LA MONDIALE

775625635 FINANCIAL INSTITUTIONS

BBB+ ISSUER RATING
LongTerm

OUTLOOK
Negative

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Rating Action & Rationale

EthiFinance Ratings affirms La Mondiale's Long-Term Issuer Rating at "BBB+", changing the Outlook from Stable to Negative.

The rating affirmation reflects La Mondiale's leading position in the French life insurance and supplementary pension market, supported by a resilient mutual governance model, a conservatively managed investment portfolio and consistently strong capitalisation. The company continues to benefit from a high-quality asset base, prudent risk management and a stable liability structure funded predominantly by long-term policyholder obligations, all of which provide substantial financial resilience.

The rating also incorporates La Mondiale's very strong regulatory solvency position, with a Solvency II coverage ratio of 284% at year-end 2025, disciplined capital management and the additional financial flexibility provided by the AG2R LA MONDIALE mutual framework. The ongoing expansion of Unit Linked business further strengthens the company's financial profile by improving capital efficiency and gradually reducing exposure to long-term financial guarantees.

These strengths are balanced by a material and sustained weakening in earnings generation. Operating profit declined to €108 million in 2025, extending the deterioration observed since 2023, despite resilient commercial performance and broadly stable investment income. The compression in profitability has materially reduced internal capital generation and weakened fixed-charge coverage, increasing the sensitivity of the financial profile to a prolonged period of subdued earnings. The rating also reflects the company's high concentration in the French market, albeit partially mitigated by its leading competitive position and long-established franchise.

Overall, EthiFinance Ratings considers that La Mondiale's very strong capitalisation, conservative investment profile, stable funding structure and resilient business franchise continue to support the BBB+ Long-Term Issuer Rating. However, the Negative Outlook reflects increased uncertainty regarding the recovery of earnings and the risk that persistently weak profitability could progressively constrain internal capital generation and financial flexibility.

Company Description

La Mondiale is a French mutual life insurance company (Société d'Assurance Mutuelle – SAM) founded in 1905 and the principal life insurance entity of the AG2R LA MONDIALE group. The company provides savings, supplementary pension, personal protection and health insurance products to retail customers, self-employed professionals and very small enterprises in France through a proprietary distribution network of more than 1,000 advisers. Its business is predominantly focused on long-term savings and retirement solutions, which account for more than 90% of earned premiums.

Fundamentals

Very Strong Solvency Position. Capitalisation represents La Mondiale's principal financial strength, with a Solvency II coverage ratio of 284% in 2025 (2024: 260%), providing substantial loss-absorption capacity and a significant buffer above regulatory requirements.

Strong Market Position. La Mondiale benefits from a leading franchise in the French life insurance market, ranking as the second-largest provider of supplementary pension products and maintaining a well-established position in savings insurance. Its recognised brand, proprietary distribution network and long-standing customer relationships support resilient premium generation.

Conservative Investment Portfolio. The company maintains a conservatively managed €113.1 billion investment portfolio, predominantly invested in high-quality fixed-income securities (average rating: A+). The continued expansion of Unit Linked assets further improves the company's risk profile by reducing guarantee risk, transferring investment risk to policyholders and enhancing capital efficiency.

Stable Funding Structure. Technical provisions accounted for approximately 91% of total liabilities in 2025, providing a stable and predictable source of long-term funding. Combined with moderate financial leverage (42.7%) and limited reliance on external debt, the liability structure supports financial flexibility and minimises refinancing risk.

Mutual Governance Model. As the principal life insurance entity of the AG2R LA MONDIALE mutual group, La Mondiale benefits from a long-term governance model focused on policyholder value, prudent financial management and financial solidarity among affiliated entities, supporting stability across market cycles.

Resilient Business Mix. Savings and supplementary pensions account for more than 90% of earned premiums, providing stable and recurring business volumes. The ongoing transition towards Unit Linked products is expected to strengthen earnings quality while reducing capital intensity over the medium term.

