

**Amundi**

**Amundi**  
**Full Year 2017**

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List of MAIN speakers	Company	Job title
Yves Perrier	Amundi	CEO
Nicolas Calcoen	Amundi	CFO

List of Conference Call participants	Company	Job title
Haley Tan	Citi	
Hubert Lam	Bank of America Merrill Lynch	Research Analyst
Chris Turner	Berenberg	Associate Director, Equity Research
Angeliki Abiraktari	Autonomous	
Mike Warner	UBS	
Arnaud Giblat	Exane	
Pierre Chedeville	CM CIC	

## PRESENTATION

### Yves Perrier

*CEO*

Thank you to be here. Good afternoon, everybody. We will present you our results and key objectives for the new period of 2018-2020. So, Nicolas will present you the results and I will present you the plan for the next three years. Just an introduction for these results and for 2017, to tell you that I consider that it's a great year for Amundi, it's a great year for Amundi for two reasons. The first reason is our commercial and financial performances; the second reason is the acquisition of Pioneer. On the financial performances, I want just to say that we have surpassed our key objectives, surpassed in 2017, as in 2016, the objective that we had set at the time of the IPO. In terms of inflow, we have done in two years more than the objective for the three years. In terms of net income, we announced an increase by 5% per year, and we were at 7% last year and 14% this year. Very good financial performances, which are demonstration of the strength of Amundi business model. And this business model is reinforced by the acquisition of Pioneer in three areas. The first is a capacity of distribution in all the countries of Europe, it's the quality of the expertise, and maybe the most important, the talent of the 2,000 people of Pioneer who have joined Amundi. That's the reason why we have set new objectives for the next three years, which should show an amplification of the development and the profitability of Amundi. So, now, Nicolas, you present the results.

### Nicolas Calcoen

*CFO*

Thank you, Yves. Hello to everybody. We will start with an overview of the activity and then come to the financial result. Regarding the activity first, I can be quick about the market context, I think we are all aware of what happened in the year 2017. Just to remind that we operate in a favourable environment, especially on the equity side. So, in that context, Amundi, as Yves already indicated, performed well and continued to perform well across this year, while at the same time managing the integration of Pioneer. So, at the end of the year, we now managed to reach €1,426 billion. We

already reached €1,400 billion at the end of the third quarter, following the acquisition of Pioneer, and the favourable trends that we've had for a few years now continue in the fourth quarter, with positive inflows of €13 billion and a favourable market impact of around €13 billion. Overall, throughout the full year, €71 billion of net inflow for the combined entity of Amundi and Pioneer, so a very good level of activity,. So, a good quality in terms of inflows, with a good balance and positive contribution coming from our two business lines, retail and institutional : close to €50 billion in retail, which really demonstrates an acceleration for growth in that field, and €21 billion for the institutional and corporate clients.

First retail, €50 billion inflows, so a very strong level of activity, but what is almost as important is that they're high-quality inflows driven by all our distribution channels. First, our historical activity, French network ; they have posted positive inflows of €4 billion, confirming the recovery that we observed since the middle of 2016, and which demonstrates that, after a difficult period since the creation of Amundi, we saw some positive inflows again in the French market. The French market is recovering, thanks in particular to the increasing inflows coming into Unit Linked. We see the results this year, which is €4 billion inflows. It's also a very strong contribution from our international network, a bit more than €10 billion over the full year, with especially a strong contribution from Italy, clearly our second market today, with €9 billion of inflows of which €6.5 billion coming from the UniCredit network, demonstrating that this new relationship, this new partnership is already working well, as well as €2.5 billion coming from the Crédit Agricole network in Italy.

