

Y 2021 Earnings Call

Company Participants

- Olivier Guigne, Chief Financial Officer
- Stephane Dedeyan, Chief Executive Officer, Member of the Executive Committee
- Thomas Behar, Chief Financial Officer

Other Participants

- Benoit Valleaux
- Christina Broker
- Michael Huttner
- Pablo Mayo Cerqueiro

Presentation

Operator

Ladies and gentlemen, welcome to the Conference Call of CNP Insurances. At our customers' request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions)

May I now hand you over to Stephane Dedeyan, who will lead you through this conference. Please go ahead.

Stephane Dedeyan {BIO 20969638 <GO>}

Thank you very much, and hello, everybody. We are very happy to present our 2021 results together with Thomas Behar and all the team. I would like to stay -- to say a few words about our ambition and to show you that we are already moving on with some highlights. I would like also to give you an outlook through our drivers of accelerated growth and Thomas will then elaborate on our business performance, our financial performance and solvency ratio, our asset liability management and also about our corporate social responsibility, and last but not least, dividends.

First, a few words about our ambition. Our ambition aimed at meeting the main challenges that we face. First challenge, create growth levers in mature European markets. Second challenge, shift our in-force towards unit-linked and diversify our business mix towards protection which is less dependent on financial revenues in a low interest rate environment. And third challenge, become an essential link in the value chain bringing useful solutions to our partners to face increased customer expectations. To meet these challenges, we have one great ambition, which is to be the most useful and

unique insurer for each of our stakeholders, clients partners, employees, shareholders, society and planet.

How are we going to achieve that? By leveraging two pillars. The first pillar is to build an operating model that adds considerable value to the customer and partner experience. And the second pillar is to fulfill our corporate mission day after day. I will take the time to elaborate on those two pillars later in what we think is that being useful and unique. Thanks to those two pillar, we will be able to achieve dynamic growth and meet the growth challenge in France and abroad in a full service model. Meaning, combining Eurofins and unit-linked combining life and non-life insurance to meet the challenge of low interest rates. And you know what we are proud of is that our main facts and figures for the year 2021 show that we are already moving on.

To start with 2021 key figures, our main message here is business back to 2019 levels with premium income and attributable profit recovering. Our premium income is above EUR31 billion which is -- which shows an increase compared to 2020 but also to 2019. Our attributable profit -- net profit is roughly at EUR1.5 billion and our EBIT is above EUR3 billion, also a significant increase of our APE ratio up 3.4 points at 15.6%.

Our financial strength is confirmed with our consolidated SCR coverage ratio up 9 points at 217% and a very high level of financial rating, which you can show -- which you can see on the slide.

If I move on now to our 2021 highlights, they show how much our basis is strong for our development ambitions. Beyond our recognized financial strength, I would like to underline the progress we made in the transformation of technical reserves and diversification of risks and the progress we made in the development of our international growth drivers. We are also very proud to be a committed insurer and responsible investor and to enter a new phase in the formation of a major state-owned financial group. I will get into details for each of those points now.

First point, the transformation of our savings and pension technical reserves and the diversification of our risk to meet the low -- the low interest rates level challenge. What you can see is a strong growth of unit-linked sales with 51.3% unit-linked contribution to total new money, which is very, very significant for an insurance group of our size and this is a figure which represents the whole activity of the Group all over it's geographies.

A point which is also very, very significant in our ability to transform our in-force business is the high volumes of PACTE transfers in France with a total volume of above EUR6 billion which represents 41% of the total PACTE transfers recorded on the French market and what is -- what is very, very interesting in this volume is that you have 31% of the transfers in favor of unit-linked funds with a unit-linked waiting up 14 points. Meaning that this is a very strong tool to accelerate the shift of our in-force towards unit-linked, which is very important in the macroeconomic context we have at the moment.

As far as diversification of our risks is concerned, I would like to mention a refreshed income insurance offer for BPCE. We are very, very proud of this new product, which is --

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which is consisting of personalized offer, modular pricing and very, very interesting customer experience because totally seamless and totally refunded with our partner and this project has found its market. If you look at the number of new insurance above 200,000 with a very strong acceleration of the sales during the last quarter.

Our top priorities for 2022 will be to maintain the pace of growth in unit-linked sales and transfers and to continue to evolve the traditional savings business. As we mentioned during our half-year results, we are creating Fonds de Retraite Professionnelle Supplémentaire, FRPS, which is a possibility offered by the [ph]law to locate the pension business with very long term -- very long-term guarantees and this is a legal framework, which is much more appropriate to the type of -- to the type of products. And we will continue to deploy new unit-linked in private equity and infrastructure to provide innovation to our partners and clients.

Let's move on now to the development of our international growth drivers, and I resume on Italy and Brazil. Of course, the main -- the main point for the Italian market is the acquisition of the life business of Aviva Italy. As you can see, we are now the fifth largest life insurer of the country with a 6% market share. And what we think is that our growth perspectives are very strong, thanks to a very efficient model. The products we have with Aviva have a very limited capital requirements. Those are innovative products and the capital can be reinvested in more risky assets to bring some yield among the highest in the market. So we think the setup is very favorable to a strong development in the next years.

