

Transcript

CNP Assurances

First-quarter 2021 Conference Call

17 May 2021

Summary of the main points discussed during the conference call of 17/05

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Presentation

Facilitator

Ladies and gentlemen, welcome to the CNP conference call. I will now hand over to Mr Thomas Béhar. Sir, please go ahead.

Thomas Béhar

Bonjour à tous. Welcome to everyone. So it will be my pleasure to go down our press release on Q1 with some additional information, and I will do that quite quickly in order to be able to answer with my colleagues of CNP Assurances to all your questions.

So, on our Q1 2021 we had premium income of €7.9 billion, which is an increase of 14.6%. The attributable net profit is €308 million, up 2.9%, which is between 2019 and 2020 attributable net profit. The solvency capital ratio is at 217% and up 9 points. So, as highlights, this increase of the premium income comes from the strong momentum in the Savings and Pension segment across all geographies. We had an increase of unit-linked sales in France, up 54.3%, which represents 25.4% of the total new money. So, the total new money in unit-linked is 25.4% and this increase is 44%.

The success of the integrated bancassurance model with La Banque Postale, we have an increase of unit-linked sales of 44%. We continue to enjoy good success in PACTE transfers, €2.1 billion, which is 52% of what we achieved last year. We have positive inflows to unit-linked of €0.5 billion, and negative flows from traditional contracts in euros of €1.6 billion. We have growth of 3.1% in premiums in Europe, excluding France, and we are advancing: 2021 is higher than 2020, which is also higher than 2019. And, for Latin America, like-for-like, we are advancing 2019 to 2020 to 2021, with an increase of 41.2% like-for-like, still in unit-linked for Latin America, and 80% for Europe.

Personal Risk/Protection is also up 4.2%. EBIT is €715 million and decreased 1.8% like-for-like. Net profit is €308 million, as I already said. APE margin is at 13.2%, up one point. And I have already spoken about the solvency capital ratio.

If we look now at the activities, we have €7.9 billion in sales, and the sales come from the increase we have for Savings/Pensions business, especially in Brazil and in France. In France, we have an increase of 23% to €5.2 billion. We collected €4.1 billion for Savings/Pensions, which is attributable to the good performance of CNP Patrimoine. Last year we decided to decrease the unit-linked percentage that we are expecting from this business to 47%, and the effect was an increase in Q1 of the sales that we have. We also had a very good performance in PACTE transfers. We continue to transform the product mix with the increase in unit-linked, as we already explained, of 54%, and we had very good success with La Banque Postale. We have an increase of 5.9 points in the weighting of unit-linked in sales, so we are now at 24.8% for La Banque Postale and we were at 19.8% at the Q1. So as a whole for France, we went from 21% to 26% – we were on 21% in 2019 and in 2020, and we are now at 26% for the Q1. Personal Risk/Protection, so the increase is 4.6% in France with the stability of the Term Creditor Insurance premiums. We now have a compensation between what we are doing with La Banque Postale and BPCE, and the decline in premiums from run-off portfolios such as Crédit Agricole. The APE margin is 7.5% versus 4.1%. This increase is due to the increase in interest rates. In Europe excluding France, we have an increase of 1.2% of sales coming from Savings/Pensions, so an increase of 3.1%, and we have still around 79% of new money in unit-linked. Personal Risk premium is a reduction of 5.8% due to the effect of Covid-19 for CNP Santander. What is different from previous waves of Covid-19, we have a reduction of sales in Germany due to a reduction in activities. This Covid-19 wave was stronger in this part of Europe. We have a slight increase in the APE margin to 17.2% in Q1 2021 – sorry, 18.6%.

In Latin America, premium income totalled €1.4 billion. The contraction is due to the currency effect. Like-for-like growth is 33.6%. The new JV in Brazil, called Caixa Vida e Previdência, has been fully operational since 1 January. In Savings/Pensions, we have a strong, very strong increase of 41.2%. We are still number three in the Brazilian market, with 21.4% of this market at the end of February, which is the last data that we have from the market. The Personal Risk/Protection business decreased by 17.9%, but increased, like-for-like, by 10.4%, and we are still the leader on consumer loan insurance, which is one of the three activities that we have for the new JV Caixa Vida e Previdência. We have a fairly similar APE margin. The Value of New Business is €88 million. This increase comes from the higher rates we have in France.