Inflows in third-party distributors also accelerated and reached more than €17 billion over the year, with a continued high level of activity in Europe, in basically all the geographies in which we operate in Europe (Germany, Spain and Benelux for example). Also, recovery and positive contribution from Japan. Thanks to the acquisition of Pioneer in the United States, we saw solid inflows in the retail space. Finally, our JVs in Asia continue to show a good level of activity, close to €18 billion, especially in China, continued significant level of activity, as well as India, which is very strong and efficient with well-operating partnership with SBI, State Bank of India. A very good level of activity on retail, driven by all of our distribution channels, and also a good level of activity for institutional and corporate clients, €21 billion, slightly below the level of the previous year but bearing in mind that we faced, at the beginning of the year, I would say a negative one-off with the reinternalization by ECB of a mandate, which amounted to close to €7 billion. So, if you exclude this effect, inflows that are in line with the previous year and primarily driven by treasury products.

In terms of asset classes and expertise, here as well we have net inflows well diversified driven by all asset classes, as you can see on the slide, and well balanced between long-term assets, €36 billion, and the short-term treasury funds, €34 billion. As far as the long-term assets are concerned, a positive contribution from all our main asset classes. It should be noticeable just here, a very strong inflows on multi-asset products already, I would say, within the Amundi perimeter, a strong capacity, but which has been significantly reinforced and strengthened by Pioneer acquisition. Also, strong inflows in active management in emerging markets, more than €7 billion, and here again with the effect of the strengthening brought by the Pioneer teams. If you look at our expertise, there have been growth engines at Amundi for a few years; they continue to deliver a very strong result. We look at passive management, close to €15 billion inflows, more than €10 billion in ETF and we were, in 2017, nearly the second player in terms of inflows on the European market. We've continued to see the strong growth from passive management, but also from our real assets, which is also an important area of development for Amundi, with strong inflows in real estate, close to €5 billion during the year.

Also, there's the first effect of the investment that we are making and we have made recently in private markets, whether in private debts or private equity or infrastructure, with a partnership with EDF a bit more than one year ago.

So, these strong inflows are, of course, driven by the business momentum, as well as good performances that we are seeing across all our areas of expertise. Just a very short illustration, you can see on the left of this slide, on the two thirds of our funds, whether you look at one-year, three-year or five-year performances, two thirds of our funds are in the first or in the second quartiles, according to Morningstar classification.

Maybe one point of illustration regarding the flows, quarter after quarter, just to show that on medium- to long-term assets, we see a regular trend of positive inflows and strong inflows across the year, whereas for treasury products, as we have already seen in the past, we have more volatility, which is, I would say, natural for this kind of expertise. Sometimes very strong inflows, such as on the first and the third quarter, and then some lower level, but overall a very positive year for treasury products, as I said, more than €30 billion across the year.

Finally regarding activity, a look at the flows by country. Here, again, the key word is diversification, with all our areas of development posting positive results and close to three quarters of the inflows coming from outside France. Within Europe, with very strong inflows coming from Italy, more than €10 billion, but also from Germany, Spain, and basically all the countries where we operate. Strong inflows as well in Asia, close to €24 billion coming from our joint ventures, of course, but also from Japan or countries like Taiwan, where again Pioneer is bringing additional capacity to Amundi. Finally what we call the rest of the world, including the US, where as I indicated, especially on the retail, but also on institutional space, we posted positive inflows.

So, what are the effects on the financial results of a good level of activity? On page 18, first the accounting result, which for the full year is €681 billion, an increase by 20% compared to last year, reflecting, of course, the business momentum of the combined group that also shows the first effect of the integration of Pioneer. We are taking into account six months of Pioneer results, but also, on the other side, the significant integration costs that have already booked here.

Now I will focus on what we call combined numbers, meaning comparing twelve months of results of Amundi and Pioneer in 2017 and comparing them to twelve months of results of Amundi and Pioneer in 2016, to get a better view of the underlying trends of the activity on a comparable basis. Here, you can see that the adjusted net results, excluding amortisation of distribution contracts and excluding integration cost, increased by 14% compared to 2016. This 14%, where does it come from? First, of course, a significant increase in net revenues, which are up by 7.5% compared to 2016, an increase which is, of course, driven in line with the increase with the AuM, coming from the strong momentum in terms of activity, as I just mentioned. With also a significant contribution from performance fees, as well as from the financial income due to some capital gains that were realised during the year, especially to finance the Pioneer acquisition. The management fees, excluding performance fees, are up by a bit more than 5%, with an increase coming from our two business lines, retail and institutional.