If we -- if we look now at our activities in Brazil, we have launched in 2021 two start-ups and one of those two start-ups is already EUR5.7 billion premium income which is quite significant for a start-up, and we are very confident in our capacity to continue to grow in Brazil because the penetration rate of insurance in the GDP is really above the mature markets that we can have in Europe. And also, our partner Caixa Economica Federal has almost 100 million customer and (inaudible) of the insurance in the client base of Caixa Economica Federal is above 10%, which means that we have a lot of room for growth in the next years.

In Italy we will continue to deepen our open module presence and integrate the new subsidiary. And something we would like also to underline is the fact that in our Santander partnership, we have launched at the end of 2020 the activities in Portugal, and they will -- they will develop in the next years.

Concerning our financial strength, I just want to underline the fact that our S&P rating has been upgraded. And just recall the high level of our SCR coverage ratio up 9 points at 217%. As a responsible investor, two key points here, climate commitments and biodiversity commitments. Thomas will elaborate on reducing of the carbon footprint of our investments but just to mention that we are making continuous effort here, and the results are in line with our objectives.

And another highlight is the more exciting oil, gas and thermal coal policy in line with the International Energy Agency is minus 1.5 degree celsius scenario. As far as biodiversity is

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concerned, I recall that we have the first institutional investor to have published the biodiversity footprints office investment portfolio from May 2021, and our top priorities for 2022 will be to pursue reduction of the investment portfolio's carbon footprint and to obtain a science based target initiative approval of our trajectory. This is very important for us to have this scientific approach to make sure that what we commit to is really in line with the necessity -- the necessary trajectory of the International Energy Agency.

As a committed insurer, we have the highest possible equal pay score, 100%, we are very proud of that. And 2021 has been a record year for investments in support of the real economy with EUR2 billion commitments in infrastructure, EUR800 million property and forestry assets and a strong participation in the insurance industry total commitment in government-backed stimulus financing for SMEs and mid-cap, helping the economy to recover after COVID pandemic. Our priorities for 2022 are to act on the commitments and objectives of our corporate mission, and I will come back later on that.

To finish with these -- those highlights, we enter a new phase in the formation of a major state-owned financial group. As you've seen, there has been no change in our ownership structure. La Banque Postale now owns roughly 80% of our share and has bought BPCE shares in December -- in last December. And they have clearly announced they are willing to jump to 100%. Of course, we don't know the calendar, but the intention is clear.

And what is very interesting to emphasize is that the integration with La Banque Postale is really a success with new money and unit-linked contribution up 9 percentage points which means -- which means 29% unit-linked contribution to total new money and a real shift of our in-force towards unit-linked with EUR1.6 billion unit-linked net new money and EUR2.8 billion net outflow from traditional savings contracts which, of course, accelerates the shift of our in-force towards unit-linked. More than half of our PACTE low transfers were made by La Banque Postale with one in two customers making a top-up payment on transfer, which is also very good to stimulate new business. And then -- and this success is not only figures, but also product changes with the switch to a gross guarantee for traditional euro savings funds and a lot of changes in customer experience with new cap insurance human-computer interface for an enhanced customer interaction that we will continue in 2022 simplifying our digital customer experience and integrating La Banque Postale non-life business in order to accelerate the diversification of our business mix and to have more risk-driven businesses in our mix to help us face the challenge of low interest rates.

Before leaving the floor to Thomas, I would like to show -- to show you how much we are confident in our outlook and we are confident in our outlook, thanks to our two drivers of accelerated growth. The first driver is to become an essential link in the value chain by building a very high value-added business model for customers and partners. And the second driver is to develop our unique qualities by fulfilling our corporate mission, and we think that those two -- those two drivers will allow us to be useful and unique for our -- for each of our stakeholders, which will support our growth challenge.

First, I would like to elaborate on the first driver become an issue essential link in the value chain by building a very high value-added business model for customers and partners. What we want to do here is to industrialize the operating model to fit seamlessly into

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our partners' customer relationship models and deliver impeccable service. We are working with a lot of different partners and, for instance, we are working with Boursorama, which is a direct banker in France and the strategic positioning of Boursorama is to be the lowest priced bank of the market.

And at the other side of the spectrum, we are working for instance for BPE, which is a private bank of La Banque Postale, and the customary promise of BPE is to have a very, very high relationship with the customers and to be able to provide tailor-made solutions. And if we are the provider of those two partners, of course, you see that we don't work exactly the same way with each of them because we have to adapt to their own relationship model.

How can we do that? We can do that by combining all partners, the foundation of an operational excellence which is for all partners and we combine that with offering each partner of choice on different [ph]bricks that will help us customize the operating model for each partner. If we look at the foundation of operational excellence, it is a combination of IT systems, user experience and digital technologies, and also organization and management, and this is due to the fact that we bring together all those foundations for all partners that will allow us to be cost efficient. And then on top of that, we offer each partner a choice. We see different types of bricks that they can choose or not. You'll find here digital bricks to simplify the customer experience. We have some artificial intelligence routines or bots or electronic signature possibilities that the partner can decide to use or not. And this is totally free -- totally up to him to choose to use these bricks on it.

Second type of bricks, we have building blocks towards customer relationship management excellence to develop innovative service with high user value. And further, we have also data and business intelligence possibilities to help partner to grow their businesses. I mean, benchmarks targeting scores, marketing analysis. Of course, the data plays a key role here. And combining these foundation of operational excellence and these different adding value bricks, we have the possibility to adapt to each partner and this is what we call a very high value-added business model for customers and partners.

