

Q1 2020 Earnings Call

Company Participants

- Thomas Behar, Chief Financial Officer, Member of the Executive Committee
- Unidentified Speaker

Other Participants

- Analyst
- Benoit Valleaux
- David Barma

Presentation

Operator

Ladies and gentlemen, welcome to the CNP Conference Call.

I'll now hand over to Mr.Thomas Behar. Sir, please go ahead.

Thomas Behar {BIO 18964489 <GO>}

Thank you very much. Good morning everyone. So for the second time, we are going to present our quarterly indicators. We began to do so at Q3 and before that due to specific circumstances, it was a good thing to comment, also our Q1 for 2020.

So, let's begin with our communication. I will try to be short in order to go directly to your questions. So, for our premium income, we had a premium income of EUR6.9 billion attributable net profit of EUR299 million. Our solvency coverage ratio is of 218% of high level. For the premium, we had a reduction of 14.4% at constant exchange rates, it comes only from the savings/pensions business in France, which reflects a softer markets and most active underwriting policies. But also the lockdown that we have known beginning in the current of March, depending of the countries, Italy, France, and Brazil.

The premium income in Brazil is up to 7.6% in local currency, but has reduced due to the real weakness against euro. 48% of our premium income are comes from unit-linked products. We have EUR1.0 billion net inflow to unit-linked and the net flow of EUR1.7 billion coming from traditional euro contract. The EBIT is at 2.6% like-for-like at the EUR621 million. And we have already presented attributable net profit of EUR299 million; the APE margin is of 15.6% and I've already presented the solvency coverage ratio.

We have chosen to other focus and in fact of COVID-19, so the COVID-19 has many impact due to the lockdown. So, we have a reduction of the activities, we have also exceptional commercial measure concerning the risk contracts and this impact is of EUR23 million, as we decided to pay daily allowances for vulnerable policyholders but also for childcare costs. This impact is of EUR23 million at the end of the first quarter. But due to the continuation of the lockdown, we have already communicated that it will go up to EUR50 million.

We contributed to solidarity fund from micro-enterprises and self-employed price of EUR12 million and this amount has now doubled. We have also, of course, the impact of the financial market and the close down of the branches of the bank and post office. We are able to work remotely 98% of

the workforce is now working from home. And of course, the numbers that we are presenting now a picture at the end of March, and of course, we don't know now how long will last as a crisis. The crisis from the economy and the financial market especially, but also from the epidemic impact.

For the first quarter, our premium income declined in France of 25.2%. It comes mainly from the saving and pensions. It's a reduction of 30.4% from saving and pension. And this comes from the marketing strategy that we designed for the low interest rate environment. We have 21.4% of share of our saving pension premium in unit-linked and net inflow is EURO.3 billions for our France savings/pensions in unit-linked, and net outflow of EUR1.6 billion.

Professional risk and protection saw decrease come mainly from some adjustment due to previous year premium for term credit insurance business, but the drivers are positive for the current activity for term creditor insurance and also for employee benefit plan premiums.

The APE in France is narrowed 8.2% coming from 12.3% due to the savings/pensions effects, the unfavorable economic effects by negative volume. The (inaudible) we have an increase of 8.9%, which comes mainly from CNP UniCredit Vita, where we have an increase of the unit-linked component. Premium income from Personal Risk/Protection was of 1% and comes from CNP Santander that offset a lower term creditor insurance in Italy. APE margin was stable.

For Latin America, so we have an increase of the activity we continue to be a number three and the Savings/Pensions activities continue to walk with two digits number of increase, so we have 9.2% increase of the total Savings/Pensions and we have still 18% of the market at the end of February.

Personal Risk/Protection we have an increase of 3.3% at constant exchange rate. And so, the APE margin has improved slightly to 31.5%. The value of new business was EUR100 million at the end of Q1. And we have an increase of our net technical reserve of 2.1%.

For the net insurance revenue we have an increase of 3.3% at constant exchange rates. In France, we have decline that comes mainly from the EUR23 million of reserves that we have increased to cope with the new expenses due to the vulnerable population and the childcare costs. In Europe, excluding France, we have an increase of 10.1% of our net insurance revenue, which is driven by the increase of CNP EBITDA in unit-linked business. In Latin America, the increase on period-on-period change constant of 13.9%, we have also an improved and loss experience and increase in terms creditor insurance volume.

