



AG2R LA MONDIALE

# LA MONDIALE HALF YEAR 2019 EARNINGS

September 2019

## Cautionary note

At half-year, La Mondiale does not produce full financial statements but only prepares a balance sheet and an income statement. Auditors are not required and do not issue any audit or limited review report on these financial figures. They have been presented and reviewed by La Mondiale Board on September 26, 2019.

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. Those relating to the solvency margin are, from the January 1<sup>st</sup>, 2016, calculated under the European Union's Solvency 2 rules.

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



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2. A steered business model
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# Executive summary (SGAM AG2R LA MONDIALE, as of 06/30/2019)

Robust balance sheet and monitored solvency	
<b>SGAM</b>	
<b>€7.1bn*</b>	IFRS Equity capital (+€0,7bn / FY 2018)
<b>185%</b>	S2 ratio (-33pts / FY 2018)
<b>La Mondiale</b>	
<b>€5.1bn</b>	IFRS Equity capital (+€0.6bn / FY 2018)
<b>229%</b>	S2 ratio (-38pts / FY 2018)

Capital items	
<b>€2.3bn</b>	Total amount of subordinated debt
<b>€162m</b>	Total amount of mutual certificates (unrestricted Tier 1)

Diversified and steered business model	
<b>SGAM</b>	
<b>€4.3bn</b>	Premiums (-12,5% / HY2018) 43% <i>Life &amp; Savings</i> 19% <i>Pensions</i> 22% <i>Health</i> 15% <i>Protection</i>
<b>€90.1bn*</b>	Liabilities
<b>€237m</b>	Net income (+13% / HY2018)
<b>La Mondiale</b>	
<b>€2.7bn</b>	Premiums, 37%/63% UL <sup>1</sup> /GA <sup>2</sup> mix above the french market : 24%/76%
<b>€3.4bn</b>	Liabilities, 31%/69% UL <sup>1</sup> /GA <sup>2</sup> mix above the french market EoY2018 : 21%/79%
<b>€210m</b>	Net income (+20% / HY2018)

## Sound asset allocation & risk management (La Mondiale EoY2018)

**4.1%** of reserves High level of policyholder surplus 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  
**5<sup>th</sup>** in Health Insurance  
**3<sup>rd</sup>** in Protection  
**12<sup>th</sup>** in Savings  
**Top3** in Private Wealth Management

## Rated A- / positive outlook

**A-** positive outlook confirmed by Standard & Poor's in September 2019

# Highlights

## A controlled activity and identified actions in a shaken financial market

The current environment of **negative rates** is breaking with what we knew until then and may last. Facing this environment, several measures are to be taken.

In the first place, **the General Account inflow is braked** since the beginning of the year - in the continuity of what has been engaged since 2017. This managed to be done **while maintaining a leading position in the French market and a high level of Unit Linked inflows**.

On the other hand, the balance sheet has been protected through a **yield hedging program** already in place for several years, completed by **equity hedges** since September. This aims to guard against a falling equity markets risk.

In this environment, AG2R LA MONDIALE maintains a **high level of profitability** with a half-year result up 13% to €237m **without taking more risk in the assets allocation**.

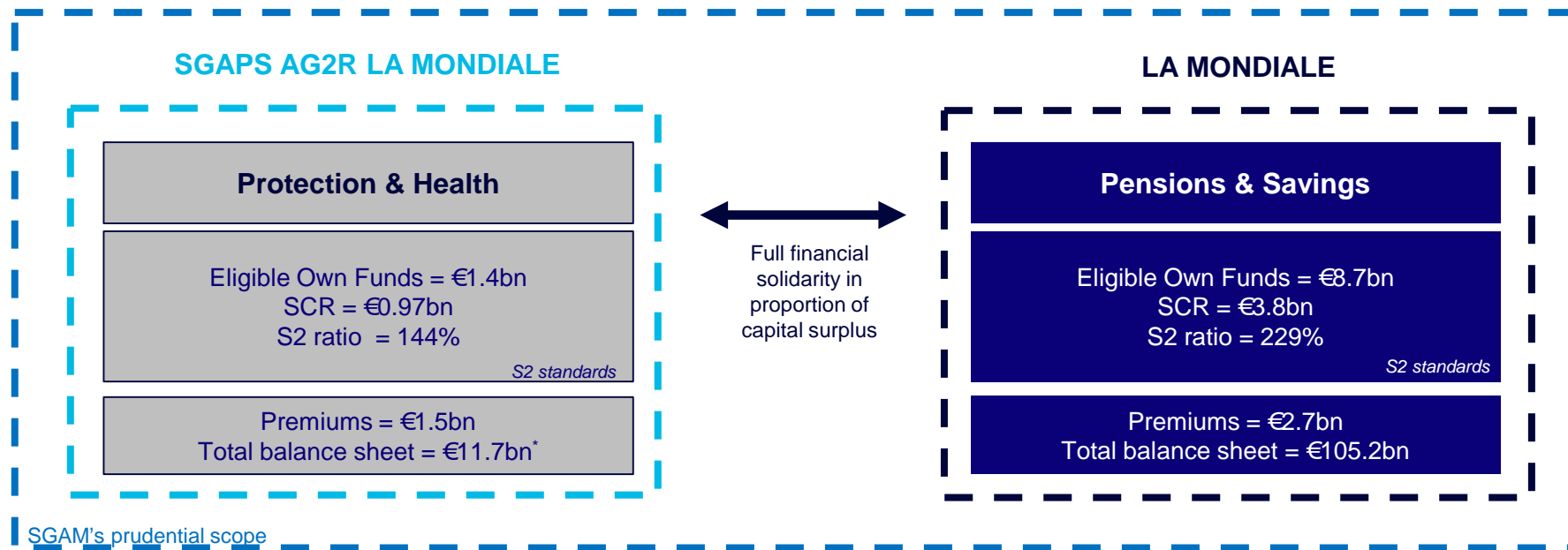
## Rating S&P “A-”, positive outlook

Standard & Poor's (S&P) has confirmed on September 26, 2019 « A- » rating with a positive outlook for SGAM AG2R LA MONDIALE and its core entities, La Mondiale, AG2R Réunica Prévoyance, Prima and Arial CNP Assurances (more details p.26).

# Group structure

Eligible Own Funds = €11.3bn  
SCR = €6.1bn  
S2 ratio = 185%  
Premiums = €4.3bn

## SGAM AG2R LA MONDIALE



\*: HY estimated

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

A mutual life insurance company is a company with no shareholders. Results are shared or accumulated into equity.

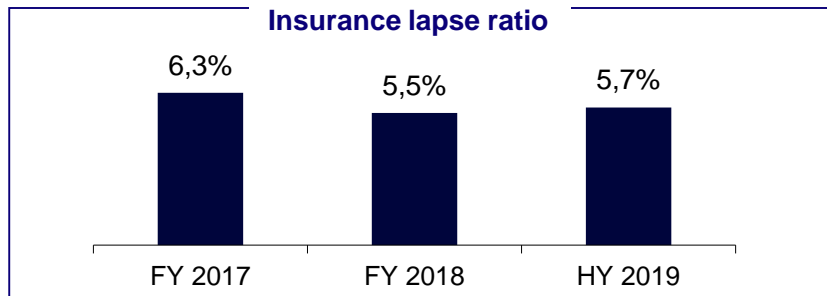
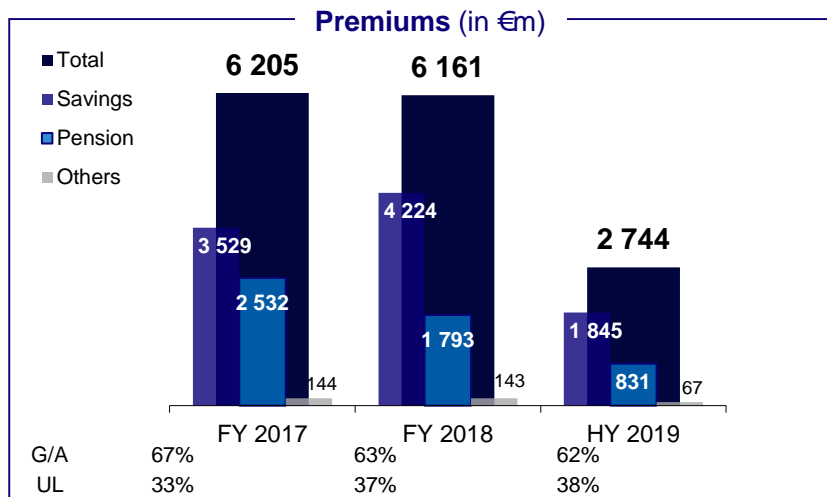


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# Business activity



**Premiums** : Decrease by 11% of premiums compared to the FY 2018 amount :

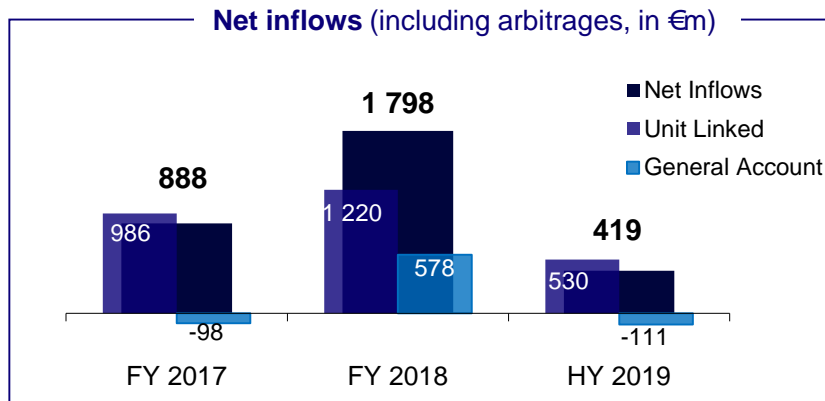
- ✓ Steered decrease of GA exposure and focus on Unit Linked exposure
- ✓ UL share (38%), far above the market (24%)
- ✓ Significant focus on net inflows