If we look now at the quarterly indicators, net insurance revenue is up 6.7% like-for-like at €697 million. We have an increase of 9.1% in France to €425 million, which is due in particular to the better product mix in favour of unit-linked that we have and the higher volumes in this segment. And of course, you know that we had a negative impact last year due to Covid-19-related sick leave reserves that we constituted at Q1.

In Europe excluding France, we have an increase of 3.2% at €74 million. In Latin America, we have an increase of 4% like-for-like due to the Pensions business, but on the other hand we have a higher loss ratio in the Personal Risk/Protection segment. Perhaps I can add at this point that the combined ratio for Brazil has increased from 49.5% to 56.3%. What is different compared to France, in Brazil, you have younger people who are dying from Covid-19, and this increase in the combined ratio of around seven points comes from the impact of Covid-19 in Brazil.

Revenue from own-funds portfolios is €226 million, which is down 22% like-for-like. It comes from France and from Brazil, from Latin America; you have a reduction in financial income in both parts, and we will speak a little bit later of the change of our KPIs, but the difference comes mainly from net realised gains we made last year on real estate, and also from the reduction in interest-rate income.

Total revenue is down 1.5% like-for-like, administrative costs are quite stable at €208 million and we have a little improvement of the cost/income ratio. EBIT is down 1.8% like-for-like. So, as you have seen, we have changed, but we will be able to come back to that later, the method of calculating EBIT. We have chosen to add realised gains on AFS to the current income that we are getting from the AFS, as we are monitoring both in addition, in Olivier Guigné's teams, and due to the monitoring that we observed, it was better to follow both together, on one side. On the other side, we have chosen to, move the impacts of the amortisation of intangible assets that we have now in Brazil down to "mark-to-market effects and intangible amortisation". So, I will explain perhaps later the effect on Q1 2020 of the change, but the impact was an increase of the 2020 EBIT of €165 million, which rose from €621 million to €786 million. It comes from the realised profit on assets for €159 million and from intangible assets for €6 million.

Net profit, already explained. SCR is at 217 points. Main effect comes from the mark-to-market effects, 11 points, but we will be able to come back later to the different numbers.

So, that's for the main lines. Perhaps I can tell you also that the effect of the new JV in Brazil, if we compare Q1 2020 to Q1 2021, is €18 million. We have €10 million for intangible assets, for the amortisation, €1 million for the earnout and €7 million for the change in our interest in the JV – 51.75% to 40%. So, €10, €1 and €7 million, this €18 million is taken into account in the net profit that we have published.

So, that's for the numbers. So, I tried to go quick in the press release, and we are now open for questions.

Question & Answer

Facilitator

Ladies and gentlemen, if you wish to ask a question, you may press 01 on your telephone keypad, so it's 0-1 on your telephone keypad.

So, we have one first question from Mr David Barma from Exane Paribas. Sir, please go ahead.

David Barma

Thank you. Good morning, Thomas. My first question is on the investment margin and the change that you've done there, but on a like-for-like basis, following the old definition, the investment margin was very low in Q1 and one of the lowest levels in recent history. Can you help us understand a little bit more what is going on there? I mean, we've seen over the last few quarters, obviously, the impact of rates on the investment margin but Q1 seems quite brutal, so is there anything else this quarter to keep in mind? And my second question is on Brazil, and the level of margins there were, putting ethics aside, looking at the margins on reserves, they seem to continue to be under pressure. Is this the result of the new product exposure that you have through the new JV or is it more competition? So, that is my second question, and my last one is around the volumes in France, which were quite strong in the first quarter. Can you describe a bit the dynamics there and whether, and how much of that do you think is market related, and whether this is maybe the result of some specific measures or incentives that have been implemented at LBP and the other networks? Thank you.

Thomas Béhar

Ok, so I will take the three questions one by one. First is about the investment margin that we have in the own funds. Like last year, we have made a good share of the gains that we have realised on Q1, with good markets for equities, so we were able to do a good share of the net gains, but last year we had €30 million that we were able to realise on specific real estate, so it's a difference of, a decrease of €54 million in France, and in Brazil it's a reduction of €11 million. If I go to Brazil, you have a base effect coming from net gains that we made last year and we have not made this year. For France, so you have the same base effect with of €30 million linked to one real estate gain we made last year, but for the rest it's a reduction of the recurring profit that we are making on bonds due to the reduction. What we can expect, perhaps, is better dividends on Q2, but we will see what we will get at that time. Perhaps Olivier Guigné, who is joining this call, Head of Investments and member of the Executive Committee, perhaps you can add matters, if you wish?