Revenue from own-fund portfolio has decrease as the yields are getting lower on year-after-year. Total revenue addition for the net interest revenue and revenue from own-fund portfolio is EUR841 million and is bringing out of 2.3% at constant exchange rates. Administrative costs are increasing of 1.2%, but in France, we are close to 0%.

So, I've already spoken about the EBIT and attributable net profit and also about the solvency coverage ratio. We may say a few words that we have an impact -- the negative coming from the 20 points decrease due to the change in the financial market, but also an increase of 10 points due to the change that we have done on the method including the policyholders' surplus reserve Tier 1 capital. As you know there are three methods that are fixed by the supervisor. We use the most -- you just want at the end of the, of last year and we will have completed in the model -- the modernization of the new way of taking into account the PPE in our Tier 1 reserve at the end of 2020. And the reason intermediary method that we have used at Q1 as if we continue to use until Q3.

So, that's the presentation of the quarter indicators. And so, we are able to have 50 minutes of discussion and answer to your question. So now, I open the floor to you.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) We have one first questions from Mr.David Barma from Exane BNP Paribas. Sir, go ahead.

Q - David Barma {BIO 19957338 <GO>}

Hello. Good morning, Thomas. My first question would be on French protection. Would you be able to give us some color on where you see potential buckets of say COVID-related risks within the different protection portfolio? And I'm also thinking about the personal risk, protection and health segments? Then my second question would be on solvency. The market sensitivity was a bit bigger than I would have expected in Q1. Would you be able to break down the 20 points market drop by assets classes or to put it another way, did it perform line with your expectations, or do you have any clients to adjust some of your hedging programs or asset allocation?

And then maybe likely on your last comments regarding the adjustments to the how you account for the profit-sharing reserve and solvency? Does that mean you still you expect some -- benefits to come later in the year or in Q4 or has -- have most of the benefits has been accounted for in the 10 points in Q1? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

As first of all, transportation what you -- you have to know that as we said the main impact comes from the extra contractual guarantees that what we have given to our policyholders. This times stock at the end of April, towards no more the national health system is taking care of this kind of arrogances. And it's now partial unemployment that has begun to take that into account beginning at 1st May. So, we are able to say that we are quantitative about that cost that they're expecting is EUR50 million of share at the end of April, and it stopped at that date due to the change also the French system. So, we will monitor closely what's going on about the portfolio for collective risk, according to the allowances. According to the hedge, as you said -- you may notice that people want less (inaudible) and so on, but it's too early to understand is they will go to see for the -- of the two consistent at the -- during the second part of the year of -- or if they we'll have a real decrease of the -- according to the --

According to the credit insurance, we are not expecting -- and thus insurance, we are not expecting claims different from previous years. As we have done stimulation with our data lab, but with real hedges that have suffered from this according to this crisis. Our numbers coming from European data as they're different from China, and we have not seen a real impact for people, who are below 60 years old. People are insuring against that for credit insurance and risk protection (inaudible) are below 60 years old. And so, we don't have many impact on that. Impact on this is more for people, who are well older than 70 years old. So, the impact of staying at home for credit insurance, you may go to know that we are not seeking into accounts the first three months before for crediting protection portfolio before putting in charge people. And due to the COVID -- COVID is a long disease, but it doesn't last more than one month. And so, it doesn't impact so much the credit of protection portfolio.

For the solvency, so --

Q - David Barma {BIO 19957338 <GO>}

Thank you, so -- sorry, just maybe -- just to come back on the EUR50 million you mentioned, so that's that the extra contractual measures that you are taking, right?

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Bloomberg Transcript

A - Thomas Behar {BIO 18964489 <GO>}

Yes, for childcare and vulnerable populations.

Q - David Barma {BIO 19957338 <GO>}

Okay.

A - Thomas Behar {BIO 18964489 <GO>}

So, the EUR23 million that you have seen in the first quarter account and it covers this additional EUR27 million cover the (inaudible) and it closes at the end -- and it's finished at the end of quarter.