**This is in line with the Group's strategy: to limit inflows on the general account (with guaranteed capital) while keeping a competitive position on the market and maximizing the unit linked inflows.**

**Lapse** : a historically low lapse ratio was observed on HY2019, in the same trend seen from HY 2018 (in line with the French market)

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

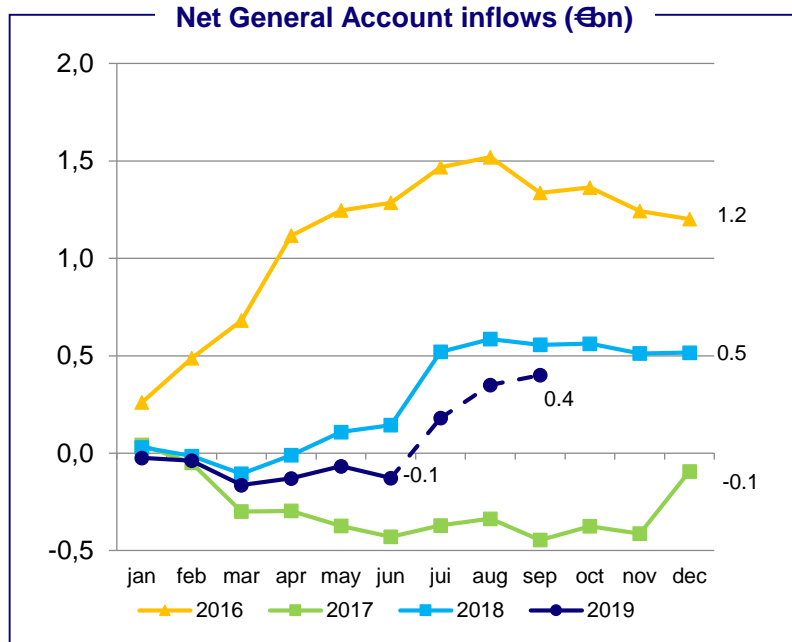
Measures have been taken to maintain the volume in GA while keeping good UL net inflow.



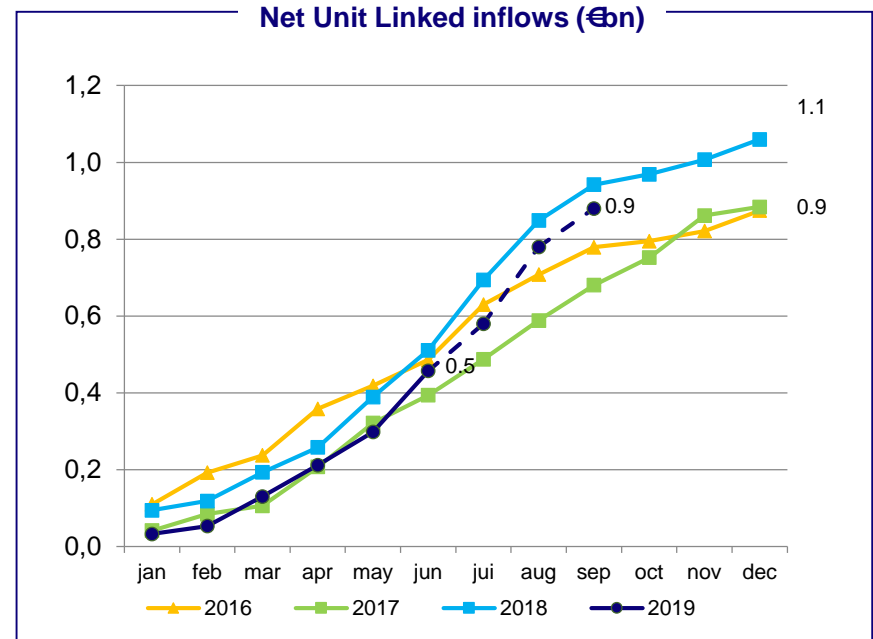


# HY 2019 Net inflows

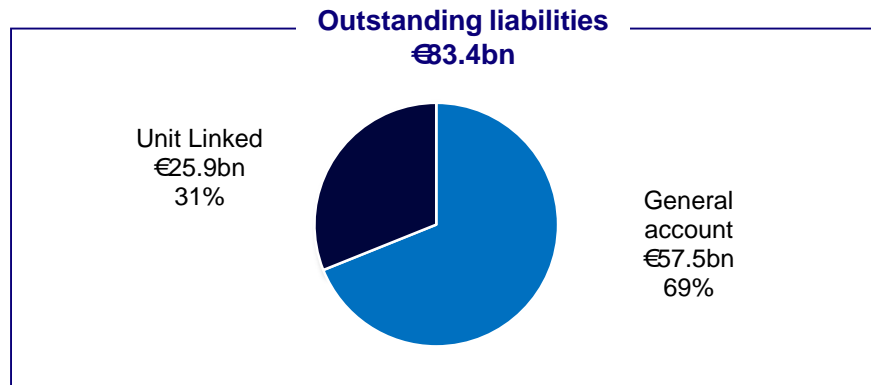
A reactive steering to face strong claims General Account ratio decrease, in line with the strategy



Another prosperous year for the UL inflows, despite volatile market



# Core businesses' financial structure



**Liabilities** : increase by 4.2% compared to FY 2018

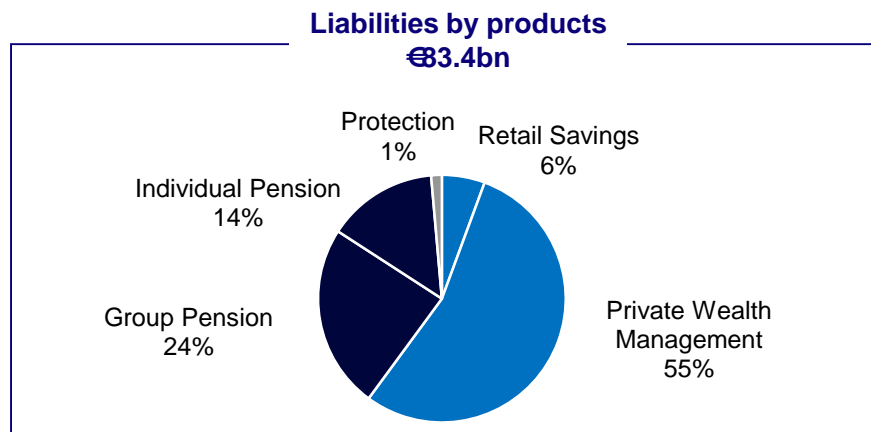
General Account : +2.2%

- ✓ +0.6% from net inflows and transfers UL/GA
- ✓ +1.6% : contracts revaluation (profit-sharing)

Unit Linked : +9.0%

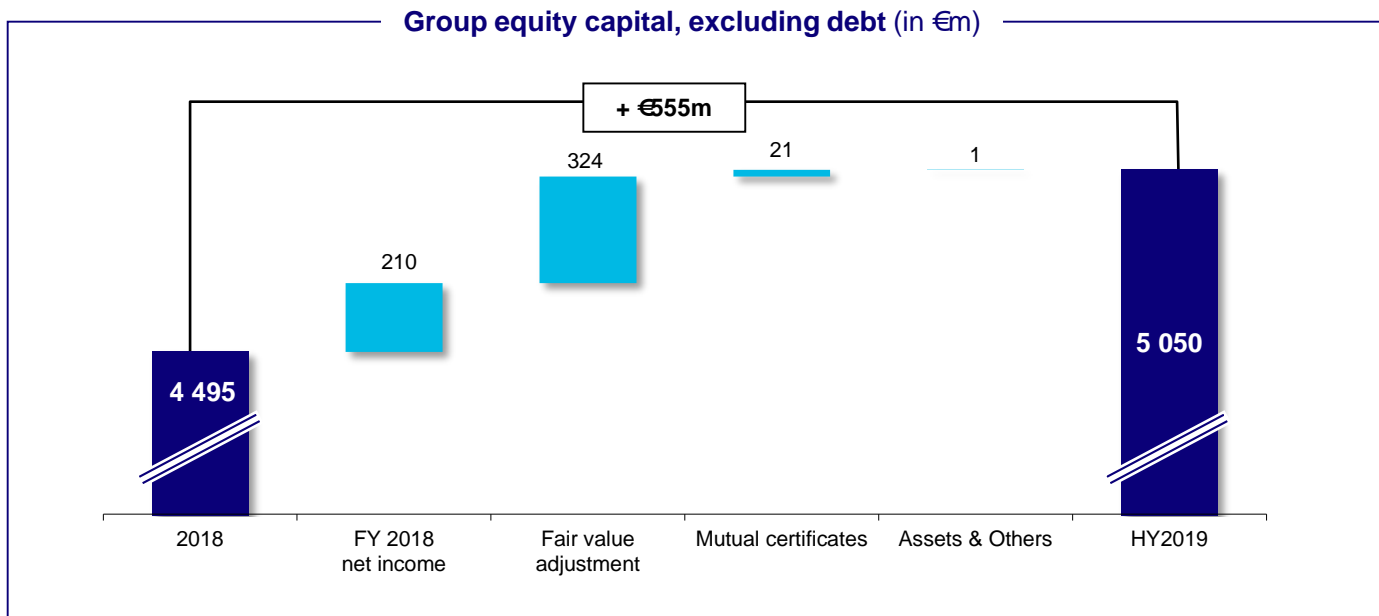
- ✓ +0.3% : net inflows and transfers UL/GA
- ✓ +8.7% : market impact

UL liabilities represent 31% of total liabilities (about 10pts above the market).