Stable Investment Performance. Net financial income remained broadly stable at approximately €4.1 billion in 2025 despite a more challenging market environment. The resilience of investment returns continues to provide an important source of earnings support for the company's long-term life insurance business model.

Prudent Capital Management. Regulatory own funds benefit from a diversified composition combining retained earnings, mutualist certificates and subordinated capital instruments. Proactive capital management and the financial solidarity mechanisms within the SGAM AG2R LA MONDIALE framework further strengthen financial flexibility and capital resilience.

High Domestic Concentration. Operations remain overwhelmingly concentrated in France, exposing the company to domestic economic and regulatory developments. However, this concentration is partly mitigated by La Mondiale's leading competitive position and deep expertise in the French savings and retirement market.

Weakening Earnings Generation. Earnings represent the principal source of downward pressure on La Mondiale's financial profile. Despite resilient commercial performance, operating profit declined by 37% to €108 million in 2025, extending the significant deterioration observed since 2023, while net income decreased to €26 million. The sustained compression in profitability has materially weakened internal capital generation and fixed-charge coverage. A recovery in underlying earnings will therefore be important to stabilise the company's credit profile.

Business Profile

La Mondiale is a French mutual insurance company (*Société d'Assurance Mutuelle* – SAM) founded in 1905 and the principal life insurance entity of the AG2R LA MONDIALE group, one of France's leading providers of social protection, life insurance and supplementary retirement solutions. The company offers savings, retirement, personal protection and health insurance products to retail clients, self-employed professionals and very small enterprises through a proprietary network of more than 1,000 salaried advisers. As part of the AG2R LA MONDIALE mutual ecosystem, La Mondiale benefits from a common strategic framework, financial solidarity among affiliated entities and strong brand recognition, while retaining its own legal identity and governance.

La Mondiale's business model is predominantly centred on the long-term management of savings and retirement products. Policyholder contributions are invested over extended periods to meet future contractual obligations, with profitability primarily driven by product mix, investment performance, prudent asset-liability management (ALM) and operating efficiency. Consequently, earnings are less dependent on traditional underwriting margins than those of non-life insurers and are closely linked to the long-term management of financial assets and liabilities, making investment income a core component of the company's earnings generation.

The business mix reflects this positioning. Savings products account for approximately 65% of earned premiums, while supplementary pensions represent a further 26%. Personal protection and health insurance contribute only 5% and 4%, respectively, highlighting the predominance of long-duration life insurance activities. This profile provides stable and recurring premium generation but also results in substantial long-term technical liabilities, requiring disciplined investment management, sound ALM practices and robust capitalisation.

La Mondiale benefits from a strong competitive position in the French life insurance market. The company ranks as the second-largest provider of supplementary pension products and remains among the leading savings insurers in France, supported by a well-established franchise among affluent individuals, self-employed professionals and occupational pension schemes. Although the business remains overwhelmingly concentrated in France, EthiFinance views this concentration as partly mitigated by the company's strong domestic franchise, recognised brand, long-standing customer relationships and deep expertise in the French savings and retirement market.

Management has continued to adapt the product mix towards Unit Linked (UL) contracts, reflecting both evolving customer preferences and the changing regulatory and financial environment. Compared with traditional General Account (GA) products, UL contracts transfer investment risk to policyholders, reduce exposure to long-term interest-rate guarantees and increase the proportion of fee-based revenues, while requiring lower regulatory capital. The continued expansion of the UL portfolio is therefore expected to improve capital efficiency, diversify earnings sources and enhance the resilience of the business model. At the same time, the company maintains a significant General Account portfolio, preserving its ability to meet the sustained demand for guaranteed savings products in the French market.

La Mondiale also continues to strengthen its long-term positioning through selective strategic initiatives. In February 2025, the company completed the acquisition of the remaining shareholding in ÆGIDE-DOMITYS, becoming the sole owner of one of France's leading operators of senior living residences. While this activity remains modest relative to the Group's core insurance operations, it complements La Mondiale's long-term retirement offering and supports the development of an integrated ecosystem addressing the financial and care needs of an ageing population.