The second driver is developing our unique qualities by fulfilling our corporate mission. So what we did here is create a very strong and very rational framework to make sure that our corporate mission is not just words but it's really at the core of everything we do. We have identified six different stakeholder groups, customers, partners, employees, shareholders, society and planet. And for each of these six stakeholder groups, we take one strong commitment; and for each of those commitments, we have defined three main objectives which means 18 objectives and we will monitor quantitative progress in the way we fulfill these objectives with key performance indicator.

So let me elaborate on that. If you take for instance the stakeholder employees, we have one strong commitment, which is to support employee development within an organization that boasts wealth of talent and diversity. And to support this commitment, we have fixed three objectives, promotes equal opportunities, enhance the skills of our employees, and foster employee engagement in an environment that enhances individual and collective wellbeing. And for instance, one of the KPIs we are going to follow to

monitor our progress will be the KPI employee engagement that we will measure through different surveys. And as you can see, those objectives correspond to some United Nations Sustainable Development goals that you have on the top of the -- on the top of the page.

So I won't describe by the book all the different stakeholders but you see here the mechanics and what I would like to do before leaving the floor to Thomas is just to show you the different commitments towards user stakeholder groups and also give you some example of the KPIs we are going to follow to show that we really put our corporate mission at the core of what we do day after day. So for our customers, our commitment is to make protection solutions available to everyone regardless of their situation and be there for our insured when they need us. So one of the main KPIs we are going to follow here is the customer effort score because what we think is that the accessibility of insurance is one of the foundations of fulfilling of our commitments. And so we will measure and follow the customer efforts score in all the transaction they do with us to make sure that this is easy to enter in relation with us and to make sure that we provide the maximum accessibility for the insurance services.

If we move on now to partners, our commitment is to develop effective and innovative solutions with our partners to drive progress in protection insurance, and we will follow here a KPI which is the percentage of claims which are combined with the service or assistance delivery to go beyond financial compensation. We think that insurance is not only about the financial compensation, it's also about human support.

If we look -- if we move on now to shareholders, this is more classical. We want to responsibly generate sustainable financial performance and the KPIs here will be financial and extra financial indicators.

Society, our commitment is to help build a more inclusive and sustainable society with a place for everyone, and we will follow for instance a KPI, which will be the percentage of unit-linked with financial or social impact because we think this is very important to promote responsible savings that aim to have a positive impact on society or the environment.

And as far as the planet is concerned, we want to combat climate change and protect the natural world as a committed player in environmental condition, and we will continue to publish and monitor our KPIs related to reduction of the carbon footprint of our investments.

So, I'm sorry I have been fast on this part, but I think this is also very important that we have time to elaborate on our business performance. But I wanted to show how we are committed in our role of insurer and how we feel confident that by proving that we live on a day-to-day basis our corporate mission and that we put it at the core of all what we do, we think that we will be very singular and very useful insurer for all our group of stakeholders and make a competitive differentiation that will sustain and foster the development of the company and its impact on the society.

And now, I leave the floor to Thomas to elaborate first on business performance and then balance sheet management and so on.

Thomas Behar {BIO 18964489 <GO>}

Thank you very much, Stephane. So I will explain to you the dynamics that we had in 2021. First, some words about the background information beginning by Europe including France. We have a very good improvement of the financial market in 2021 in comparison to 2020. We have now euro factor, which is only negative for the six first years, whereas it was negative for more than 12 years last year, which brings a lot of improvement in all our valuations. We also benefit from the highest equity market. We have an improvement of more than 1,700 points for the PACTE accounts.

On the other important background information is about the health crisis. We have not had in 2021 in difference from 2020 an impact on the claims ratio in France for the policyholder portfolio. Of course, we had less activities especially in Germany for CNP Santander due to the closure of some branches or some activity for car dealers and -- but as a role, we have not had a major impact, it's very minor for 2021 for the health crisis in France. It's very different from Brazil where we suffered from deaths. In the portfolio, we are ensuring in 2021. Quite noting in 2020 in Brazil, but an impact of EUR120 million in 2021 on the claims that we add on (inaudible) of the risk insurance.

In addition to that in Brazil, we have a negative impact of the exchange rates and a sharp rise in the selling rate and inflation we are over 9% at the end of 2021. We are now over 10% for the selling rate but the opposite, we can notice in 2022 an improvement of the exchange rate and we are back as a reverse that we had in 2019 for example.

Let's go now to the KPI of the Group beginning with funds. We got performance by transformation of saving and pensions premium income and technical reserves. If we looked at premium income, we can say that we are now back on track with 23% of improvements of the sales and we are not far from the levels that we had in 2019 with EUR120 billions of sales. You can see in the numbers line of business that we are quite the same for personal risk and protection, but we have very, very different evolution for saving and pension between unit-linked and traditional components.

For unit-linked, you can see that we have improved 43% in comparison to 2020, and 42% in comparison to 2019. Whereas, our traditional saving and pension, we have a reduction of 16% when we compare 2021 to 2019. It's an example of all the transformation that we are doing to shift our product from euro component to unit-linked component and can be seen is a percentage of the sales in pensions and savings business, we are now 29% of the total new money in unit-linked. It's an increase of 2.3 points, basis points in link eligibility at 2.6 points for increase in the sales and 2.3 points increase in the total technical reserves. It comes mainly from what we have done with La Banque Postale. We had an increase of nine points of our share of unit-linked in the sales we are doing in pensions and savings business.