Liabilities are largely split in to pensions (39%) and savings (61%). 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

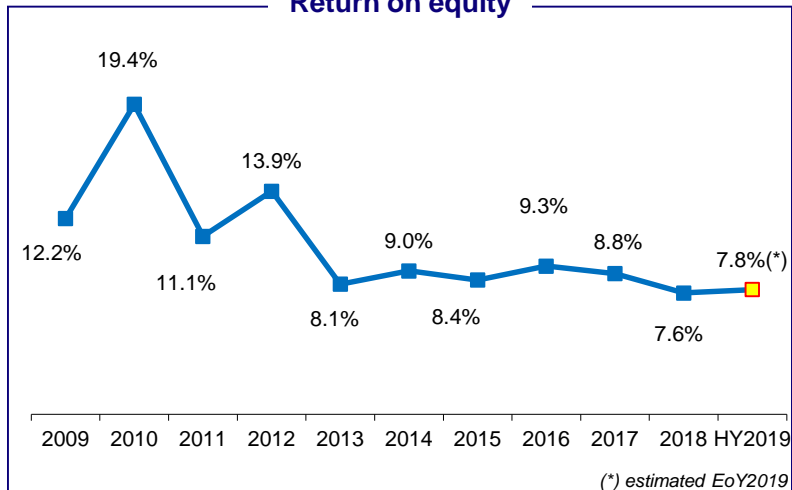


**La Mondiale : €5.1bn of IFRS own funds (+12% compared to FY 2018, more than x3 compared to 10 years ago), as a result of**

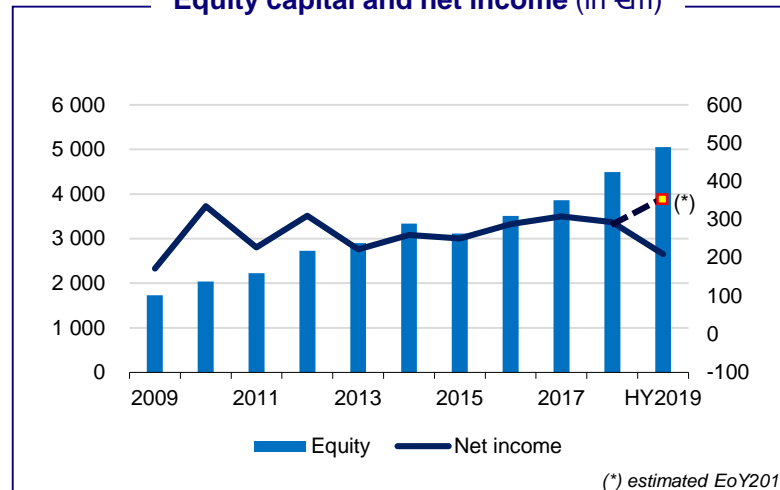
- ✓ €210m of net income
- ✓ €21m of mutual certificates issuance
- ✓ €324m of fair value adjustment (evaluation of unrealized gains on almost all non-real estate investments, net of deferred profit-sharing and tax)

# A strong financial performance

Return on equity



Equity capital and net income (in €m)



**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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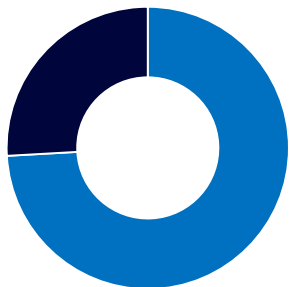


# Asset allocation

## Outstanding assets

€100.8bn

Unit linked assets  
€26.1bn  
26%



General account assets  
€74.7bn  
74%

## General Account assets allocation

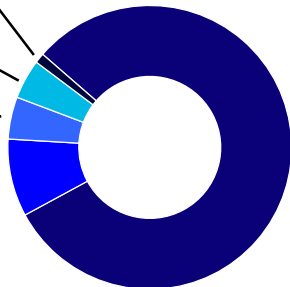
€74.7bn

Repo collateral (\*)  
€3.4bn  
4%

Cash  
€0.9bn  
1%

Property (\*\*)  
€3.6bn  
5%

Equity  
€6.7bn  
9%



Fixed Income  
€60.1bn  
81%

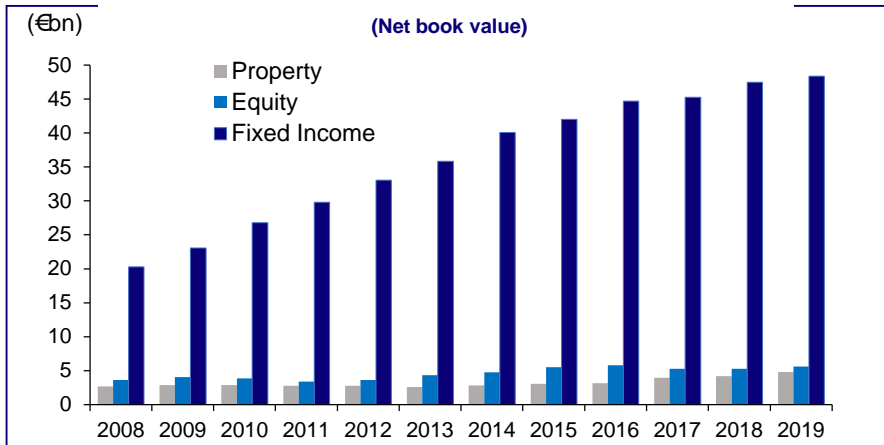
**Assets** : increase by 8% compared to FY 2018

- ✓ General Account : +7%
- ✓ Unit Linked : +10%

Assets under management have grown significantly over the last decade at an average annual growth rate of **+7.8%** since 2008.

The UL/GA mix is quite stable at 26% / 74% compared to FY 2018.

## Historical asset allocation General Account

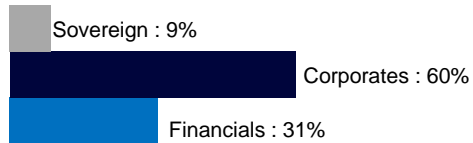


# HY 2019 Investments

Average investment rate on bond portfolios : 1.58%

## Achieved investments split

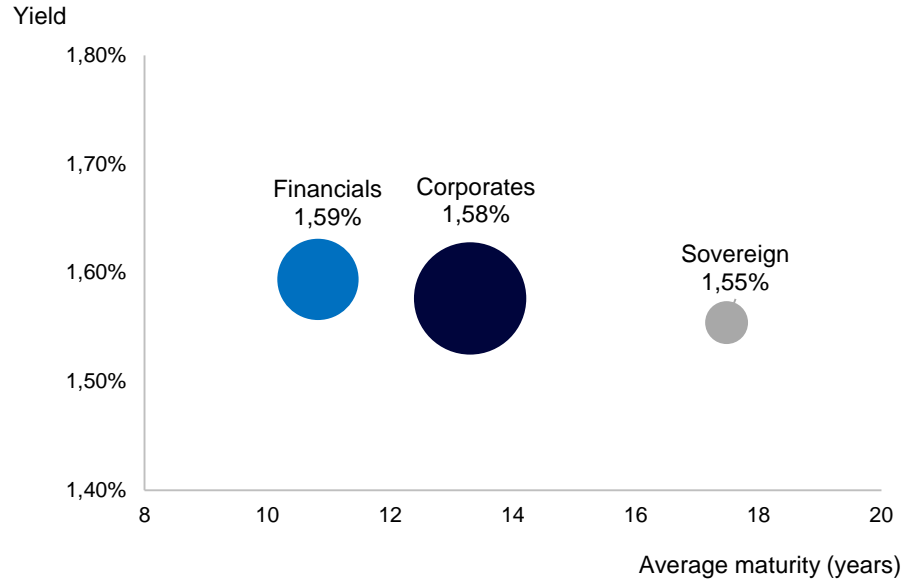
### Investment inflow



### Net investment inflow

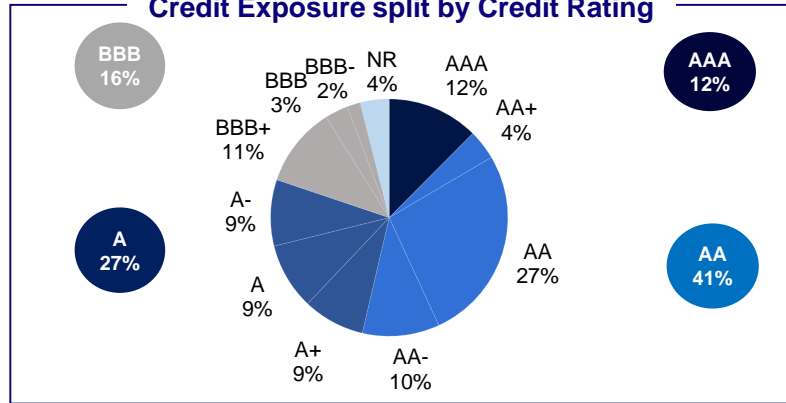


## 2019 bond investment inflows



# Fixed income allocation

Credit Exposure split by Credit Rating



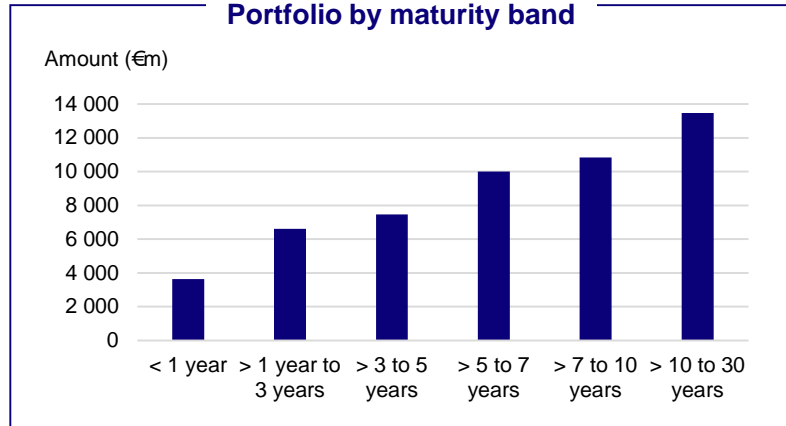
Total fixed income exposure is at €60.1bn

