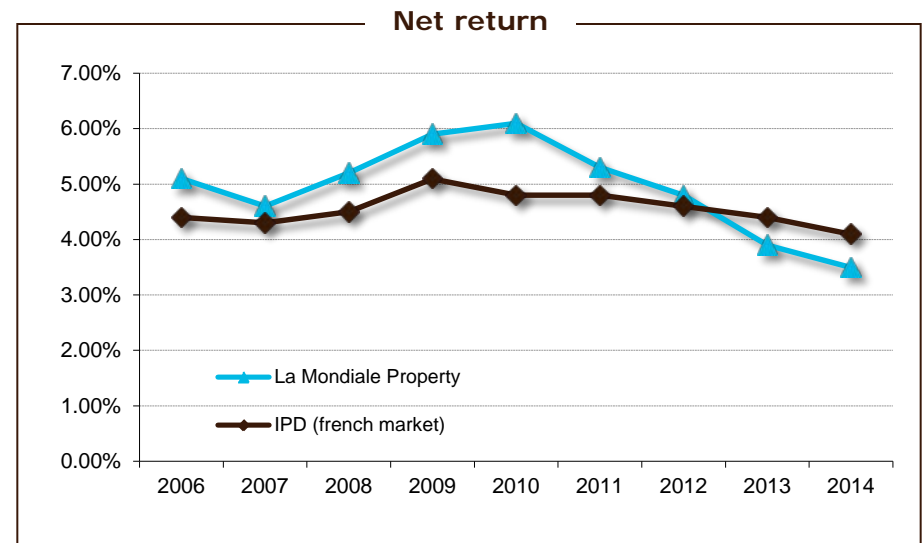
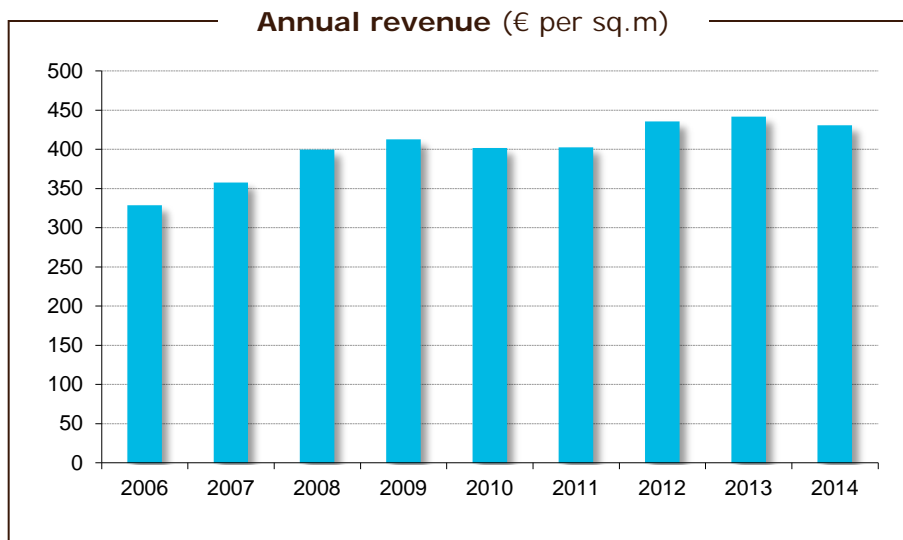


**Total Property exposure is at 2.5 €bn**  
(fair value : 3.2 €bn)

La Mondiale property assets represent 492,000.00 sq.m. and are mainly offices located in the center of or in Western Paris, i.e. only Prime Real Estate

Rental yields largely outperforms the fixed income markets even though they have been trending slightly downwards recently

Net return is slightly below the market due to an important part of building under restructuration





# APPENDIX



# Overview of La Mondiale Balance sheet

<i>€mio</i>	FY 2012	FY 2013	FY 2104	%Change FY 2014/ FY 2013
<b>TOTAL ASSETS</b>	<b>67,013</b>	<b>73,257</b>	<b>85,294</b>	<b>+16.4%</b>
Intangible assets	64	57	51	-10.3%
<i>ow. Goodwill</i>	41	42	40	-4.0%
<b>Insurance investments</b>	<b>49,348</b>	<b>52,818</b>	<b>62,895</b>	<b>+19.1%</b>
<b>Unit Linked investments</b>	<b>14,573</b>	<b>17,426</b>	<b>19,276</b>	<b>+10.6%</b>
Others assets	2,692	2,587	2,857	+10.5%
Cash and cash equivalent	335	370	215	-41.8%

<i>€mio</i>	FY 2012	FY 2013	FY 2104	%Change FY 2014/ FY 2013
<b>TOTAL LIABILITIES</b>	<b>67,013</b>	<b>73,257</b>	<b>85,294</b>	<b>+16.4%</b>
Equity Group Share	2,432	2,575	2,971	+15.4%
Minority Interests	294	323	370	+14.3%
<b>Total Equity</b>	<b>2,726</b>	<b>2,898</b>	<b>3,341</b>	<b>+15.3%</b>
Financing debt	453	855	1,543	+80.3%
Insurance and financial liabilities	58,794	64,278	74,346	+15.7%
Other liabilities	5,040	5,225	6,065	+16.1%



# Overview of La Mondiale P&L account

<i>€mio</i>	FY 2012	FY 2013	FY 2104	%Change FY 2014/ FY 2013
Revenue	6,234	6,752	7,870	+16.6%
Financial Products	2,760	2,322	2,473	+6.5%
<b>Current operating income</b>	<b>10,394</b>	<b>10,847</b>	<b>12,302</b>	<b>+13.4%</b>
<b>Current operating expenses</b>	<b>-9,872</b>	<b>-10,470</b>	<b>-11,918</b>	<b>+13.8%</b>
<b>Operating Income</b>	<b>520</b>	<b>377</b>	<b>384</b>	<b>+1.9%</b>
<b>CONSOLIDATED NET RESULT</b>	<b>310</b>	<b>222</b>	<b>260</b>	<b>+17.1%</b>
<i>o.w Group share</i>	<i>289</i>	<i>199</i>	<i>234</i>	<i>+17.6%</i>
<i>o.w Minority Interest</i>	<i>20</i>	<i>23</i>	<i>26</i>	<i>+12.9%</i>



# Contact details

## Management

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