Olivier Guigné

Yes, with pleasure, Thomas. Thank you. A few insights on the investments side, regarding the interest rates market specifically. So, you're right, the market was quite difficult in the first quarter, with very low rates, so what we've done is that, as perhaps you remember last year, we were almost invested in credit, and the very little in sovereign, we have some more diversification this year between sovereign and credit, almost half-half, given the rising rates on the sovereign side, but it was a trimester with very low rates indeed to be invested. I have also to say that, perhaps you remember that we have a short duration position and we are very comfortable with this position and we discussed this a few times before, but it's linked both to the market condition and to the fact that we are transforming our liabilities, so this transformation may lead to shorten the duration of the liabilities. And so, this short position is very profitable today with rising rates everywhere and so we have some more choices to invest either in credit or in sovereign markets today. So, that's the position today regarding rates.

Thomas Béhar

Is it ok, David, for the first question? For the first answer?

David Barma

Yeah, I think so. Thank you. So, comparing to Q1 2020, you were saying there was a special base effect in Q1 2020. So, if I'm comparing the recurring gains, the recurring fixed-income investments in Q1 versus last year, what's the comparable number?

Thomas Béhar

So, you have to reduce €11 million for Brazil and €30 million for France, so it's €41 million as the difference.

David Barma

Ok, thank you.

Thomas Béhar

On the second point about Brazil, I'm not sure I understand, because you have still an effect of the currency. We continue to have a strong reduction of the currency. If we compare Q1 to Q1, which is very strong, in the first three months of 2020 we had €1 to BRL 4.92, and the difference for this Q1 2021 is BRL 6.60 for €1, so you have a strong currency difference. And so if we look at the net insurance revenue that we get from Latin America, we still have an increase of 4% in net insurance revenue, so it means that we still have an increase in revenue from Latin America, so we are still advancing there. And the APE margin is quite similar at around 35%, you can't have difference between both because you have a change of business mix due to the high increase of the Pensions business, which is in unit linked, and has lower margins, of course, than what we are doing in Protection business. But we still have margins which are fairly comparable to last year. So, I don't know where you see high pressure on margins.

David Barma

Maybe I'm looking at it wrong, but it's simply that earnings have not grown at the same rate as liabilities, and on that metric, the margins have gone down quite a bit.

Thomas Béhar

Yes, it also comes from the business mix, which is different. The business, if you are looking at the APE margin with Savings, you have to take into account the difference in business mix between, on one side, the Protection business, and on the other side, the Pensions business. And what I explained, you also have, if you are looking at the accounts, an effect of the increase in the combined ratio due to Covid-19, which is new in Q1 due to the development of Covid-19 in Brazil.

On the dynamic in France, you have seen that we have put in place with La Banque Postale very strong incentives to go for more unit-linked sales, so the compliance system was reviewed to allow more of a grey zone between no-risk and full-risk for unit linked, so we had incentives for the grey zone for unit-linked gains, where you have, which are more secure with fixed rates. You have also a revision on the loads you are taking on contracts, with now for the 100%-euro an increase in the loads we are taking on contracts, and revision of the network tariffs with a preference for more unit-linked. All in all, it gives this 5%, 6-point increase in unit-linked rates for La Banque Postale. You also have a strong impact of BPCE, which continued to produce additional premiums to existing contracts, and so it is also a very good number that you can see in the appendix of the press release. And the success of the PACTE transformation comes both from BPCE and La Banque Postale – €1.1 billion for BPCE and €1 billion for La Banque Postale. So, we are confident that, as for the French market, this dynamic will continue, and you know there is a lot of money available in the bank accounts of the French people nowadays. So that was for your third question.

Facilitator

Thank you, sir. Next question is from Mr Benoit Valleaux from Oddo BHF. Sir, please go ahead.

Benoit Valleaux

Yes, good morning, Thomas. A few questions on my side. Just really a follow-up regarding revenues from your own funds. In Q2, you benefit from an increase in dividends received from your own-funds portfolio, so could you please just quantify this positive impact to come in Q2 and let us know also if you expect some realised capitals gains to be booked in Q2, just to have a view on what we can expect for the half year. Maybe also one question which is related to sales with BPCE: you just mentioned some new, let's say, inflows or investments on the investment portfolio. I would just like to know because, I mean, this business was put into run-off a few years ago, so what explains, from your point of view, this strong increase just in Q1 this year, there's maybe some low comparison base in Q1 last year, but nevertheless, have you done any marketing campaigns or can you give us any outlook on this? And, as well, regarding PACTE transfers, can you share with us what is your target for the full year after the strong Q1?