In parallel, the creation of AG2R LA MONDIALE RÉASSURANCE in 2025 represents a further step towards strengthening the Group's capital management framework. Subject to regulatory approval, the internal reinsurance company is expected to enhance financial solidarity among member entities, improve capital allocation and support solvency through more efficient internal risk transfer mechanisms.

Overall, EthiFinance considers La Mondiale's business profile to be supported by its leading franchise in the French savings and supplementary pension market, resilient mutual governance model, established proprietary distribution network and prudent long-term management of assets and liabilities. These strengths are balanced against the company's high geographical concentration in France and its inherent exposure to financial market developments, which are characteristic of long-duration life insurance activities. Nevertheless, the ongoing shift towards less capital-intensive Unit Linked products, together with disciplined balance sheet management and the support of the AG2R LA MONDIALE mutual ecosystem, supports EthiFinance's assessment of the company's Strong business profile.

Financial Profile

Earnings & Profitability

EthiFinance views earnings generation as the principal weakness within La Mondiale's financial profile and the main source of downward pressure on the rating. Despite continued revenue growth, operating profit declined by 37% to €108.0 million in 2025, while net income attributable to the Group decreased to €26.0 million, extending the significant deterioration observed since 2023. The company's ability to convert resilient business generation into sustainable earnings has therefore weakened materially, reducing internal capital generation and financial flexibility.

Commercial performance nevertheless remained resilient. Total revenues increased by 3.3% to €9.5 billion, supported by a 3.1% increase in earned premiums to €8.9 billion. Growth continued to be driven by savings and supplementary pensions, which together accounted for more than 90% of earned premiums and reaffirmed La Mondiale's strong competitive position in the French life insurance market. At the same time, management continued to increase the contribution of Unit Linked (UL) products, supporting earnings quality through a higher proportion of fee-based income, lower exposure to long-term financial guarantees and reduced capital intensity.

Investment performance remained resilient, with net financial income broadly stable at approximately €4.1 billion in 2025. However, the stability of aggregate investment income has not translated into a comparable level of earnings for the insurer. La Mondiale's traditional savings business operates on structurally narrow margins, as a significant proportion of investment returns is ultimately allocated to policyholders through contractual remuneration and profit-sharing mechanisms. Consequently, relatively moderate changes in the spread retained by the insurer can have a disproportionate impact on operating profitability.

EthiFinance considers the recent earnings deterioration to reflect a combination of cyclical and more structural pressures. Following the rapid increase in interest rates since 2022, competition from alternative savings products and across the French life insurance market has increased pressure on insurers to offer more attractive policyholder remuneration. By contrast, the yield on La Mondiale's predominantly fixed-income General Account portfolio adjusts more gradually as lower-yielding legacy assets mature and are reinvested at higher rates. This difference in the speed of repricing between assets and policyholder remuneration has contributed to pressure on the financial margin retained by the insurer. While higher reinvestment yields should gradually provide some support, EthiFinance does not assume a rapid return to the profitability levels recorded before the recent deterioration.

Operating expenses and the continued increase in insurance benefits have added further pressure. The latter largely reflects movements in technical provisions associated with the expansion of long-term savings and retirement liabilities rather than a deterioration in claims experience. The deterioration in operating profitability should therefore be viewed primarily as a compression of the residual margin generated by the savings and retirement business rather than as evidence of weaker commercial performance or asset quality.

The decline in profitability is also evident in return metrics. Return on assets fell to 0.05% in 2025, while return on equity declined to below 1%, compared with levels of approximately 4.5%-6.5% over the 2021–2023 period. Although these metrics should be interpreted in the context of La Mondiale's mutual ownership structure, their persistent deterioration indicates a substantially reduced capacity to generate capital organically through retained earnings.