Q - David Barma {BIO 19957338 <GO>}

Okay. Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Solvency, we -- as you know we are in Q1 calculation on shorter by this -- than on Q2, and on Q4. When I say that as -- comes from equities and the -- come from the interest rate, the bonds. You may have got that we have an increase of the volatility, which is an as a negative impact on where 70 capital ratio. So, you remember that is a decrease of the equities was 26% during the quarter. So, there's a negative impact for alphabets, and the other -- the integration of the increase of the volatility. You have also strong increase despite COVID space and on the sovereign bond space, which is also as a negative impact.

On first part and the other part you have positive impact of 47 points on the volatility as I said, which helps -- it has played -- at the end of Q1 controversy called role, which has also helped a lot at the end of Q1. That's all the explanation of solvency ratio. For PPE, what I mentioned that it will depends on the financial condition that we may say that we have done two subs of the impacts, I think it will be less, but -- for the end of the year we do change up the adaptation of the method, which is too early to be very precise about that, because it is result for memorization from the models that we have not yet done at this stage. So, it's only estimation. And so we will see on Q4 when we'll have put inside the model the PPE.

Does it answer your question, David?

Q - David Barma {BIO 19957338 <GO>}

Yes, it does. Thank you very much.

A - Thomas Behar {BIO 18964489 <GO>}

Thank you, David.

Operator

Thank you, sir. Next question is from Mr.Thomas Fossard from HSBC. Please go ahead.

Q - Analyst

Yes. Good morning. Just to come back on your last answer comments regarding the PPE, if at the present time you were to freeze all the financial assumptions? And you were to move to the new modeling that you expect to have at the end of the year. How much would be the positive impact on Solvency II basis at this stage?

Second question is just a conformation. So I think that in the full-year '19 results you said that 30,000 deaths in France, which is a current level, will have a negative impact of what median on

your EBIT profit on -- in the full year. So, should we conclude from your earlier comment that at this stage, and due to the different profile of base -- people or dying people versus insured, both, you are very still far away from reaching a level, which will have a matter your impact on your EBIT.

The third question is, is it worth to provide some mortality scenario as well regarding your Brazil protection activities? Brazil, the number of deaths is going up quite significantly as well, maybe also we've got a very different profile in terms of insured population. Maybe, you could put summarize on what's going on in Brazil regarding mortality scenario. And the last question would be, if you could provide a kind of date in recent sales trend in France, notably due to the lockdown, how much sales were done in April and may be so far into May? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Sorry, so your first question about PPE; in fact, on PPE, I said that two-third is 10 point, so one-third is below 5 points, so perhaps between 0 and 4 points of an impact. It depends on the financial condition of the market, because the results are not the same -- on the Spanish market. And we don't know what they will be at the end of the year. As I said between 0 and 4 points, it will be based also the modernization. You don't know in advance until you have done things inside -- model what it is. So, where the process of development our summation so below 0 to 4 points.

On the second part is about the impact of death. So, as I said what we are seeing until today for the next -- for the evolution of the year, of course, it will depend on the evolution of the COVID. No one knows how many waves will we are doing the second part of the year. We will have zero wave or one second waves. We don't know at this stage will COVID virus will evolve, and that's -- and we need to go to other kinds of age consensus our case of the edge. We don't know. So, you asked me -- it's a vision about what will be. So, it's not possible to give a guidance about the number of deaths in the future, because it has different impact.

However, at this stage, we don't -- any real material impact of the debt of what we call even if with two waves, if we stay with the same kind of impact on ages. We have less than EUR10 million of impact about this of shareholder. But of course, it will depends on the evolution of the situation. On Brazil, 85% of the death seems to be -- of possible, whose age is higher than 60 years old, and our population zero 60 years old. And of course, you have a selection of the population, because people will buy agent has not the average Brazilian population. Due to the fact that there -- we have noticed we make is that we will have a lot of impact on Brazilian market. We decided to cover COVID, it was -- from our contract in Brazil, and we decided either in Spain and in Brazil to cover people, who will die from COVID, even if it was first written so in our contract. Our estimation is -- very reduced impact for people, who will die in Brazil and in shells by our company.

So, your question -- you had four questions about -- could you repeat your fourth question, please?

Q - Analyst

Yeah. The question was just an update on the sales trend, revenue trend in France so far into Q2.