And maybe one last question, if I may, which is related to your Solvency II operating capital generation, which was at one percentage point after dividend in Q1, which is based, I assume, on your, regarding your accrual dividend, based on your last-year dividend, so assuming roughly a forty percent pay-out ratio. So, one percentage point in Q1 despite the improvement in the product mix, meaning 4% on the full-year base, seems to remain relatively low. Do you expect this figure to increase going forward, when do you believe that, for example, all that you've done in terms of product mix will translate into higher capital generation? Thank you.

Thomas Béhar

Ok, so I can give you the impact of the dividend, but it will be at the end of July when we will publish Q2. What we can do now is just perhaps ask Olivier about what the markets are pricing about the reception of dividends nowadays. I don't know, Olivier, if you have the figures?

Olivier Guigné

Yes, yes. I don't have the figures right now but what we can say, is that you had last year the impact of the dividends that we did not receive and we could expect that we will have a proportion of this this year, because all the companies are distributing much more dividends than last year, of course, and so we may expect that we are receiving a large part of what we did not receive last year. So, we will see, as Thomas said, at the end of the first semester, where we stand exactly, but the result will be much, much higher than last year, of course. And regarding capital gains, as you see, the markets are very profitable regarding the equity side, with a very high level on all indexes around the world, so we'll see if we profit from this to make some capital gains or not, we have not defined that yet.

Benoit Valleaux

Ok, and you also covered, can you just remind us what was the negative impact from the decrease in dividends for last year? Just to keep in mind what the figure was.

Olivier Guigné

Thomas, I don't know if you have the number, I have around 60 in mine, but...

Thomas Béhar

Perhaps we will take the question and see if we can answer later. On the BPCE run-off, in fact you have different issues. Of course, we are continuing – so it's not a run-off for the Protection business – but it's quite a run-off for the Savings activities. We continue to receive premiums on existing business, and we have as part of the protection of our Savings portfolio some reinsurance between exchanged BPCE and us. As you know, they are reinsuring 10% of our portfolio, and conversely, we are reinsuring 40% of their new money in euros with a specific contract for this part. So, you have both effects: new premiums on existing contracts and this reinsurance of the new premiums from Natixis Assurances.

On PACTE transfers, at this stage we have targets for the year of €5 billion for 2021. We are clearly in advance, with €2.1 billion in Q1. We have not changed the €5 billion target – we will see later during the year depending on how sales develop. And for the capital ratio, perhaps I can give the floor to Stéphane Le Mer from the Risk department.

Stéphane Le Mer

Hello everybody. So, on the Solvency we are still at the beginning of the year, so there is a lot to comment and, as you may have in mind, [inaudible] also quite low compared to the stock of contracts that we find in the balance sheet and it will be during the quarters and in the following years you will see the [inaudible].

Thomas Béhar

Is it ok, Benoit?

Benoit Valleaux

Yes, ok. Thank you very much.

Facilitator

Thank you, sir. The next question is from Mr Thomas Fossard from HSBC. Sir, please go ahead.

Thomas Fossard

Yes, good afternoon, everyone. A couple of questions. The first one will be on the PACTE transfers in Q1, just to better understand what were the drivers behind this kind of acceleration we've seen in Q1 and if it was the result of specific campaigns or have you seen more appetite from your clients to transfer? That will be the first question.

The second question is related to Brazil. Sorry, Thomas, but I didn't completely get what you said in terms of the combined ratio. I was not sure if you were speaking really about mortality, but actually in Q1 or year to date we've seen a lot of reinsurers commenting about their exposure to mortality in LATAM, which is relatively new, and so I wanted to check with you again what the underlying mortality trend was in your book and what was the exposure? I know that you've been relatively reassuring in the past but just to check with you if there were any early signs that things were getting worse.