EthiFinance has removed the combined ratio from La Mondiale's profitability assessment, as this metric is not considered representative of the economics of its predominantly life, savings and supplementary pension business. Unlike in non-life insurance, movements in insurance benefits and technical provisions largely reflect long-term savings accumulation, policyholder obligations and reserve movements rather than current-period claims experience, while investment income and policyholder profit sharing form an integral part of the underlying business model. As a result, a combined ratio would not provide a meaningful measure of La Mondiale's underlying operating profitability. The weight previously assigned to this metric in the scorecard has therefore been reallocated to ROA and ROE, which EthiFinance considers more appropriate indicators of the company's earnings generation and ability to generate capital organically.

Overall, profitability currently represents the principal source of downward pressure on La Mondiale's credit profile. Strong commercial momentum, resilient investment income and the gradual shift towards capital-efficient UL products provide potential support for future earnings. Nevertheless, the magnitude and persistence of the deterioration since 2023 create uncertainty regarding the pace and extent of any recovery. A sustained improvement in underlying profitability and internal capital generation will therefore be important to stabilise the company's credit profile.

Asset and Portfolio Structure

EthiFinance views La Mondiale's investment portfolio as a major credit strength. Portfolio construction reflects a disciplined investment philosophy characterised by high credit quality, robust asset-liability management (ALM) and moderate exposure to market risk. Given the long-duration nature of the company's savings and retirement liabilities, the investment portfolio plays a central role in preserving capital, generating stable recurring investment income and supporting policyholder obligations over time.

Total assets increased by 2.9% to €121.5 billion in 2025, while invested assets reached €113.1 billion, representing approximately 93% of the balance sheet. EthiFinance considers the scale and composition of the portfolio to be fully consistent with La Mondiale's long-term life insurance business model.

The continued expansion of Unit Linked (UL) business represents a positive structural development. UL assets increased to 39% of invested assets in 2025, compared with 37% in 2024 and approximately 25% in 2018, while General Account (GA) assets continued to represent the majority of the portfolio. This gradual rebalancing strengthens the company's financial profile by transferring investment risk to policyholders, reducing exposure to long-term guarantees and improving capital efficiency.

The General Account portfolio remains conservatively positioned and continues to provide a stable source of recurring investment income. Fixed-income securities account for the majority of invested assets and are primarily composed of sovereign, supranational and high-quality corporate issuers within the euro area. During 2025, management continued to extend portfolio duration while maintaining a high average portfolio credit quality (A+), reinforcing the alignment between invested assets and long-term insurance liabilities.

Credit risk remains well controlled. Portfolio construction prioritises capital preservation over yield maximisation through broad diversification and disciplined credit selection. Exposure to market risk also remains balanced, with equities and real estate representing only a limited proportion of invested assets and unrealised gains providing an additional buffer against adverse market movements. In EthiFinance's opinion, the overall risk profile of the investment portfolio remains fully consistent with the company's prudent investment philosophy and mutual ownership structure.

Asset-liability management remains one of La Mondiale's defining financial strengths. Investment decisions are driven primarily by the duration and expected cash-flow profile of insurance liabilities rather than by short-term market opportunities. This disciplined approach reduces reinvestment risk and supports the long-term stability of both earnings and capital.

Overall, EthiFinance considers the quality, diversification and liability matching of La Mondiale's investment portfolio to constitute one of the strongest pillars of its financial profile. The predominance of high-quality fixed-income assets, disciplined investment management and the ongoing expansion of Unit Linked business provide substantial resilience against market volatility while supporting the long-term stability of earnings, capital and policyholder protection.

Capitalisation and Solvency

EthiFinance views capitalisation as La Mondiale's strongest financial attribute. The company maintains a substantial capital buffer well above regulatory requirements, supported by consistently strong Solvency II coverage, disciplined capital management and the financial solidarity mechanisms embedded within the AG2R LA MONDIALE mutual group. In EthiFinance's opinion, this strong capital position provides significant resilience against adverse market conditions and remains a key support for the current rating.

Total equity remained broadly stable at €6.1 billion in 2025 despite lower profitability, illustrating the resilience of the company's capital base. As a mutual insurer, La Mondiale prioritises policyholder protection and long-term financial strength over profit distribution, supporting a conservative approach to capital management.