Limited exposure to risky investments, demonstrated by less than 20% of the investments currently rated BBB+ or below

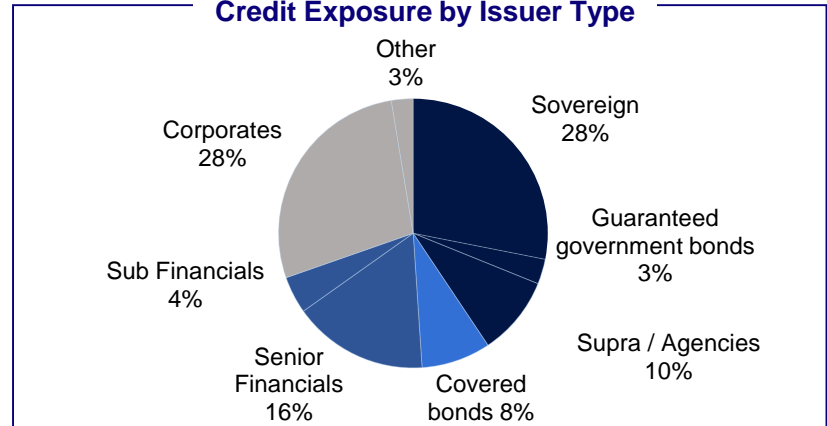
No floating rate bond

Duration / sensitivity of portfolio (7.4) in line with liabilities sensitivity, much lower than their duration (11) due to crediting rate policy

Portfolio by maturity band

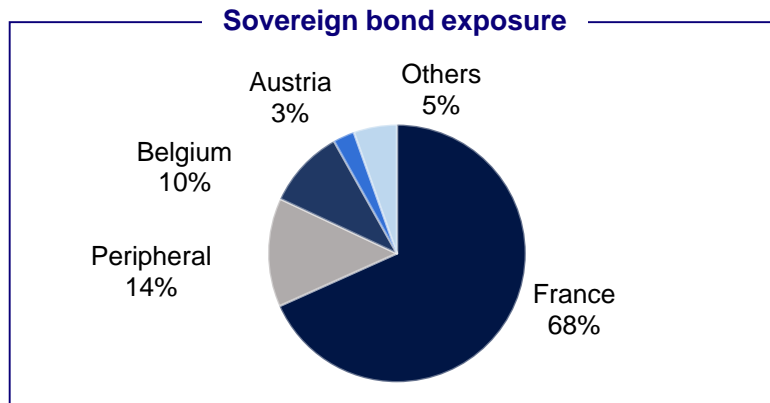


Credit Exposure by Issuer Type



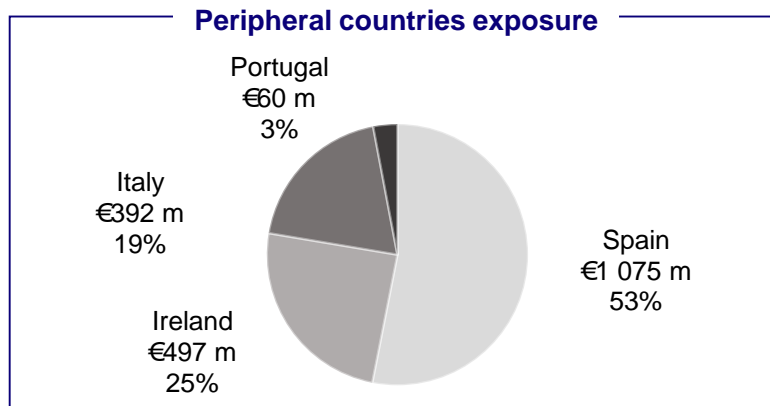


# Fixed income allocation – Sovereign exposure



**Total Sovereign exposure is at €14.8bn.**

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

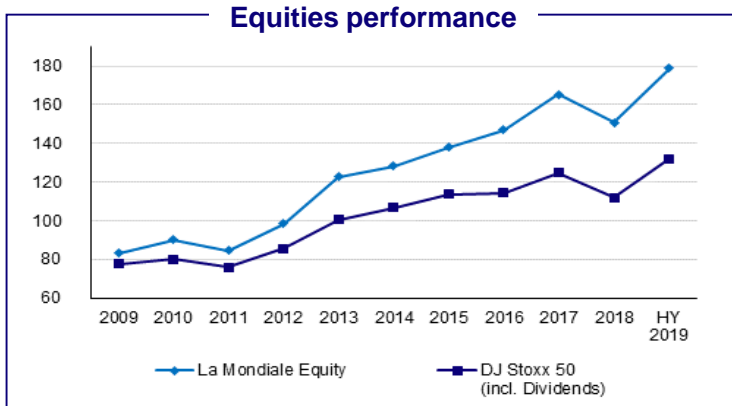


**Total Sovereign on Peripheral countries exposure is at €2.0bn.**

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

High level of unrealized gains (€327m) allowing credit shock absorption

# Equities investment allocation



**Equities exposure** : €6.6bn

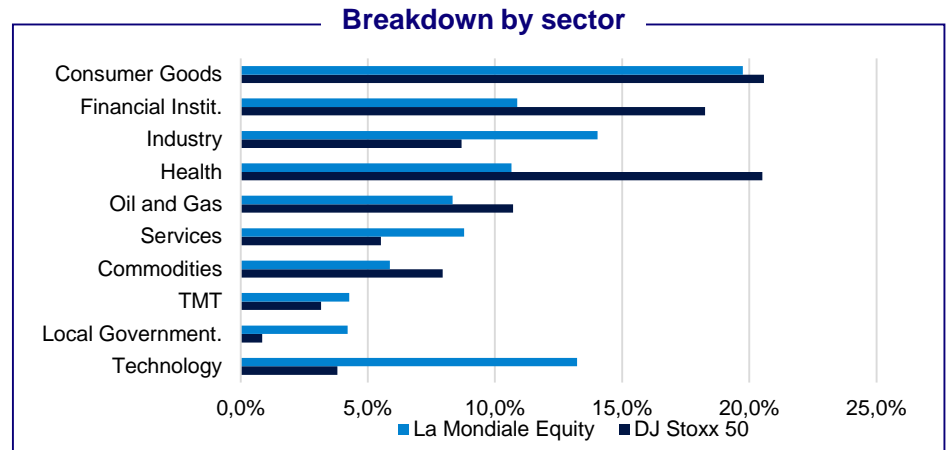
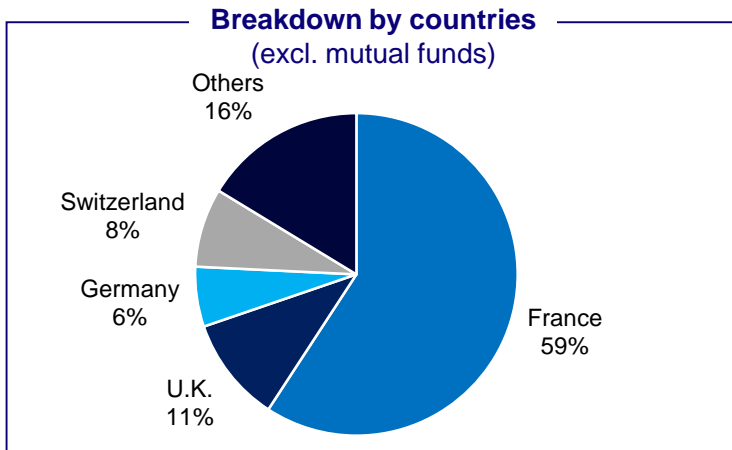
(including €1.9bn through mutual funds)