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We have also growth in our Wealth business of EUR7 million and in addition -- in addition to the sales, we have an increase of the PACTE transfer we have succeeded to do all our objective, EUR6.3 billion. We improved our target, which was EUR5 billion at the beginning of the year to EUR6.3 billion in the middle of 2021, and we succeeded to do this target. It helps, as Stephane explained, to to meet our objective to transform our technical reserve from euro to now unit-linked component in addition of 14 points of unit-linked when the contract is transferred from an old one to a new one. You can see also in the net new money the transformation we have still negative net new money for the Euro component with EUR5.3 billions of and a positive one for unit-linked EUR2.8 billions of shareholder.

Let's go now to the revenue in France. We have an increase of 11% of the total revenue coming from EUR2.5 going to EUR2.8 billion. It comes from the three components, savings and pensions, personal risk and protection and revenue from own-funds portfolio. For the saving and pension net interest revenue, we benefit from the financial markets, which makes reduction of reserves that we have on the debt covenant for unit-linked and a higher unit-linked margin. At the opposite, we were able to increase our reserve for the guaranteed yields that we still have.

For personal risk and protection net interest revenue, we benefit from a strong improvement in our term creditor insurance margins due to the improvement of our financial margin and also we have revisited our claims assumptions due to the experience that we have on the products that were launched six years ago.

For the revenue from own portfolio, of course, we benefit from the increase of the dividends. We were not able last year to get all our dividends on the equity that we -- that we have, and we have done higher capital gains, thanks to the good performance of the equity market.

Let's go now to the cost and to the EBIT. We have an increase of 6.5% of administrative cost which is higher than previous years, but it's nothing in comparison to the performance of our total revenue of 11%. So we have now EUR616 millions of cost. Part of it are exceptional. We have 2.2 impacts of the cost that we avoid -- that we have avoided last year but also consolidation of IT services entity 1.7 impact, and something which is more permanent which is increase of the project to go for development during the year and due to all the IT performance that we have which enables to grow our IT application in link to what Stephane has said about our project of a better performance to the different -- an adaptation to the will of our various partners, 2.6 impact.

As a total, in comparison to the revenue and the cost, we have an improvement of our cost to income ratio of 1.3 points and we are now at 50.6% for our cost to income ratio. As a total, we have an improvement of the EBIT of 12%. We are not yet at the level of 2019 because in 2019, we have done some exceptional capital gain at the end of the year with the sale of the headquarters building.

Let's go after France to Europe. We have a strong business momentum in Europe. Perhaps as an introduction, I must say that we have not yet the fruits of our acquisition, Aviva, in these numbers as it was done only at the end of the year and global integration

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is only beginning at 1 January 2022. So we will get all the impact of the Aviva acquisition in Italy in 2022. We have only the impact on the full balance sheet of the assets and also liabilities of the undertakings we have (inaudible). So, excluding Aviva, we have as premium income an increase of 4.1% going for around EUR5 billion to EUR5.3 billion. It was a good performance for 2019, 3.5%. We have a growth in premium income for the personal risk and protections and, of course, the unit-linked savings and pension, you can see that we have an increase of 19% for unit-linked in comparison to 2019.

At the opposite, we have minus 21% on the traditional savings and pensions components which is quite the same kind of evolution that we were looking at in France that we have done also in Europe. On another side, we have a reduction of the net new money, only 875 in 2021. I must say that in 2020, we have an exceptional effect due to the fact that we had less lapses, people were not moving the contract last year, which is not the case in 2021. And, of course, in Europe, we have a very good unit-linked percentage, let's say, in the savings and the new money that we are doing. It's 74% of the new money in unit-linked going from 180% in Italy and more than 50% in Luxembourg.

For the revenue seen in Europe, we have an increase of 11%, going up to EUR357 millions. You can see that we have an increase in all our component lines of business, and we can compare that to the [ph]annual costs whereas the increase of the cost is very controlled with 9% of evolution. As a result, we have a very good performance of the EBIT, an increase of 18%, which comes from all subsidiaries, CNP Santander, CNP UniCredit Vita and the other subsidiaries. We have a very good cost to income ratio 48%, which has improved by 4.2 points.

After Europe, we have now Latin America with a strong marketing momentum. You can see that we are still performing a lot in Latin America, especially in pension where you have an increase of 29% like-for-like for the constant exchange rates to dollar 23.6%. We are very proud that we are number two for pensions in Brazil for [ph]first semester, and number six for the risk business. As a total, we are number three in Brazil for insurance.

Our net M&A is only increasing year-after-year, which is very good and we are now as net new money EUR2.6 billions. I must say that also as Stephane said, we are quite lean in unit-linked for saving and pension in Brazil 199%. For the revenue, we are only an increase of 0.7%, so it's very low in comparison to previous years. It's due to the COVID. As I said previously, we have EUR120 millions impact of the COVID. It was partly offset by some release of reserve and an offset of course by the evolution of the saving and pensions net income, which has growth in 2021 in comparison for 2020.

We can go now to administrative cost. In this context, it's only an increase of 1%, which means that it's very controlled. And an EBIT, which is quite the same as last year.