The regulatory solvency position strengthened further during the year. The Solvency II coverage ratio increased to 284% from 260% in 2024, providing a substantial buffer above regulatory requirements and considerable capacity to absorb market, insurance and credit shocks. EthiFinance considers this sustained level of solvency to provide significant financial flexibility and reinforce the company's overall credit profile.

Capital management remained proactive throughout 2025. The successful issuance of €500 million of Tier 2 subordinated notes, combined with the redemption of €315 million of legacy subordinated debt, optimised the maturity profile of regulatory capital while demonstrating the company's continued ability to access capital markets on favourable terms. Regulatory own funds also continue to benefit from a diversified composition combining retained earnings, mutualist certificates and subordinated capital instruments, supporting both capital quality and financial flexibility.

Membership of SGAM AG2R LA MONDIALE provides an additional source of financial resilience. The affiliation agreement establishes legally binding financial solidarity mechanisms allowing capital support between affiliated entities through loans, subordinated funding or internal reinsurance where necessary, while ensuring that supporting entities remain fully compliant with their own regulatory requirements. The planned launch of AG2R LA MONDIALE RÉASSURANCE, once authorised, should further enhance capital efficiency through more effective internal risk transfers.

Overall, EthiFinance considers capitalisation to be the strongest component of La Mondiale's financial profile. The combination of a very strong Solvency II position, high-quality regulatory capital, prudent capital management and the institutional support mechanisms available within the SGAM framework provides substantial loss-absorption capacity and financial flexibility. These strengths materially mitigate the pressure arising from weaker earnings generation and underpin the resilience of the company's overall credit profile.

Liability Structure & Funding

EthiFinance considers La Mondiale's liability structure to be a key strength of its financial profile. As is typical for a life insurer, liabilities are predominantly composed of long-term policyholder obligations, providing a stable and predictable source of funding that is closely matched by the company's investment portfolio. The limited reliance on external financial debt further supports balance sheet resilience and minimises refinancing risk.

Total liabilities increased by 3.0% to €115.4 billion in 2025, broadly reflecting continued business growth. Technical provisions amounted to €105.1 billion, representing approximately 91% of total liabilities. EthiFinance considers this liability structure to be a significant credit strength, as policyholder liabilities provide a stable source of long-term funding that is naturally aligned with the company's business model.

The composition of technical provisions continued to evolve in line with the expansion of Unit Linked (UL) business. Technical provisions backing UL contracts increased to 42% of total technical provisions, compared with approximately 28% in 2018, while General Account liabilities continued to represent the majority of obligations. This gradual rebalancing is credit positive as it reduces exposure to long-term financial guarantees and improves the overall risk profile of the balance sheet.

External financial debt continues to play only a limited role in the company's funding structure. Outstanding subordinated debt remained broadly stable at €2.6 billion, while the financial leverage ratio remained contained at 42.7%, a marked improvement from 57.6% in 2023. EthiFinance considers the current level of leverage to be appropriate for the company's business model and supported by its strong capital position.

Fixed-charge coverage declined to 1.15x in 2025 from 1.67x in the previous year, primarily reflecting weaker operating earnings rather than an increase in indebtedness. While moderate leverage and robust capitalisation continue to support debt-servicing capacity, the sustained decline in coverage reduces financial flexibility and increases sensitivity to a prolonged period of weak earnings. EthiFinance therefore considers the recovery of fixed-charge coverage to be an important factor in assessing the future trajectory of the financial profile.

Overall, EthiFinance considers La Mondiale's liability structure and funding profile to be adequate. Stable policyholder liabilities, limited reliance on external debt and moderate financial leverage provide a resilient funding base. However, weaker fixed-charge coverage increases the importance of a recovery in underlying earnings to preserve financial flexibility over the medium term.

Liquidity

EthiFinance considers La Mondiale's liquidity profile to be strong. The company benefits from a highly liquid investment portfolio, stable long-term policyholder funding and disciplined liquidity management, providing ample capacity to meet policyholder obligations under both normal and stressed market conditions.