A - Thomas Behar {BIO 18964489 <GO>}

All right. In Q2, we -- I may say that branches are still closed, postal offices (inaudible) offices are closed on insurance activities, very reduced at the end of April. Also, they are beginning to look again, I think insurance activities; the priorities was of course on payment, so the kind of activities. Now going back to work. But the dispatch is going very slow. I may say that activities are -- you may see twice in the continuity of the end of March with an 80%, 70% of reduction of the sale. As our measured revenue doesn't come from the sales, but from the stocks that we -- on short term, it doesn't impact so much our net revenue.

Q - Analyst

Okay. Thanks so much.

A - Thomas Behar {BIO 18964489 <GO>}

Does this answer your question, Thomas?

Q - Analyst

Yes. Thanks so much. I will come back later on.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Thank you.

Operator

Thank you, sir. We have a next question from Mr. Benoit Valleaux from ODDO BHF. Please go ahead.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Yeah. Good morning. Few question on my side; first of all regarding solidarity front; I mean do you expect to contribute also to some (inaudible) for example, in Brazil? And still regarding on Brazil, are you hedged against the FX risk, because we've seen a sharp decrease on the Brazilian real this year?

Second question is maybe on investment. Can you just tell us what has been your level of impairment booked in Q1 and if you have not increased your hedging program since the beginning of the year? And if you have something regarding your level of capital gains on your equity portfolio. And maybe another question regarding, I'm pretty sure (inaudible) It may be too early, but have you seen any change for example from some customers, who have decided to switch from unit-linked support into traditional life (inaudible) and last question is on solvency. Just to be clear I'm not sure if I really understood. You're showing how you move on to 227% to 218%, but the 227% was assumed excluding or after the payment of the 2019 dividend, which has an impact of 4 percentage point, so just to check if this impact is well excluded within your 218% at the end of March. Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Yes, on the last question, quite simple; we -- that the Board will consider again probably doing the full -- pays the dividend. So, we have not increased the solvency capital ratio to add the dividend. So dividend that we have not paid is still in reduction of the solvency capital ratio.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Okay. We understand. Yes, you still expect maybe to pay the dividend by year end?

A - Thomas Behar {BIO 18964489 <GO>}

We have not changed the assumption or it's just a suspension and it will be considered again by the Board during the fall according to the circumstances that we will know at that day.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Okay.

A - Thomas Behar {BIO 18964489 <GO>}

I can take also -- I will go on the other ways policyholder behavior. At the beginning of the crisis, there was modification of the behavior meaning that there was nothing that was happening. No premium, but also no late fees. No arbitrage, no -- I don't know the English word pronunciation --

for the contract. So, there was nothing at this stage. We have again the same level practice that you have observed last year, but we have no increase of arbitrage last year.

Now quite the same as we observed last year for the same week. We are monitoring that closely week after week during this period. We don't ask any question in Brazil to take part to any kind of solidarity funds at this stage. So, there is no matter according to that kind of questions. Of course, we are taking part in France to kind of solidarity -- so there is some gift that are taking place in Brazil as we are doing in France, same kind of spirit of citizenship societal responsibility to our subsidiaries as we are doing in France. But it's not the same kind of things that very different from those EUR24 million for the solidarity funds (inaudible).

On the FX rate, we have an impact on -- which is taking place about our net results. This impact has been able to affect the decrease of the real -- around I will tell you some impact on what -- but it was a very good impact on about that perhaps Xavier, you can say a few words about that. It's an impact of EUR27 million after taxes on our net profit. That's EUR27 million and so it was -- we were able to offset them. It was a good prediction on our income, but Xavier, can you answer the question about the hedging program?

A - Unidentified Speaker

Yes, of course. So, on the ageing programs, we like to remind that we have hedging program for many years. So, we are some benefits of this program today because we have a sensitivity of our global equity portfolio between 50% and 70%, which means that for 25% drop in the equity markets. We are only around 15% decrease on our equity portfolio. So, this is the accumulation of all equity protection programs for so many years that -- that's resulting in this good performances of our portfolio. And we have made some minor adjustment to this program during the sharp decrease of the market, but not significantly.

A - Thomas Behar {BIO 18964489 <GO>}

On the impairment, we have an impairment allowance of EUR476 million. If we take that after tax and after policyholders' benefit, it's EUR76 million impact on our account. And unrealized -- the other still question about unrealized gain, I don't have the numbers in front of you, I will give it to you just later.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Okay. Thank you.