Let's go now from the different areas to synergies on the value of new business and APE margin, you can see that after very low points in 2020, we are now back at 15.8% in 2021. We have EUR449 millions of the new business value. The increase coming from France where we go from 4% to 10%. We have a value of EUR207 millions. We have also the same kind of increase in Europe 22.1% in both areas, we have the performance of the

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financial markets, which explain part of the increase and in France we also benefit from the fruits of the evolution to unit-linked that we -- you have seen in France.

In Latin America, we are very happy with the numbers you can see. We have a very good new business APE margin with 32%. So it's still a very high level and we seeded it not to see any step in the improvement like-for-like it was new business value. We went from 165 to 170, whereas we have stopped the (inaudible) business with Caixa Economica Federal after the new agreements and we haven't continued in some some lines of this -- the three lines of business that I have already presented. So it's a good performance to go over as a reduction of the other lines of business that we are doing with Caixa Economica Federal.

After the new business value, we can go to the financial performance. As you can see from the EBIT to acceptable stable. Net profits as we went from EUR3 billion to EUR155 millions for the net profits. We have a reduction of the financial costs, so it's minus EUR227 millions impact on the financial performance due to the replacement from all submitted that to new ones we have less interest costs. As a result, we have financial costs, which is now only EUR227 million. We have an increase of minority non-controlling continuing twist due to the fact that we have now only 40% of interest in CVP. Let's go to -- we have also good evolution of the income tax expense, that's the income tax rate as reduced in France 125%. And we have some non-recurring items. For the first time, we are -- we have the impact of the amortization of the intangible assets of the Brazil which was net of EUR1.1 billion that we paid the Caixa Economica Federal. We have also the effect of the change in percentage ownership of Caixa Vida e Previdencia EUR43 million. And the opposite, we have -- we have an impact -- a positive impact of the goodwill due to acquisition of the entity of Aviva in Italy and portfolio Allianz in life in France.

So policies of reserve is EUR14.6 billions which is 6.63% of our technical reserves for pensions and savings. For the net operating free cash flow, you can see that we have a good improvement, which is EUR2.6 per share. You have also -- you have on first part improvement of the MCV operating profit, but also a reduction of the required capital for the in-force. So we have a higher release of this capital. For the 70 capital ratio 270% only common free major evolutions. Of course, market changes for 17% due to the improvement of the interest rate, but also the equity impact of the acquisition of Italian subsidiary 8% coming from the price we paid on one part and all these are passed from the solvency capital requirements that we have now fully consolidated. And, of course, on the positive side, you have the net profit, net of dividend for 5 points.

Let's speak now a little bit about asset and liability management. I will only say that as previously said, we continue to transform our saving and pensions business to more unit-linked components, an increase of 0.7 for the premium income in 2021 and 1.7 for the technical reserved.

On page 39, you can see that we have still no -- quite no guaranteed yield, no change and we will put some light in page 40 on all our investments that we have done in 2020, 2021. You can see that we are still investing a lot in what we consider as being a good component for an asset and liability management looking in a period of inflation to real income with infrastructure, EUR2 billions of investments especially in fiber, energy transfer,

water waste management in France and abroad. And also some dedicated asset management.

For private debt, we have invested EUR3.1 billion especially in real estate debt. Also, we contributed to the government-backed stimulus bonds to relaunch that was important for France after the health crisis. Private equity, we are proud that we are one of the 50 biggest investors in the world in private equity with about EUR2 billions invested in private equity, and we continue for real estate. We have EUR800 million with special increase in housing in France.

For the investment, you can see on Page 41 that we are not so much investment in bonds compares region towards us only 67% and our average investment rate is the order of 8%. With increase of the rate, of course, we will have higher investment rate in 2022.

Let's now speak a little bit about corporate social responsibility. Stephane has already said a lot about that. The first component is about unit-linked as our funds instead responsible investments. We continue to do all the work with our asset managers to meet all the requirements of [ph]solar bears and we have now EUR18.96 billions of which are labelled as in sustainable finance.

For the unit-linked that -- of our policyholders. On page 44, you can see the progress that we have done on the carbon footprint. Our [ph]OTT and corporate bond portfolio and also for our real estate portfolio. So we are getting better and better years after years.

On Page 45 you have the impact on the green investments to give our contribution to progress in energy and environmental transition. For green investments, we are so good in 2023 that we meet in 2021 our target for 2023 which expense that we have now a new target in 2025 of EUR25 billion.

Next component is our contribution to all AGM. You know that CNP at the difference of other insurer are still very present for equity and due to our equity portfolio, we are able to participate to a lot of different General Assembly. And we are committed to anchorage or the undertakings where we are to organize regular shareholder votes on annual, monthly strategy is the AGMs and especially for companies that emit high levels of greenhouses gases. You can see the different criterias that we have to vote, and we will publish our votes from 2022 and onwards. You have seen in our press release yesterday that we have a deeper commitment that was adopted by our Board yesterday and which includes from the investment portfolio. So all regards for the oil and gas policy, for all oil and gas exploration and production companies, Group has introduced a ban on financing of any new projects and new direct investment in any companies that are developing new projects

CNP will, of course, continue to give a favor to all which leads to transition, and we will continue to support investment in subsidiaries that are dedicated to developing renewable energies to finance green bonds. On thermal coal policy, we continue what we had in the past, and we strengthened our policy to increase to ban new investments.