The third question is related to the changes you've made in your P&L. I must say that, maybe I am speaking for the other analysts, but it's been pretty annoying to see that coming without any notice, making the comparison and analyses fairly difficult, and so we don't have either the upcoming changes for the upcoming quarter, so if we could get that it would be very helpful – also on a full-year basis. And also, if you could indicate, had you not changed the format, what would the drop in the own funds have been? I'm suspecting, actually, that own funds would have been down 50%. And to be fair, the disclosure on own funds has been very, very poor up to now, with a split between recurring and capital gains. It seems to me that now you are injecting more capital gains into this number, which is likely to make it even more volatile going forward. And if we've got a significant contribution to your P&L, which is down 20% on a reported basis, or even 50% on a like-for-like basis, it's difficult for us to understand how you are going to manage, on a long-term basis, this big drop in terms of contribution to your P&L, so if you could give some more insight.

And the fourth and last question is, maybe if we could comment a bit more on the work on the Solvency II ratio in Q1. Thank you.

Thomas Béhar

Ok, first question is about PACTE transfers. In fact, it's always easier to meet again a customer that you have for the network and to revisit their portfolio of contracts, and go from an old one to a new one where you usually have a better discretionary participation. And with the increase in unit-linked that we see after this contact between the customer and the networks, we also have incentives to increase the unit-linked percentage for the customer. Due to the incentives we have, the discretionary participation that we are giving now for the euro contracts are higher if you have more unit-linked in your contract. You can almost double your discretionary participation if you have more than 50% of unit-linked, for example. So, it depends on the

network, you have different incentives for that, but it has quite a good effect on transfers. And in the older contracts, you don't have this differentiation in the discretionary participation to the percentage of unit-linked in the contract. So, going to the new contract and increasing the unit-linked portions gives the customer a better chance to get a higher discretionary participation at the end of the year and in addition, the perspective to get good returns from unit-linked, with the risks that there are, of course, inside. So on the whole, it works perfectly well in both networks: La Banque Postale and BPCE.

Thomas Fossard

And, Thomas, just to understand, if for the €2 billion, there is nothing really exceptional or there is no specific campaign, is there any reason why it could not be €8 billion on a full-year basis, rather than the €5 billion target?

Thomas Béhar

So, at this stage, the way it is monitored is the networks go to €5 billion, so if we change, we will be able to give you the information later, but at this stage the number is like it is. We'll try to, especially with La Banque Postale, to increase the sales in the rest of the year, the total sales, and keep the percentage of unit-linked that we were able to get at the end of Q1, but the idea at this stage was more to increase sales than review the total objective for PACTE transfers.

On Brazil, it's effectively a mortality effect. We were confident last year but we didn't have a mutation of Covid-19 in Brazil at that time. Currently, you have in India and in Brazil a virus that damages younger generations who are insured against death, and the change in the combined ratio from 49.5% to 56.3% comes from the impact of this mortality. You had an increase in the claims ratio in our Protection business in Brazil...

Thomas Fossard

Go ahead, Thomas. I just wanted to understand how much that was in negative impact in euro terms in your P&L in Q1?

Thomas Béhar

€26 million.

Thomas Fossard

That's a mortality charge, the excess mortality impact in your Q1 number.

Thomas Béhar

Yes. And it will probably continue in Q2, that's why we are very prudent in the net profit of €308 million that we have published. I don't know if you have noticed, but it includes a transfer of €106 million to the policyholders' surplus reserve, which is €76 million net of tax. So we have done this transfer to policyholders' surplus reserve net of tax of €76 million to be prudent in the net profit that we have published in Q1, due to the still uncertain development of Covid-19 in Brazil. We know the deaths quite quickly in Brazil, so you have all the impact of the deaths in the Q1 numbers. You have the development of the vaccine in Brazil, not the same as in France, but I might say that we are about half way there as compared to France as numbers. So, you can divide the numbers of percentage of one dose or two doses of vaccine by two and you get the numbers for Brazil. So, it will, of course, depend of the development of Covid-19 over the rest of the year, on one hand, and on the other, the progress of the vaccine in Brazil. But we are monitoring quite closely the development of the disease in this part of the world. And crossing fingers, of course, for Europe, to have the mutation of the virus only in Brazil, even if we have now around 7%-8% of the viruses in France, which are South African or Brazilian mutations.