Operator

Thank you, sir. We have another question from Mr.Thomas Fossard from HSBC. Sir, please go ahead.

Q - Analyst

The first -- some sufficient that you booked so the EUR50 million -- sorry, the EUR24 million a year-to-date, where is that going to be booked? Is that going to be booked the revenue lines or is that going to be booked user line, just to have more clarity on that?

The second question will be in light of COVID crisis, are you taking -- are you taking, I would say, additional measures in order to protect the balance sheet, be from last tradition point of view, be from a hedging point of view, be from, I don't know, any asset and liability management actions you've taken and also maybe linked to that, of course, this is not completely related, in your preliminary remarks, you have mentioned, your plan regarding in France, regarding, I think that you call it low interest rate plan. Could you tell us, I guess, it was asking or requiring policyholders to put higher amount of higher sales unit-linked, maybe raising entrance fees. Maybe you can tell us a bit what you've done with this.

And the last question will be on the CNP -- CNP Santander, I remember from the past that quite big chunk of the business were done with car dealers and car dealers in Germany. How's the business going? And if you could, yes, provide a bit of an update on what you expect on that side of things? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. So the EUR24 million for -- for small enterprise, it's a small gift. We -- it's not deductible from tax. And so, it will be below the line, the EUR12 million that we have already taken into account in this Q1 is below the line; that's for according to this EUR24 million. That answers your first question, Thomas?

Q - Analyst

Yes. Thanks.

A - Thomas Behar {BIO 18964489 <GO>}

For COVID, impact, what I said -- management hedging -- we consider that we're really well covered against the main effects. We are currently covered the equity drop according to the -- churn rate drop that we have done. According to this, COVID we have some vision that business get played, because it's -- there is not enough test -- hopefully, so we are not considering to increase this range turnover.

According to the asset liability management, in fact, we have not changed anything at this stage. We were thinking about increasing the risk part of the assets in linked with better solvency capital ratio, but due to the volatility of the market, as I said, we have not changed that. We are still considering to go to a real return meaning infrastructures and so on. So, it's more the kind of things that we are looking at.

Xavier, can you say a little bit about that?

A - Unidentified Speaker

Yes. Thank you, Thomas. Just to remind you so that, we have sold around 3 billion of equity in the second semester of last year and so we are still underway equities in our strategic asset allocation. And so, we -- as a Thomas said, we will wait a bit until to reinvest the equity site. We are not considering the environment has a safe enough to do that right now.

And in term of asset class, what seems to be perhaps the more resilient in the current crisis is the real asset like infrastructure. As you may know, we have some participation in a big infrastructure that (inaudible) and it performed quite well in the period. So, it's something we are looking at, nothing concrete at the moment. Perhaps in terms of investment also, as you asked the question, just to let you know that we move towards little more credit as the spread become higher in the last week, but always, with a very high quality profile waiting around -- in the portfolio.

A - Thomas Behar {BIO 18964489 <GO>}

And for unrealized gain, we have a decrease of around EUR5 billion of the unrealized gains, but concerns mainly the equities, so we have a reduction run a division by two of our unrealized gain, so we have still EUR22 billions unrealized gain on our portfolios with EUR4 billion -- EUR4.5 billion and equities and EUR18 million on bonds for the year end. For the unrealized gain at the end of April, so it's EUR23 billion of unrealized gain at the end of April and it was EUR20 billion of unrealized gain at the end of March. So, of course it fluctuate according to the financial market. So, end of April 23, EUR4.5 billion according to equities and give the past bonds.

And for you question according to CNP Santander, I may say that Germany in to visit to the -- better conditions than France or Italy and German car builder are -- seems to be in a better

condition than other European competitors. The activity of the Q1 in fact, is we have only some -- we were only doing -- people have done on their -- during the end of 2019 and the beginning of 2020. So, the impact of a reduction of activities if it comes from the economy has not yet -- too much in Germany and the loans are given are linked to cars that were committed to be given previously.

On -- so, we have only decrease of 3% of what we have premium from Santander. And of course, the main impact in Germany comes more about the competition that we may know on the market between direct Internet loan and the loan that are given by car dealers, but quite very few impact on the economic crisis at this stage. We will more details that closely in the second quarter.