HY2019 performance at +18,6%, after -8.9% in 2018 and +12.5% in 2017

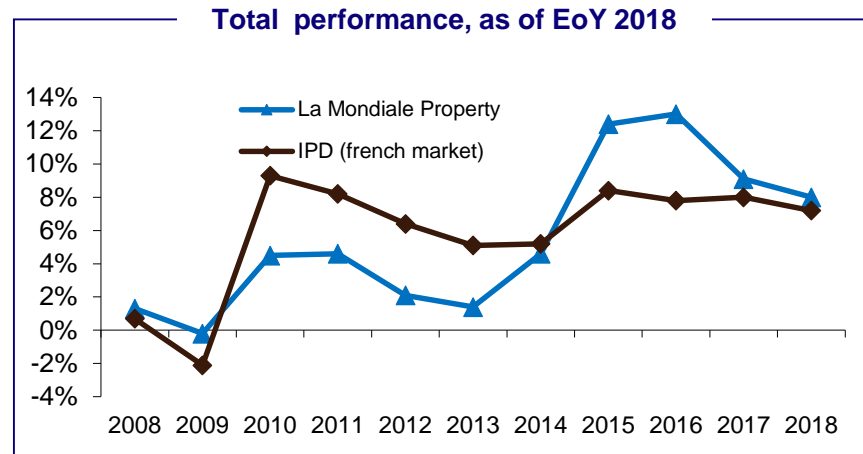
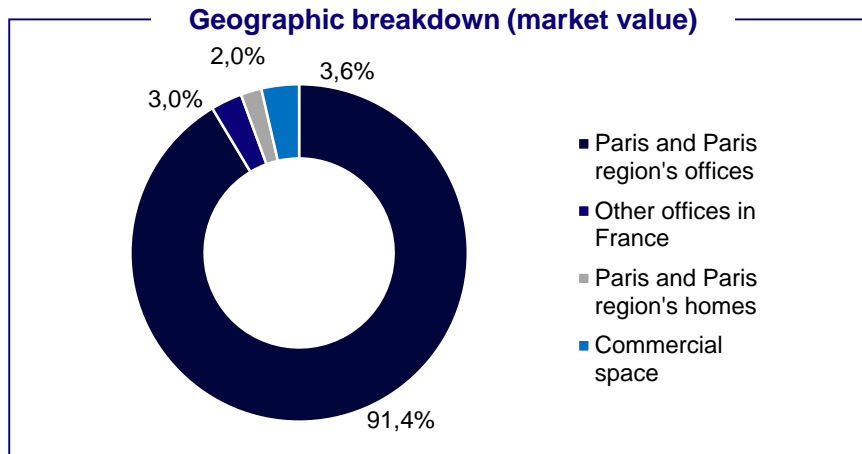
A well diversified Equity portfolio by geography and sector

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

All FX exposures are fully hedged



# Property allocation



IPD = Investment Property Databank

**Total Property exposure is at €3.6bn (fair value : €5.1bn).**

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>

# Hedging program

## Futures financial instrument - Purchase of forwards

- Implementation of these risk hedges to lower rates in 2010 and 2015-2016
- Allowed to crystallize an average purchase rate of 2.21% for an amount of approximately €1bn
- Amount of the unrealized gains to more than 280M € at the end of August 2019

## Equity coverage - Purchase of puts

Choice to give up part of the equity yield to protect the balance sheet and set up a hedge on the entire equity portfolio, for a strike of 90% compared to the level of the Eurostoxx at the beginning of September. This will result in:

- Reducing portfolio sensitivity to equity risk
- Preserving the financial margin
- Improving the solvency ratio



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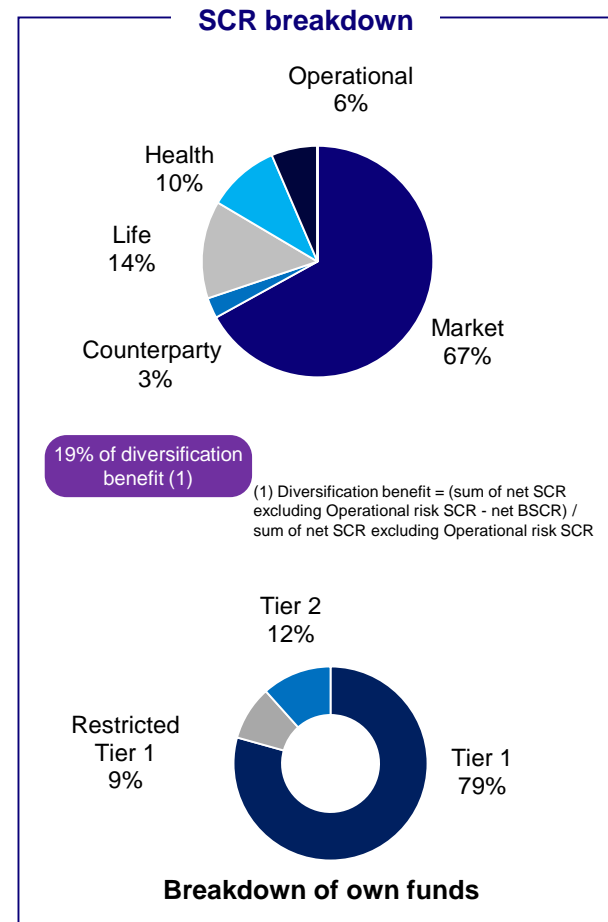
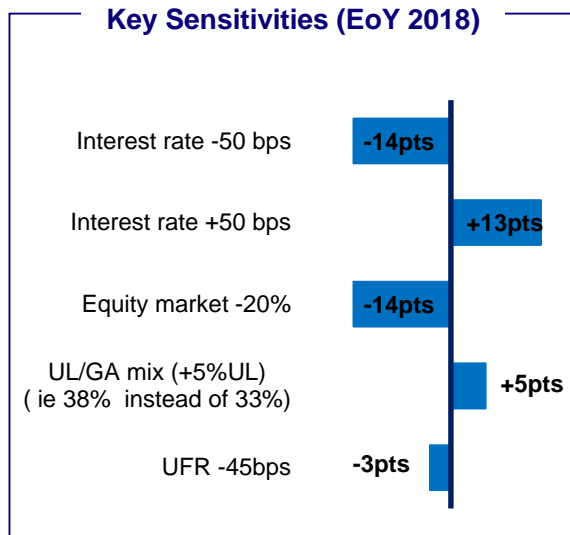
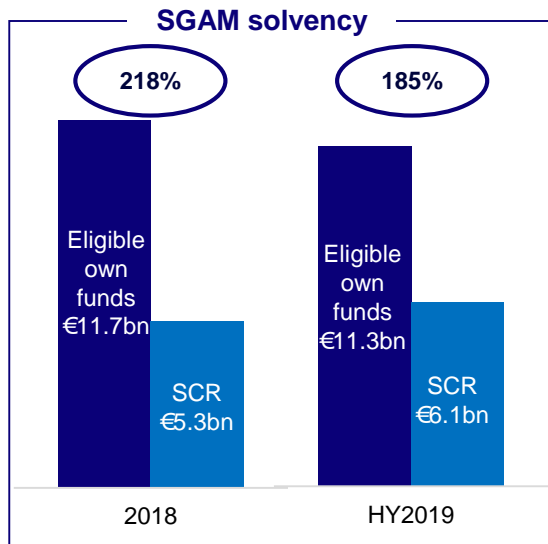
# Capital management : key indicators

	Framework	2018	HY2019	
Solvency ratio	> 150%	218%	185%	<ul style="list-style-type: none"> <li>Market Impacts</li> </ul>
Financial leverage	< 40%	31%	27%	<ul style="list-style-type: none"> <li>Improvement of leverage ratios, thanks to redemption of debts (2013 PerpNC6)</li> <li>Leverage between 20%-40%</li> </ul>
Interest coverage	> 4	4,8	5,6	<ul style="list-style-type: none"> <li>Extremely good early refinancing conditions of the 2013 PerpNC6</li> <li>Interest Coverage in a highly satisfying range</li> </ul>

In addition, the residual issuance capacity under Solvency 2 is significant at €2.9bn (€1.2bn in RT1, €1.7bn in T2, including €0.9bn of T3) – details on p.25

⇒ **Comfortable room on all the indicators to reinforce the capital position of the Group**

# Solvency 2 – SCR coverage ratio



- The solvency ratio decreased by 33 pts between FY2018 et HY 2019, almost exclusively due to lower HY2019 interest rates.
- The EIOPA yield curve dropped by almost 100bps on the HY2019.
- As the solvency ratio sensitivity to a 50bps interest rates decrease was 15 pts at EoY 2018, the impact is in line with what was displayed.

The amount of the transitional measure on technical provision is €3.6bn and represents 60pts of SGAM AG2R LA MONDIALE ratio. The measure has been agreed by the supervisor until 2032.

The issuer La Mondiale (solo) S2 ratio is at 229% (see details in appendix p.35).

# Management actions available to face the negative rates environment

Although the duration gap between assets and liabilities is assumed in the Group activity, reflections / actions have already been identified to limit as much as possible the negative impacts of this environment.