Liquid investments amounted to €59.9 billion at year-end 2025, broadly unchanged from the previous year, while cash and cash equivalents increased to €1.2 billion. Liquid assets continued to cover gross technical provisions in full, with a coverage ratio of 100.7%, remaining broadly stable over recent years. EthiFinance considers this level of liquidity to be fully consistent with the long-term nature of the company's insurance liabilities.

Liquidity risk remains inherently limited by La Mondiale's business model. Policyholder obligations are predominantly long-term and generate predictable cash flows, while the investment portfolio is largely composed of high-quality fixed-income securities capable of generating recurring cash inflows. Combined with prudent liquidity management, this significantly reduces the likelihood of forced asset sales or material funding pressures, even under adverse market conditions.

Overall, EthiFinance considers liquidity to represent a strong supporting factor within La Mondiale's financial profile. Stable policyholder funding, substantial liquid investment assets and the predictable cash-flow characteristics of the company's liabilities provide a high degree of confidence in La Mondiale's ability to meet its financial obligations as they fall due.

Key Figures

La Mondiale *In thousands of €*	**2023**	**2024**	**2025**
Total revenues	7.922.369	9.202.926	9.508.540
Earned premiums	7.408.987	8.617.661	8.883.089
Net financial result	4.866.961	4.056.097	4.082.845
Operating profit	428.786	158.849	107.957
Net profit	111.334	34.054	32.277
Total assets	114.980.394	118.068.833	121.447.216
Financial investments	69.165.740	69.199.520	68.802.833
Financial investments over total assets	60,15%	58,61%	56,65%
Total liabilities	109.398.660	111.981.087	115.359.197
Financial debt	3.127.813	2.579.806	2.601.319
Total equity	5.581.734	6.087.748	6.088.019
Normalized ROA	0,24%	0,09%	0,05%
Normalized ROE	5,34%	2,00%	0,86%
Fixed charge coverage ratio	3,41x	1,67x	1,15x
Financial leverage ratio	56,04%	42,38%	42,73%
Solvency II capitalisation ratio	272,0%	260,0%	284,0%

Outlook

The Negative Outlook reflects the material and sustained deterioration in La Mondiale's earnings generation since 2023 and the resulting pressure on internal capital generation and financial flexibility. While very strong capitalisation, a conservative investment profile, stable funding and a resilient competitive position continue to support the BBB+ rating, uncertainty remains regarding the pace and extent of an earnings recovery.

The Outlook could be revised to Stable if La Mondiale demonstrates a sustained recovery in underlying profitability and fixed-charge coverage while maintaining its strong capital and solvency position. Conversely, continued weak earnings that further constrain internal capital generation or begin to materially affect capitalisation, financial flexibility or the broader financial profile could result in a downgrade.

Rating Sensitivities

- **Positive factors**

The Outlook could be revised to Stable following a sustained recovery in underlying earnings generation, supported by improved profitability, stronger internal capital generation and a recovery in fixed-charge coverage, while maintaining La Mondiale's very strong capitalisation, conservative investment profile and strong competitive position.

An upgrade would require a more fundamental and sustained strengthening of the overall credit profile beyond the conditions required to stabilise the Outlook, including materially stronger earnings generation, greater business diversification and a further improvement in financial leverage, while preserving a strong Solvency II position.

- **Negative factors**

The rating could be downgraded if the current weakness in profitability proves more persistent or structural than anticipated, resulting in sustained pressure on internal capital generation and financial flexibility. Downward pressure could arise from persistently low profitability, including ROA below 0.1% and ROE below 1%, continued weakness in fixed-charge coverage, a material increase in financial leverage, or a significant deterioration in the company's capital position, including a Solvency II coverage ratio below 190%.

A deterioration in La Mondiale's competitive position within its core French market, a significant weakening in investment portfolio quality, or evidence that prolonged earnings weakness is beginning to impair the company's broader financial resilience could also have negative rating implications.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Insurance Rating Methodology : https://files.qivalio.net/documents/methodologies/CRA 163 V2.Insurance Rating Methodology.pdf
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.