Does it answer all your questions, Thomas?

Q - Analyst

Yes. And just one remaining on, you know, your specific strategy put in place in France for savings product. In your press release, you mentioned something specific, maybe raising the level of unit-linked shares or if you could explain what you've done and if you see still in place?

A - Thomas Behar {BIO 18964489 <GO>}

Yes. First of all, it's -- inside the sales -- it's the transformation of the contract. So, we succeeded in the first quarter before the lockdown to transfer EUR1 billion of contract -- EUR1 billion of older order contract and new contract with a good unit-linked level after the transformation -- I think remember more than 40% of actually think in after transformation, so it's not in the sale, but it works -- a lot of activities in the branches to transform order contract in new contract with more unit-linked -- opportunity to discuss between the customer and under branches about that contract.

We are sitting in the process of developing new kind of unit-linked to present more positive unit-linked to the contract. What I mentioned is that we will communicate the impact of the crisis about unit-linked. The equity market has dropped 26%, but our unit-linked have only drop of 12%, means that impact we are selling a lot of positive unit-linked to our customers.

We have monitored the impact on our customers about the drop of the market and we observe that only less than 5% of our customers. As I've known a drop of this stock of less of -- more than 10% for -- both unit-linked between Santander and the end of December. So, only less than 5% of a drop of more than 10%. So, it means that according to the share between unit-linked and your compartments and (inaudible). So, it's also positive and this will be explained to our networks about the real impact, and we hope that it will help people to go again to sell unit-linked for the networks and so people to buy them.

We have also an additional measures that was new for us, that was given with the information about the discretionary participation for 2019 is the addition of specific bonus at the end of 2020. This product is up more than 50% increase of the zero -- each people has more than 30%, 40%, 50% of unit-linked in their portfolio. So, we are encouraging people and something new for us, and it has begun with this year and we will shortly communicate about the impact of the bonuses to the client in order that as you know is -- to we continue what will be the impact on the situation at the end of the year.

We have also transform the wage network are looking about compliant. And in BPCE and in postal offices, we have a new way of looking at companions. We are trying to avoid that unit-linked only seen as risky asset white or black if you take your -- if you take 100% risk. So, we have some model portfolios that's explained to the policyholders what is -- fit with their risk appetite is situation and is also opens for this project is unit-linked to have the more point of then -- when they are looking what they -- we can buy.

We have also developed (inaudible) unit-linked. You may have seen some (inaudible) kind of unit-linked that we have developed in the market, and that we'll continue to present to our customers. We are in process to develop real estate unit-linked. We will also develop and this comes from the specific working group that has taken -- that have taken into place around our CEO is the development. I don't know the English world -- but Olivier, so to monitor management of generic link that will be developed in -- and present to postal office or postal network and BPCE network proposition to extend it to a lot of new policyholders. A lot of action, so we are still in very low interest rates and we have learned a lot of action to recent activities to have unit-linked in a good position for our policyholders.

Does it answer your questions, Thomas?

Q - Analyst

Yes, perfect. Thank you, Thomas. Just one remainder, regarding (inaudible) product, I think Swiss Life last week or earlier this week, I don't remember, was mentioning very strong start, for example with this new product on an individual and group and group site as well. What about CNP so far?

A - Thomas Behar {BIO 18964489 <GO>}

As we said, very low impact to us -- low; of course, it is a good impact on a specific product, which is grateful. But on individual one -- that as you said, is that's a slow impact, because the beginning of it was coming with the beginning of the impacts of the COVID. So, we -- so much impact at that this stage, but what was the real impact for us is the transformation of other contract and new contract, which is the impacts of the --

Q - Analyst

Okay. Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Okay.

Operator

Thank you, sir. We have one last question for Mr. Benoit Valleaux from ODDO BHF. Please go ahead.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Yes. Good morning. Just few many question my side. Maybe one is on the cost. I know that you're working with La Banque Postale on your business plan, but I mean, what can you say in terms cost going forward? I mean do you still see some potential synergy some potential further improvement into the productivity?

Second question is still on investment. Can you give us a share of your -- portfolio, which is BBB-minus rated and what could be a potential negative impact from the negative rating negotiation on your solvency? What has been your -- in to year-to-date compared to last year at least in France? And regarding the real estate, I don't know if you -- what could be the impact of all these measures regarding the -- of contentment or the impact of the new investment income? Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Your third questions, so I've got some synergy, the -- path, which is -- I have a question about the impact in various the crisis. And the third one was?