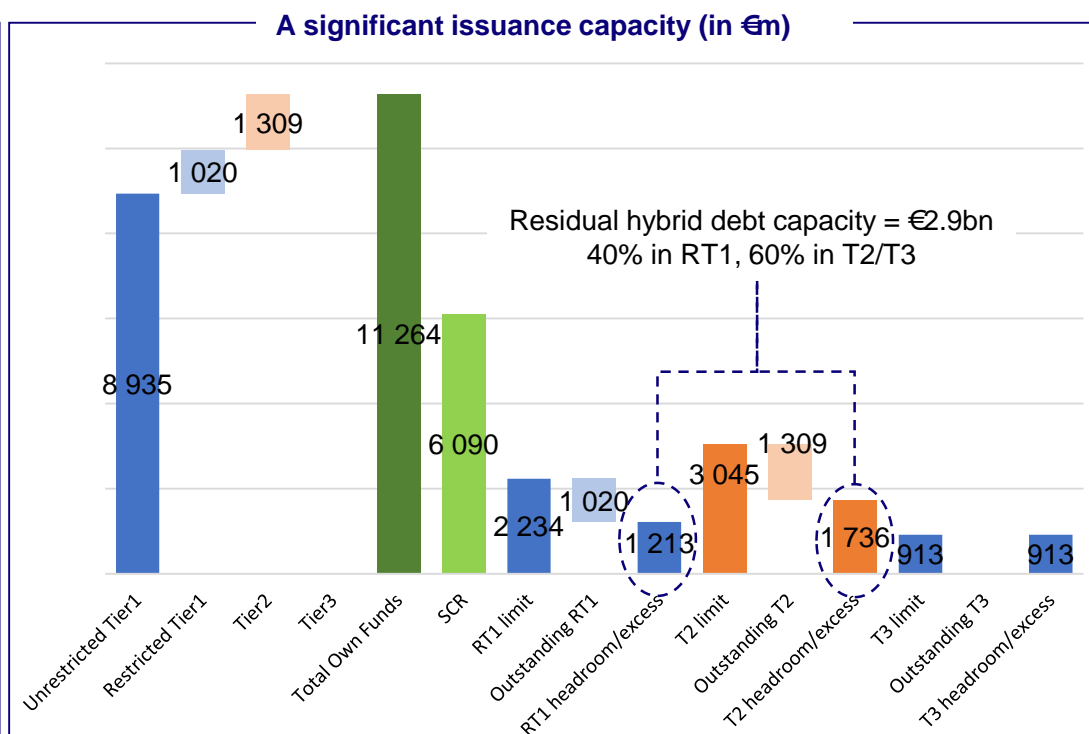
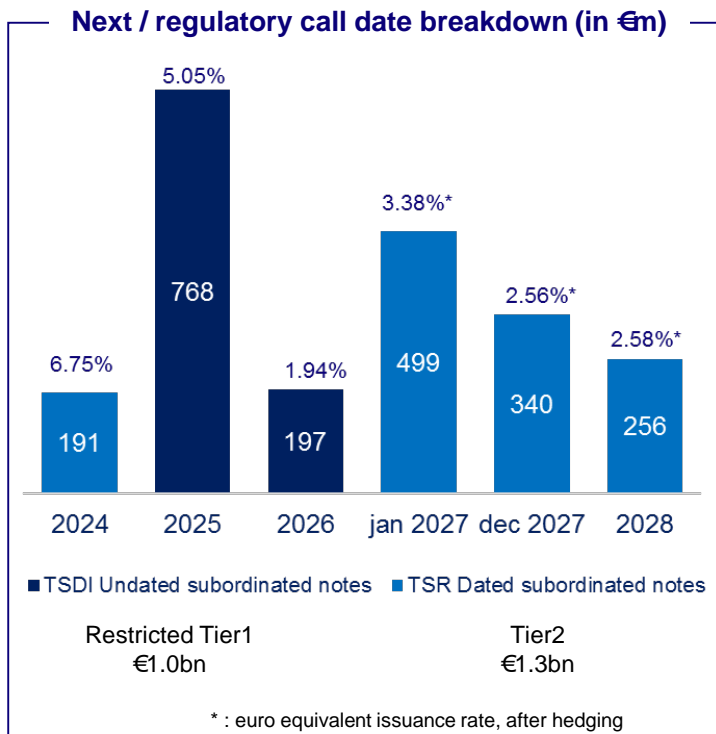
Depending on the strategy adopted by the Board, it may be decided to implement all or part of these in the short term.

Debts issuance (Capital management)	Mutual certificates (Capital management)	Cost savings
Longer duration investment (Asset management)	Hedging program (Asset management)	Reinsurance
To limit inflows on general account (Liability management)	New products (Liability management)	Profit-sharing steering (Liability management)



# Subordinated redemption profile

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



# Standard & Poor's affirmed SGAM 'A-' Ratings; Outlook : Positive

September 23, 2019

## S&P Global Ratings

### 'A-' Positive Outlook

Business risk profile :  
**Strong**

Financial Risk Profile :  
**Satisfactory**

Liquidity : **Exceptional**

Financial Strength Rating :  
**A-**

### Overview

*“SGAM AG2R LA MONDIALE benefits from its **strong brand and leading competitive position** in life and protection insurance in France.”*

*The 'A-' rating, positive outlook is also affirmed on AG2R LM's core subsidiaries : **AG2R Prévoyance, Prima, La Mondiale, and Arial CNP Assurances.***

*At the same time, S&P affirmed its '**BBB**' issue rating on **La Mondiale's junior subordinated debt.***

### Outlook

*“**The positive outlook** on AG2R LM indicates that we could raise the ratings in the next 12 months if the group continues to reduce its sensitivity to **persisting low interest rates.***

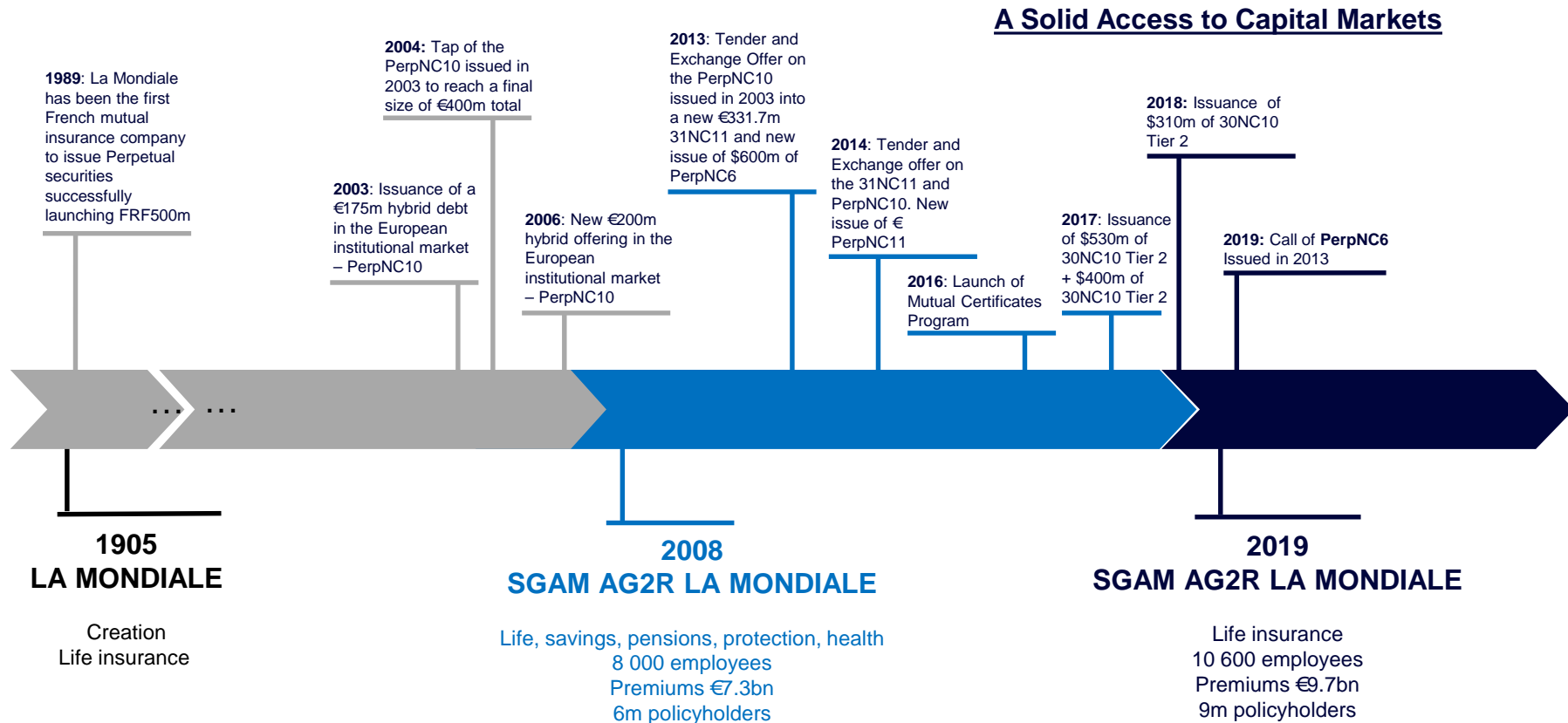
*An upgrade would also be predicated on AG2R LM maintaining S&P Global Ratings' capital adequacy around **the 'AA' level**, and a **satisfactory operating performance.**”*

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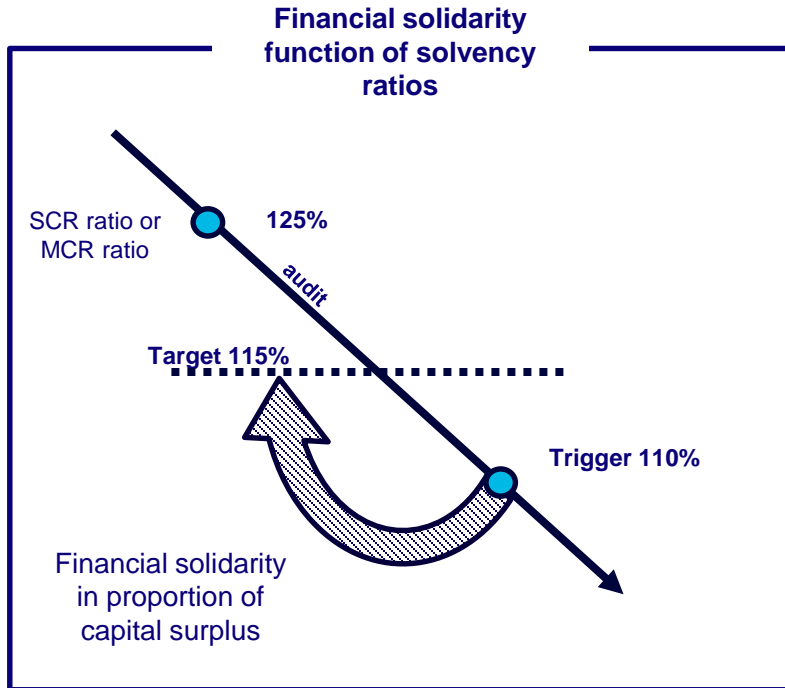
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# More than a century of presence and diversification