Your third question, of course. I'm sorry for the surprise for the change in calculating the numbers. We will publish pro forma Q2, Q3 and Q4 numbers to enable you to have the change in your spreadsheets, so we will try to publish as soon as possible these numbers for EBIT and for the development also of intangible assets. The change, it was done in liaison with Olivier. Perhaps Olivier, you are more able to monitor both recurring income and realised gains only on available-for-sale assets? Trading assets will stay, the effect of the market on trading assets will stay below EBIT, but perhaps on the way you are monitoring financial income, Olivier, perhaps you could say a word why it was easier for you to have both.

Olivier Guigné

Yes, the strategy regarding the own funds is to be less volatile in the future and to rely less and less on capital gains and more and more on revenues which are predictable, which means much more on dividends and revenues from bonds and real estate. But we're on our way to reaching this target and this strategy for own funds, and so we are still relying today on some capital gains. To make it easier to transfer this, we have adopted this new format for the own funds. But the strategy is clear, it's to have our own-fund portfolio with less volatile revenue in the future.

Thomas Fossard

If I may on that, because I believe it is a key question for Q1 and going forward, I mean I think that on the, sorry about this, Thomas, but I think that on the own-funds portfolio, you never really quite said, or quantified how much assets, underlying assets, we were talking about, and what was the split of the underlying assets. So, you keep talking about investment income and lower yield and realised gains, but again, for us, it's a completely black box, and you're not disclosing the numbers. And also, can you state how much own funds would have been down if you had not changed the calculation in Q1.

Thomas Béhar

No, you're right. I'm not sure that's something that, looking to my colleagues, we are disclosing at this stage about the assets that are behind the own funds. Looking to my colleagues, it is not something that we have disclosed at this stage, so we will look further how to better inform you about this change with reference to the assets. So, I will not give the information now, but we will try to think how to give the information.

You also had a question about the Solvency II ratio, perhaps Stéphane can go a little deeper to explain the evolution.

Stéphane Le Mer

So, on the solvency ratio it's up by 9 points on this first quarter. So for movements during first three months, first we have an increase of the market which is favourable with the increase in interest rates in particular, which accounts for 11 points in the increase. So, you have capital creation net of dividends as we currently comment. We also have taken into account -3 points coming from the acquisition of Aviva's Life business in Italy. So, these -3 points are taking into account the price that will be paid at the closing of the operation and we will have an additional -3 points that will be accounted when the closing is done. So, at the end of March, we also issued subordinated notes for USD 700 million, which are giving an additional 3 points. As usual, at the end of Q1, we had a decrease in the ultimate forward rate, which this year is 2 points. And we have -1 point of other effects. So, in total, we have an increase of the solvency ratio of 9 points for this first quarter.

Facilitator

Thank you, sir. We have a next question from Mr Benoit Valleaux from Oddo BHF. Sir, please go ahead.

Benoit Valleaux

Yes, hi everybody, a few questions again. Maybe just before that, just to say that as Thomas said, any additional disclosures regarding own funds will be very useful, as well as quarterly 2020 figures under your new reporting format.

So, two questions, if I may. First, just to come back to Brazil and excess mortality from Covid, just to know if you have any reinsurance coverage on this issue or not, and if it is the case, can you detail that? Or are you covered against the excess mortality? And, the second question. I know it is too early, but let me try. Just to understand your figures regarding crediting rates. I know that Q1 [inaudible] is decreasing, and will continue to decrease, despite the increase in interest rates year to date, nevertheless interest rates have increased. So I just would like to know at this stage, do you believe that you will continue to apply the decrease in your current investment income to the policyholders? Or could you envisage, for example, smoothing a little bit or taking into account in the level of crediting rates the fact that interest rates have increased year to date and, would it make sense, for example, to no longer continue increasing your policyholders' surplus reserve going forward? Thank you.

Thomas Béhar

For Brazil, we don't have a reinsurance in connection with Covid-19, which is different from France, where we have reinsurance. Perhaps Quentin can say a few words why we didn't get reinsurance in Brazil?

Quentin Boudoux

We didn't put a reinsurance on this scope because even if we have a high increase in the death rate, in fact, we have a low impact on profit and loss because for example if there is an increase of 40% of the mortality rate, we have an impact that could be less than €100 million on our profit, so it's not very exposed because we have quite low threshold on this scope. The claims are not very high, and so an increase does not have a big impact on profit.

Thomas Béhar

Could you repeat your other questions please?

Facilitator

Sorry, sir, the participant has hung up.

So, we have another question. We can move on to another participant. We have another question from Mr Thomas Fossard from HSBC. Sir, please go ahead.