On Page 48, you have as a remainder all some recognized strategy from different agencies. We are amongst the best in the world in ratings. That's for the ESG policy, and at the end of this presentation, we have report for the dividend of EUR1 per share. If I accept 2022, 2020 where we paid in one year or two years, it's our highest dividends that we will contribute that will be paid on the 29th of April 2022. We will have our General Meeting on 22 of April. This dividend will be the Page 27 and Page 29 of April, and it's 45.5% as a payout ratio.

So that's for our presentation with Stephane. Stephane and me and all the teams are now ready to answer your questions.

Questions And Answers

Operator

Thank you. Now we will begin our question-and-answer session. (Operator Instructions) And the first question comes from Benoit Valleaux, Oddo BHF. Please go ahead, your line is now open.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Yes, hello. Good morning. Thank you for the presentation. I mean, I have few questions from my side. Maybe the first one and sorry for this, but can you please update us relative to the calendar tender offer and if not, just let us know if things are evolving broadly in line with initial expectations. I guess maybe even that question which is maybe ability to asset and liability management and crediting rates. Can you tell us what is or what was your end 2021 your asset duration gap. I think it has been narrowed over the last two quarters, just to know exactly where it is.

And regarding level crediting rates, it has been broadly stable on average around 2021 versus 2020 with an increase in inflation rate with an increase in the remuneration rate, for example, on IR and so on. And the current evolution, I would say, in entire, of course, it's too early to tell for your clear view on 2022 casing. But nevertheless, I mean, what is your view? I mean, do you believe that you may start to stabilize if there was PPE this year and to increase continue it. May you start this year or next year, for example, to use part of the PPE reserve if needed. I mean, just trying to understand, I mean, your thinking on this topic. And I have a short question, sorry, which is related to Italy, Allianz and (inaudible) partnership. So I just would like to know if you can please update us on your potential negotiation discussion with UniCredit. I mean, do you view all of this.

And last, sorry, my last but short question which is related to your IFRS book value mentioned in your press release. I understand that you've changed the definition because when you look at 2020 which was elsewhere in your 2020 press release book value was at EUR27.5 versus EUR21.2, so roughly 22% drop. Just trying to understand what you -- what your current definition of book value. Is it tangible book value? I mean. Okay. Just trying to understand what is the end of EUR15 billion tangible book value. You mentioned that your end, which is well below the shareholders' equity reported in your -- in your annual report. Thank you.

A - Stephane Dedeyan {BIO 20969638 <GO>}

Thank you for your very direct question. Sorry, but you know, we cannot say anything about the calendar of the tender offer. This is not our role. So we won't say anything about that, and I think you understand. Second, I will answer to the Allianz and the UniCredit question, and then leave the floor to my colleagues to answer the other questions, but we are continuing the dialog with UniCredit with the idea to continue to develop together in the Italian country. And we have a lot of work to do, integrating the new activities of Aviva which reinforce our partnership with UniCredit because in Aviva, there was also some businesses with UniCredit. So, the dialog is on and our goal in Italy is to have an activity with UniCredit and also to have open model activities.

A - Thomas Behar {BIO 18964489 <GO>}

But for the asset duration gap. So, plus we can say a word with Olivier Guigne about our asset liability strategy, how we deal. Olivier Guigne is responsible for the investment direction and part of his job, and so he will explain to you what we are doing for the for asset duration gap. Meaning, what is the strategy for this points that we have done and so we try to reduce it last year. Olivier will explain how.

A - Olivier Guigne {BIO 18263857 <GO>}

Okay. Thank you, Thomas. So regarding the duration gap, we still have a gap in terms of duration. Our assets being shorter than their EBT side and so we maintain this gap during 2021, even if we have reduced it a bit. But the main purpose of this gap is to -- also to allow the liability to be -- to be managed. And as you may know -- so we try to have more unit-linked on the liability and we do think that it may becomes a liability shorter over the time.

So we maintain this gap and we registered during the year, and so we still have a gap today with the rising rates. Of course, it's a huge advantage to have this position during this period of increasing rates. So now to register it further accompanying the rising rates and we will see regarding the liability if we have to close it or not in the future.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Perhaps, we can move on the question about crediting rates because, I'm sorry, but I don't have a crystal ball. So it's very difficult to answer your question. But as Olivier said that our view is that we are now entering in a changing world. We had the world of lower and lower interest rates and now we think that we are changing and that we are entering a new phase possibly but you know with a lot of volatility, but possibly we are entering a new phase with increasing interest rates.

So what we are going to do, of course, is to accompany these crediting rates, these interest rates increase, and as you know by the past we have put a lot of reserves in our PPE in order to be able to face this moment when there will be a shift in the interest rate curve. So we think that we are very well prepared to this. Now telling you the rhythm and the moment when we will change, the curve of the crediting rate is very too early because this is only the beginning of the year and we think that there could be some push backs and so on. So we want to be very, very, very cautious about that. But what you can you

note is that we feel very well prepared with all the decisions we've made by the past to be able to accompany the increase in the interest rates

A - Stephane Dedeyan {BIO 20969638 <GO>}

Benoit, for your last points, according to the IFRS book value post to come a little bit later to you on that -- on that point. Effectively, you have an evolution, but -- which is linked to some intangible assets, but I will come back to you to explain the evolution

Q - Benoit Valleaux {BIO 2443205 <GO>}

Okay, thank you.

Operator

And the next question comes from Michael Huttner Berenberg. Your line is now open.