# AG2R LA MONDIALE 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.

# Overview of La Mondiale Balance sheet

## (consolidated, IFRS)

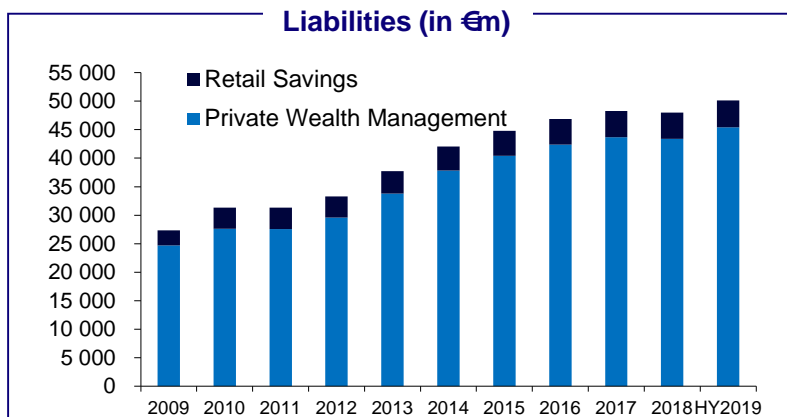
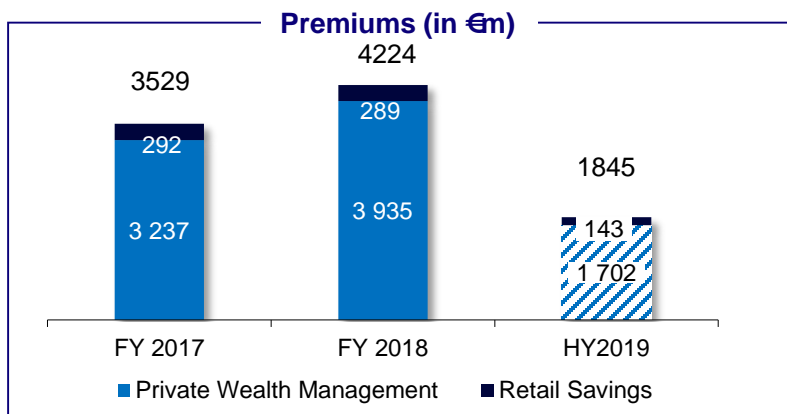
€m	FY 2017	HY 2018	FY 2018	HY 2019	%Change HY 2019/ HY 2018
<b>TOTAL ASSETS</b>	<b>98 357</b>	<b>101 748</b>	<b>97 479</b>	<b>105 227</b>	<b>3,4%</b>
Intangible assets	62	61	49	48	-21,5%
<i>ow. Goodwill</i>	52	52	41	40	-22,3%
<b>Insurance investments</b>	<b>68 495</b>	<b>71 937</b>	<b>69 699</b>	<b>74 670</b>	<b>3,8%</b>
<b>Unit Linked investments</b>	<b>25 498</b>	<b>25 566</b>	<b>23 826</b>	<b>26 092</b>	<b>2,1%</b>
Others assets	3 164	3 434	3 042	3 336	-2,8%
Cash and cash equivalent	1 138	750	863	1 081	44,3%

€m	FY 2017	HY 2018	FY 2018	HY 2019	%Change HY 2019/ HY 2018
<b>TOTAL LIABILITIES</b>	<b>98 357</b>	<b>101 748</b>	<b>97 479</b>	<b>105 227</b>	<b>3,4%</b>
Equity Group Share	3 848	3 993	4 132	4 686	17,4%
Minority Interests	14	14	339	364	2459,6%
<b>Total Equity</b>	<b>3 863</b>	<b>4 008</b>	<b>4 471</b>	<b>5 050</b>	<b>26,0%</b>
Financing debt	2 304	2 609	2 641	2 127	-18,5%
Insurance and financial liabilities	85 472	86 074	83 731	89 990	4,5%
Other liabilities	6 717	9 058	6 636	8 061	-11,0%

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

€m	FY 2017	HY 2018	FY 2018	HY 2019	%Change HY 2019/ HY 2018
Revenue	6 205	3 181	6 161	2 744	-13,7%
Financial Products	2 549	1 084	2 429	1 229	13,4%
Others	1 625	-166	-2 307	2 818	-1801,8%
<b>Current operating income</b>	<b>10 379</b>	<b>4 099</b>	<b>6 282</b>	<b>6 792</b>	<b>65,7%</b>
<b>Current operating expenses</b>	<b>-9 999</b>	<b>-3 870</b>	<b>-5 876</b>	<b>-6 522</b>	<b>68,5%</b>
<b>Operating Income</b>	<b>380</b>	<b>230</b>	<b>406</b>	<b>271</b>	<b>18,1%</b>
<b>CONSOLIDATED NET RESULT</b>	<b>308</b>	<b>175</b>	<b>293</b>	<b>210</b>	<b>20,1%</b>
<i>o.w Group share</i>	<i>308</i>	<i>175</i>	<i>292</i>	<i>208</i>	<i>19,0%</i>
<i>o.w Minority Interest</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>2</i>	

# Private wealth and retail savings

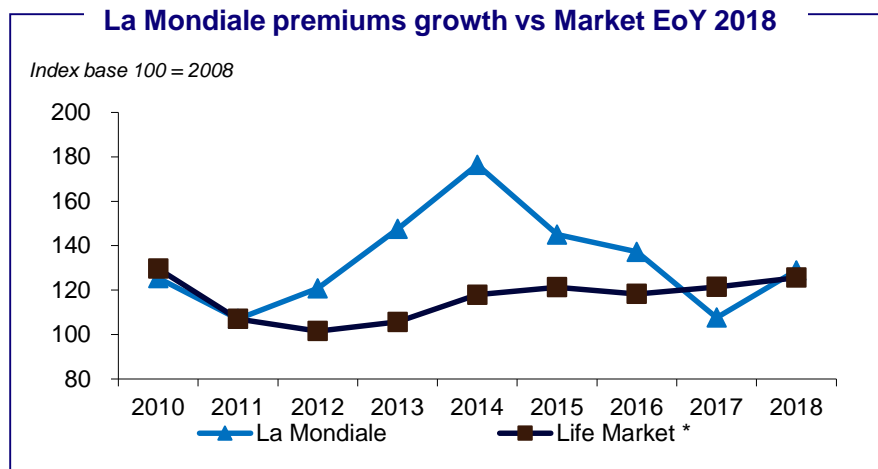


Premiums : HY 2019 represents 44% of FY 2018 amount

- Private wealth management savings : 43% of the FY 2018 amount
- Retail savings : stable
- Part of UL : 46% (stable compared to FY 2018, far above the French market)

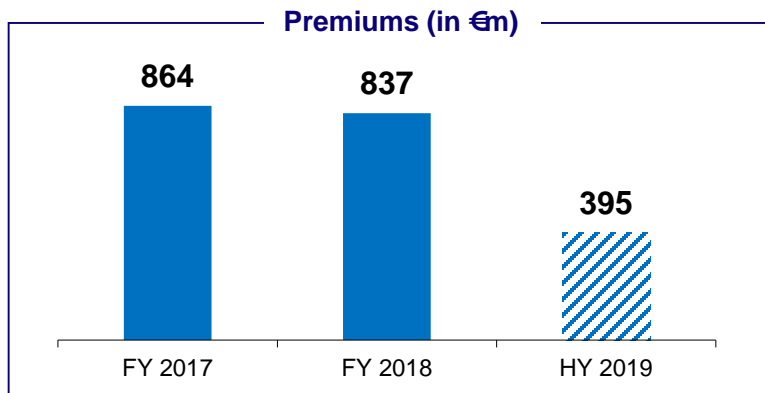
Liabilities : Slight increase of 4% on the HY 2019

Market share : Top 3 on Private Wealth management in 2018





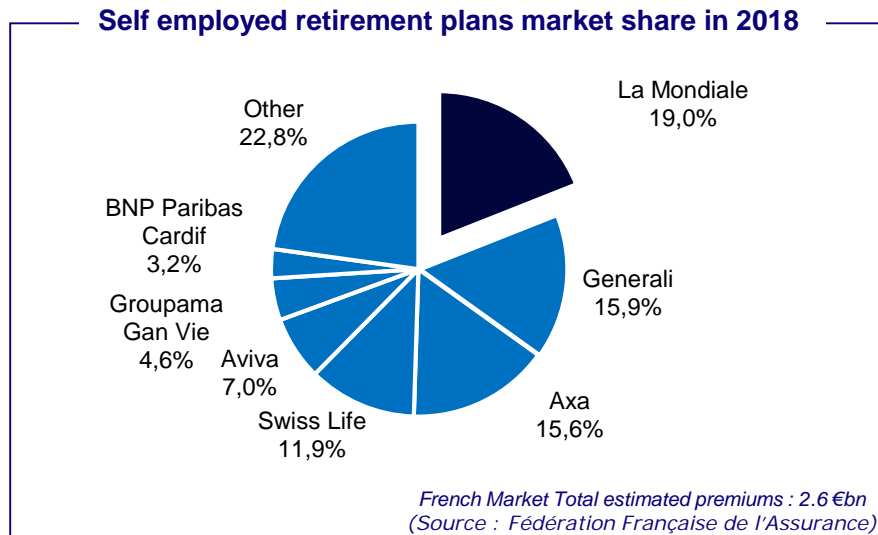
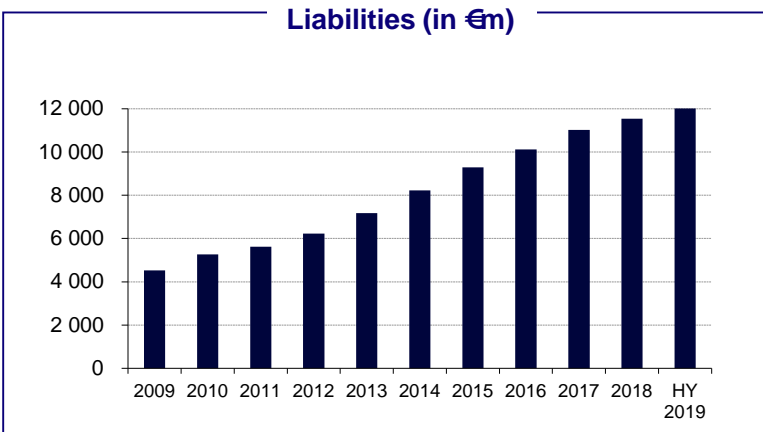
# Individual retirement plans