Thomas Fossard

Yes, thank you. I'm just going to follow up on the Brazil situation and leaving maybe time for Benoit to come back and follow up on his question regarding crediting rates. Just because Brazil is a bit more on the radar screen right now, and is relatively new, can you say what the profile of your book is in terms of average age, or I mean, what is the main [inaudible] you have and also, maybe you could say €26 million negative impact for excess mortality in Q1. How many deaths have you been reported? Just to better understand. I guess that the average face amount you're paying is relatively low, but that's the question, so if you could give a bit more granular detail that would be interesting. Thank you.

Thomas Béhar

Ok, for the question, perhaps of the age of the portfolio, perhaps Quentin can give you some numbers about the portfolio.

Quentin Boudoux

The average age is around 50 years old, so the portfolio is rather older than the one we have in France, and because we have a higher proportion of consumer credit insurance, so the profile is a little bit older. Concerning term insurance, we have a fairly similar profile as in France, but the mortality rate increased quite like a [inaudible], so we have an increase of around 1% for younger people, and in France we have a decrease in death rates, so the profiles of dead people are quite different in France and in Brazil, so that explains the difference.

Thomas Béhar

So, 50, around 50 years old for credit protection and younger for the other Previdência protection business.

Thomas Fossard

And if I may, how many deaths have you been reported in Q1?

Thomas Béhar

I don't know, I don't have the numbers. What we had on [inaudible] for example, we have, I don't know if you will be able to use that number, but 148 deaths per day during the month of March for [inaudible], and it was 90 deaths per day in January and February, so it's an increase. What we have, of course, as protection added to the new contracts, is the introduction of a delay at the beginning of the contract before taking claims in charge. So, we had around 322,000 deaths linked to Covid-19 at the end of Q1 for Brazil, and so we see the impacts of the portfolio that we have, you can perhaps do some, even if we are not proportional

to the Brazilian market, you have a strong impact of the increase of the deaths in the market. But it is effectively younger people who are dying from Covid-19 in Brazil and you have this impact of around 7% or 8% on the Caixa Vida e Previdência claims ratio.

Thomas Fossard

And Thomas, if I may, on the intangibles, that I understand was, was also a surprise to me, so far your intangible amortisation was located in the own funds, and now you're putting them below the line, which was a surprise to me, maybe can you say how much on a normalised basis this intangible amortisation is on an annual basis?

Thomas Béhar

So, €10 million for this Q1 linked to Brazil. It's quite linear, so you can multiply it by four to get the full year for Brazil.

Thomas Fossard

I guess that you have also got some other intangible amortisation, Santander, and maybe a couple of others, so how much altogether is the intangible amortisation on a full-year basis.

Thomas Béhar

You have the information for CNP Santander in the Universal Registration Document. I don't have that clearly in mind just now. I think that the impact of the change of format was €6 million for that scope, and perhaps you can also multiply that by four, but I don't want to give the wrong information to you. You have, for CNP Santander, however, the information in the Universal Registration Document we have published.

Thomas Fossard

Ok, thank you. I will have a look.

Facilitator

Thank you, sir. Next question is from Mr Benoit Valleaux from Oddo. Sir, please go ahead.

Benoit Valleaux

Sorry, I had a slight issue. Maybe one last question on my side, very quick, just on Covid again. Just to confirm, have you had any P&L impact in France from the Covid? I assume it is not the case but just to check. Thank you.

Thomas Béhar

No, we have no impact on the accounts. However, we also have an increase in deaths for the Savings business, of 20%. It's like the increase for the market of 21%; no impact on the accounts but an impact on the job we are doing to deal with the deaths in contract management activities, and conversely, we had fewer lapses during this quarter. You had also a question, Benoit, about discretionary participation. No decision at this stage, we will see that later, probably during the autumn, but at this stage we have had no discussions, no decisions, no provision, no forecast regarding the discretionary participation for the end of the year. You had other questions that I have not answered before?

Benoit Valleaux

No, I think it's fine for me. Thank you very much.

Facilitator

You have no other questions, sir. We have no other questions. Back to you for the conclusions.

Thomas Béhar

Ok, thank you very much for your attention, and so we will publish quite soon the numbers for pro forma EBIT, and so just get in contact if you have further questions about that and we will try to explain a little bit more what we are doing about own funds management, the revenue that we can take on that. So, thank you very much for your attention. Have a good day.

Facilitator

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