Q - Michael Huttner {BIO 21454754 <GO>}

Fantastic, thank you so much. And I have three questions. The first one is a very cheeky one on Cyprus. We've had lots of deals in Greece, and I know Greece is not Cyprus, but basically market consolidation which indicates that this interest in that part of the world and I was just wondering whether this could create an opportunity for CNP to maybe monetize your stake in the Colombian showing you have in Cyprus.

The second question is on the interest rate sensitivity. And I just wondered just on BNN call the two and you kind of explain that I think really well, but I missed a lot of it. The two different things, the solvency interest rate sensitivity and then the sensitivity in terms of actual kind of cash earnings, your free cash flow. And I just wondered if you can talk a little bit more about the sensitivity of high -- of this free cash flow frequently 0.6 per share to higher interest rates.

And my last question is on the -- you had this long-term plan of reducing -- of increasing the weight of unit-linked in your back book in France. I think the figure was 30% by 2030 and also 30% for new business. New business seems to be already at 30%. And I just wondered with all the progress you've made in 2020 and '21 whether you could say, well, actually, now we are on track to reach that target maybe in 2028 or something. Thank you.

A - Stephane Dedeyan {BIO 20969638 <GO>}

Okay, thank you. Thank you, Michael. So concerning Cyprus, we have -- we have a growth strategy. Our ambition is to face some growth challenges because we think we are in a mature market in Europe. So, of course, if we have opportunities that makes sense to develop in Europe, of course, we will look at them. So we don't have any specific opportunity concerning your Cyprus and Greece at the moment. But, of course, if there is one, we will look at it and I would say, why not. It depends on value creation, the synergies we can make and so on.

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Concerning the unit-linked, as you mentioned, we've said that we wanted to be at 30% in 2030. So we are, as you say, we are making good progress. So, of course, we aim at continuing this progress and this is a long-term strategy for us to increase the unit-linked level in new money and also in the in-force, but we don't want to give some guidance at the moment. But what you can retain is that we want to be higher than that because we are making good progress.

Q - Michael Huttner {BIO 21454754 <GO>}

And what is the figure today.

A - Stephane Dedeyan {BIO 20969638 <GO>}

Sorry.

Q - Michael Huttner {BIO 21454754 <GO>}

What is the equivalent of 30% now?

A - Stephane Dedeyan {BIO 20969638 <GO>}

Well, on the new money in France, we are speaking about France, we are roughly at 30%, a little bit less 29.9%, I think. And concerning the in-force, we've made good progress, but we have room before reaching this 30% ratio in the in-force. At the moment, we are halfway at 17%, 16%.

Q - Michael Huttner {BIO 21454754 <GO>}

16%, okay. Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Michael, on your question about sensitivity of interest rate to the free cash flow, I think that content we do our actual chief officer is the best person to answer your question.

Q - Michael Huttner {BIO 21454754 <GO>}

Okay, thank you.

A - Olivier Guigne {BIO 18263857 <GO>}

The exact impact, in fact, on free cash flow a bit. We disclosed some sensitivity concerning the in-force value and the in-force value decreased by EUR2.7 billion when we decreased the interest rate curve. And so the in-force, value is in fact an element of value inside the free cash flow. So it's the in-force value increased the free cash flow increased too. So you will have the key indicators on that and you have also the sensitivity of Caixa inside the presentation by giving you some trends concerning the impact.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you very much.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Perhaps you could -- could you repeat your last question about the targets that you are asking for?

Q - Michael Huttner {BIO 21454754 <GO>}

No, no, that was it. You have actually answered all my questions. Sorry.

A - Thomas Behar {BIO 18964489 <GO>}

Okay.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Perfect.

Operator

And the next question comes from Christina [ph]Broker, Berenberg. Please go ahead, your line is now open.

Q - Christina Broker

Yes, hello. Thank you so much for sharing the results with us and I would just have one question. Could I ask about the net operating free cash flow of EUR2.6 per share, which I know that is well above the EUR1.94 of 2020 and EUR1.97 of 2019. I would like to ask, what was the main driver for this strong growth and what is the outlook according to you going forward? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. I can continue. So concerning the operating free cash flow. In fact, you have two impacts. The first impact is the increase of the result has helped to increase the free cash flow. But on the other hand, we have the transformation effect but increase the really is rate and because at the beginning, we have a higher capital reprise. If you apply on higher rates on higher amount you have a strong impact and it was -- we have seen on the operational free cash flow.

Q - Christina Broker

Right. Thank you so much.

Operator

And the next question comes from Pablo Mayo Cerqueiro Mergermarket. Please go ahead, your line is now open.

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Q - Pablo Mayo Cerqueiro

Hi, thank you so much for taking my questions. So just three quick questions from me. I mean, I note the comment you made that it's not your role to update us on the -- on the public offer, but I would just like to note that it is a friendly takeover. So I think asking about the offer is probably fair. I will avoid asking about the timeline since you cannot comment on it, but just a few questions that I was hoping you could clarify.

In terms of -- so there -- alongside the public takeover offer, there is an agreement between your majority shareholder, La Banque Postale and BPCE, about two asset management transactions. I just wanted to confirm whether the launch of the public offer for CNP Assurance is conditional on those asset management transactions taking place or these are completely separate things that have nothing to do with each other. Also, I don't know if you can give us any color in terms of the regulatory approvals competition and financial regulatory approvals on that front.