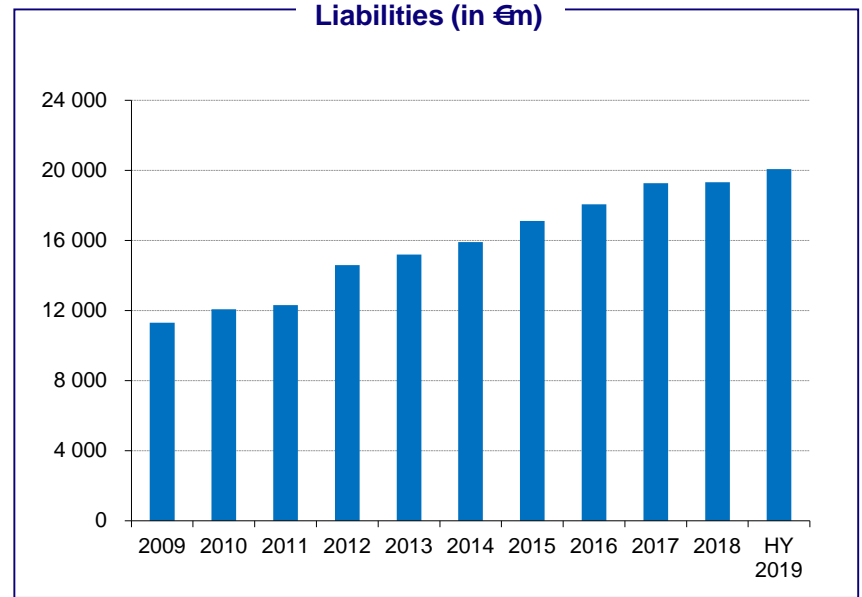
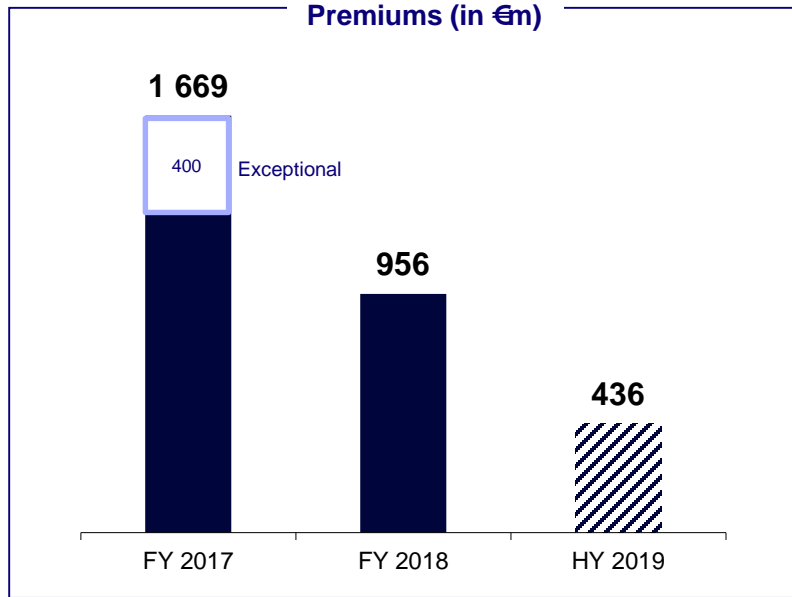
Premiums : HY 2019 represents 47% of FY 2018 amount

Liabilities : slight increase HY 2019 of 4% on the HY 2019

Market share : #1 in 2018



# Group supplementary pension

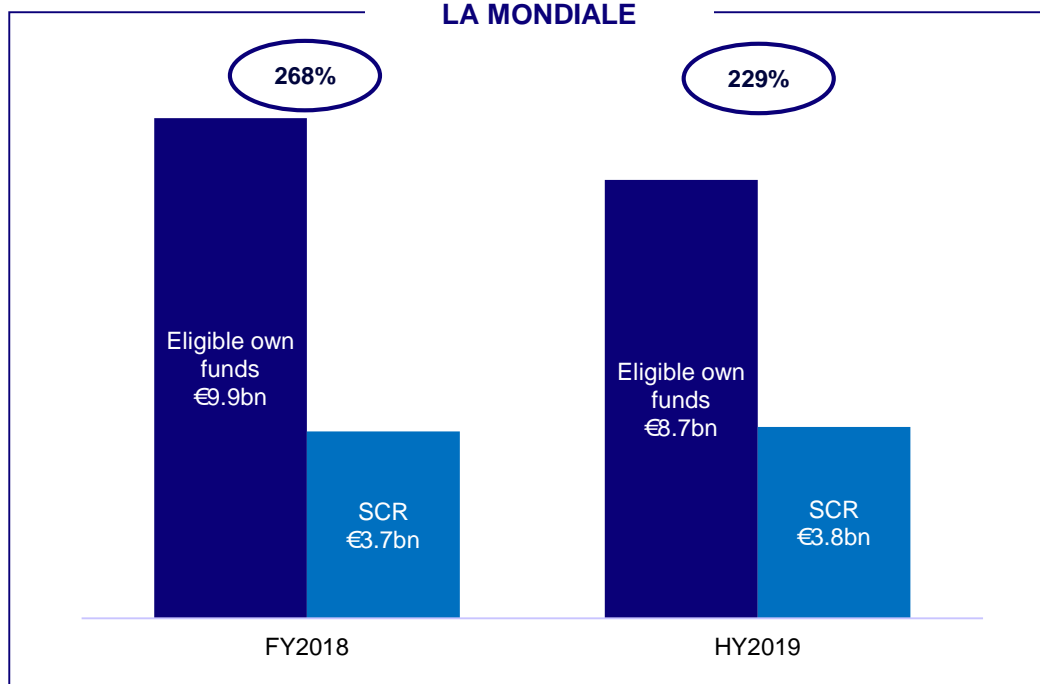


Premiums : HY 2019 represents 46% of FY 2018 amount

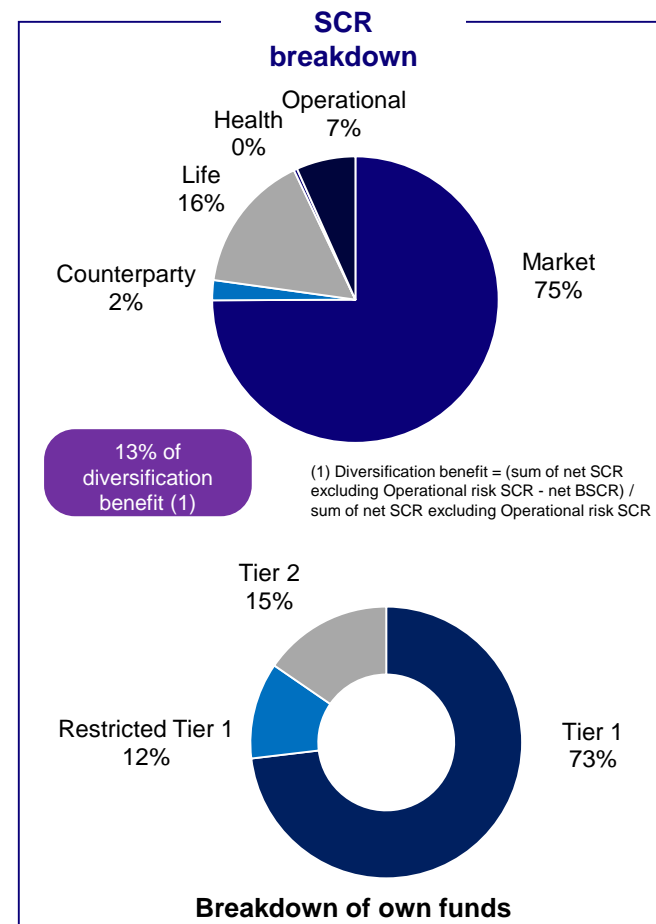
Liabilities : Slight increase HY 2019 of 4% on the HY 2019

Market share : #1 considering the partnership with CNP though the joint venture Arial CNP Assurances

# LA MONDIALE (solo) : Solvency figures and SCR breakdown



The amount of the transitional measure on technical provision is €3.4bn and represents 90pts of La Mondiale ratio. The measure has been agreed by the supervisor until 2032.



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