Q - Benoit Valleaux {BIO 2443205 <GO>}

Third one, I think Christian on BBB-minus -- rating and negative -- and other one is on real estate. What could be the impact on your investment income due to the lockdown carrier, because I think, you have suspended income to come of some of your (inaudible) during the lockdown and the last one (inaudible) compared to last year in France?

A - Thomas Behar {BIO 18964489 <GO>}

Okay. Real estate is the impact on the financial income of EUR50 million. We estimate a decrease of 10% of revenue. So, real estate revenue impact is only -- it's not a suspension, it's report of the payment impact will come from undertaking that will be normal -- the revenue of the real estate. So, it' -- which is the impact. On minus BBB, the number that I add is less than 1.8%, which is high yield regarding to our bonds, so it's very low.

Regarding to the cost, so you know that we have an Office 21 project, which is a project of creation, of course to the improvement of our processes and improvement of the quality for shareholders due to as a development of digitization and test care is -- program of \$40 million, EUR5 million of reduction of cost on a permanent basis, which was at the end of 2021. At this stage, we may say that we have all our programming place and that we have found all of the 25 -- and in advance of it for the 2021 targets. So, we are still on track for the program of prediction of cost for this synergy. So, we are still in the process of developing the business plan is LGT and developing the industrial program that we have with then for that -- in that process and is too early to give the impact of that synergies after what we have said in previous before the transaction, so we are still working with them. I think answers your questions, your four questions.

Q - Benoit Valleaux {BIO 2443205 <GO>}

Thank you very much.

Operator

Thank you, sir. We have a next question from Mr.Thomas Fossard from HSBC. Please go ahead.

Q - Analyst

Yes. So, the very last one; regarding the dividend and the dividend and the potential dividend payment in portfolio during the year, could you just help us to understand under which condition you will be able or will be allowed to some extent to pay the divided let down the year. Is that the question of improved solvency that's a question about the micro -- environment, it's a question of, I don't know, any negotiation you may have (inaudible) with the Ministry of Finance in accordance with your shareholders as well -- and just help us to understand how we should think about paying or not paying later on the year. Thank you.

A - Thomas Behar {BIO 18964489 <GO>}

Clearly, as we have seen, we don't have any difficulties with the solvency capital ratio, but it's not a question of capital ratio. It's not also a question about the position of our shareholders, La Banque Postale. Once there are meeting -- they are only considering the interests of CNP Assurance. The decision will be only linked to the position that we may see about CNP Assurance.

So, we have followed the previous recommendation advisors, ministry of economy recommendation the system, so we'll see in -- during the fall what will be the financial market, the condition, how the crisis has evolved the epidemic crisis, but also the economic one, so it all matters of that will be present will be considered by the Board to take the decision to predict recommendation. But also the parts that markets have stabilized on us and we are normal in the clear about the COVID that are being cleared to take the decision. So, the Board will consider all element, and they will take the decision in the interest of CNP Assurance and all of the shareholders.

Q - Analyst

Okay. So, I see that this is more a kind of finally go or no-go, it's not a question about the level -- i.e., it's not a question to pay maybe only 50% of your -- what you're expecting to pay. If you were deciding to pay something that would be the initial proper dividend?

A - Thomas Behar {BIO 18964489 <GO>}

They will have to consider fully the question. So, as we said, this was -- Thomas, it was only a question of we report the decision; that's all. So, they will have to consider it again in the fall, and I can't split the question about it in the way you are doing. So, we'll have to consider the question, but nothing has been put in place as you said to answer that question.

Q - Analyst

Okay. Thank you, Thomas.

Operator

Thank you, sir. We have no other question, sir. Back to you for the conclusion.

A - Thomas Behar {BIO 18964489 <GO>}

Okay, so thank you very much. I hope that -- everyone -- everything will be fine for you. And so, I hope that we will have the possibility to ask again some call, virtual shortly and we'll be able to speak deeper at the end of Q2 with a better view about what will be at the end of the year and with COVID I hope so will be behind us that day.

Okay. Thank you, and have a good day.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.

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