And then finally, I was -- maybe I missed something and I apologize if the question is a bit stupid, but I was surprised that you're proposing dividend because I recall that the offer is cum dividend. So does it mean that the offer price is going to be reduced by the dividend that you're proposing? And can you explain the rationale for proposing dividend given that the majority shareholder is about to launch a public offer for the free float in the company.

So, yeah, if you could answer those questions, that would be really helpful. Thanks.

A - Stephane Dedeyan {BIO 20969638 <GO>}

So, I'm sorry, but concerning the calendar and all the question concerning the shareholder operation, we cannot comment and I think you will understand. I'm sorry about that, but this is not our role to comment that. Just one thing about the regulatory framework and process, there is a need of an approval from the AMF before the launch of every operation of the type. So, of course, there will be this step, very important step of the approval of the AMF.

And concerning the dividend that was public that the offer made by La Banque Postale is with the dividend attached to the price. So that means that when the dividend will be paid, the price will be lower of the amount of the dividend. So the EUR1 dividend is only kind of a continuity in the payout ratio of the company because if you look at the payout to the historical payout ratio, we are completely in the range of the historical payout ratio of about 45% at the middle of the range. And, of course, when it makes all EURO.99, we thought that that was clearer to say EUR1 and that's all and that's very simple.

Q - Pablo Mayo Cerqueiro

Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Perhaps I can take profit to answer Benoit follow question about the net contract IFRS. You will find in the glossary which is in our website the evolution of the same kind of KPIs that was used last year, and we have now achieved net contact IFRS, which is EUR19 millions and EUR253 millions which is EUR28 per share. You will find also below active net fair value, which is the amount that we have used this year for our press release. So will see both and you will see an increase of the active net contact IFRS, which is linked with the increase of the own funds of the Group. So you have both KPIs, which are present in the gross service. And so you will be able to do the continuity between last year and this year for the KPIs you were looking at.

Operator

And our next question comes from Benoit Valleaux, Oddo BHF. Please go ahead, your line is now open.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Yes, hello. Sorry, few follow-up questions from my side and thank you for the explanation. I looked at the glossary.

Maybe, first of all, net revenue coming from own fund is slightly above what I expected. You mentioned some various capital gains. Can you just elaborate a little bit on what has happened in H2 and in terms of various capital gains especially.

And second question, maybe just to understand it, but it's far too early, but we've seen this increase churn regarding the remuneration rate of leaves[ph] two weeks ago to 1%. Have you seen or do you expect any change essentially in your policyholders behavior into that or not at all? It won't have any impact on your view. And also, as ahead of the next elections there are some candidates who plan to play some change. What do you see in inheritance tax? Do you believe that it might has impact on your activity or not really, I mean, or do you see you this?

And maybe sorry last question, if I may, regarding inflation. I mean, did you see some negative impact coming from inflation regarding your cost base and what could be the impact regarding your investment portfolio? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Thank you, Beniot, but I will begin with the own-funds revenue. We have an increase, I have said, coming from the equity revenue. We have an increase of EUR28 millions of the dividends that we have this year. We have also EUR75 million additional margins gains that we have, not much, but gainst that we have done on the sales of some equities and a reduction of EUR24 millions of our bonds due to the aversions -- the reduction we have from euro of our bonds revenues. That's for the main impact that we have for the own-funds revenue. So perhaps what you didn't get in your estimation was what we were able to realize for the gains that we realized on equities due to the performance of the equity markets.

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Concerning the delivery and the behavior of the of the customers, we haven't seen any change in the behavior of the customers. So this is very clear. No change at all in the behavior. I'm trying to elaborate on your question about inheritance and the debate of the elections and so on. First, the first point I want to mention is that this debate is not very clear. That's the first point. And second, for me, the fact that French people love life insurance is multifactorial. It's because it's a very flexible product because you can combine Eurofins with guarantees and unit-linked, a lot of different unit-linked. Of course, there is -- there are those advantages in tax revenue and in returns, but they have been -- they have been a little bit reduced over the years. And now this is not so important for me, and this is less important than the flexibility of the product and the fact that it's like the Swiss knife. You know it helps you financing your projects or prepare your pension. So it's really useful product even with -- and the tax advantage is not -- is by far not the only interesting characteristic of the product.

A - Stephane Dedeyan {BIO 20969638 <GO>}

Olivier will answer your question about inflation.

A - Olivier Guigne {BIO 18263857 <GO>}

Impact of inflation on the investment side. So we tried to build an asset allocation, which we meant to be on road, so to say. What I will do with that, so we have invested more in real estate and infrastructure and we consider that could protect us against rising inflation, and we also have this duration gap that we mentioned before, that is also kind of protection against rising rates if we do think that rising inflation will be combined by rising rates. So we maintain this position and we keep this in mind in our asset allocation in 2022 so that we could be protected against some movement in inflation.

A - Stephane Dedeyan {BIO 20969638 <GO>}

And as far as the cost base is concerned, it's very difficult to know at the moment if inflation will be totally reflected in the price changes, and then in the wages and so on. So it's a little bit early to elaborate on that. But as you've seen, we have a very ambitious project and this is a development project, so that needs investments. So we think that our cost base will reflect this necessity of investing in order to fulfill our ambition.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Okay, thank you very much.

Operator

And we haven't received further questions at this point, I will hand back to the speakers.

A - Stephane Dedeyan {BIO 20969638 <GO>}

Okay, thank you very much. So we can finish and thank you all for your attention.

Operator

Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may disconnect.

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