In terms of margins, what you can notice is a slight decrease on the retail, which is coming from, I would say, the continued trend that we have been observing and we expect to continue, a slight decrease of margins coming from a low-interest context, as well as continued increase of competition in the market. An additional effect this year, which is the fact that we had got, in 2016, an exceptional level of revenues coming from funds coming to maturity, and in 2017, extending the

decrease in margins. Performance fees, as I indicated, which are €180 million, so a very good level of performance fees, especially on the fourth quarter, due to, as I indicated also, a good level of performance of our investment management capacity in a favourable market context. What we can notice, in particular, is that the source of performance fees are more diversified, with an increased contribution coming from equities and our multi-asset products, for example.

Costs remain very well under control, increasing by around 2% compared to 2016, thanks to the initial cost synergies. Again, we try to do it at Amundi on a permanent basis as well, with the first effect of the synergies announced and linked with the integration of Pioneer. So, you can see that the cost compared to the AuM base decreased from 11.8bp to 11.2bp.

As a consequence of the strong increase in revenues and cost under control, our cost/income ratio decreased by 2.8 points from 55.2% to 52.4%. If you add to this effect the continued increased contribution from our joint ventures, increasing by 16%, in line with the assets under management, as I indicated earlier, our adjusted net income reached €918 million. If we take into account the amortisation of distribution contracts, as well as integration cost for €88 million, the combined net income reached €800 million. Just a quick word about the integration cost, €88 million post tax, let's say €135 million before tax, it means that we already have counted 70% of the total integration costs that are still estimated to reach, overall, €190 million.

To finish, a word about our proposed dividend distribution. As we announced, we plan to distribute 65% of our net income, excluding integration cost, so it means a dividend of a bit more than €500 million, we're proposing €2.50 per share, an increase by close to 14% compared to 2016.

Maybe a very quick word on Pioneer, just to say that the integration of Pioneer is very, very much on track, implemented at a rapid pace, it allows us to confirm the quick phasing of synergies. We already achieved 10% of the synergies in 2017, and we should reach around 40% in 2018 and 80% in 2019. As I indicated, integration is well under way, all the plans to deliver the synergies are in place, the departure plans that we have to implement in our various countries are already well advanced and most of them will be finalised during the year. The main elements of integration, such as the IT migration or the legal mergers, are also well under way. So, it clearly allows us to confirm the schedule for the integration, as well as the value creation expected from this operation. So, to conclude, we can simply say that the strength in the level of activity in 2017 confirms the past trends, reflects the strength of our business model. We posted significant growth in net income, due to the Pioneer integration as well as business momentum in a favourable market environment. Finally, the Pioneer integration is very well under way.

**Yves Perrier**

*CEO*

Thank you for that. So, now, I propose to present you the main features of the plan. I won't go through all the slides, but I want to pass you the main messages and then we'll answer your questions. Firstly, you know that the future is not always a continuation of the past, but it's important to look at the track record to anticipate the future, so to come back for what we have done in the past and to begin with the story of Amundi.

When Amundi was created, we announced that we wanted to create a European leader and you see the figures, we are now number one in Europe with €1.43 trillion of AuM. That means that we have doubled since the creation of Amundi and we have doubled mainly by organic growth, three quarters of the growth is coming from organic growth. Secondly, we have said we want to transform

our asset mix, increasing the weight of international assets, and switching from assets nearly captive of our parent company to open platform. When you look at these figures, at the creation of Amundi, the percentage which was coming from the parent company was about 60% and now it would present something like 30%.

Second point, we've said we want to develop internationally. When you look at the balance of AuM now, excluding the insurers mandates, you see that the percentage on the international assets represent 57%. It was 37% at the creation of Amundi. So, a strong story of development, of an entity conquering new channels of distribution and conquering different countries outside of France. These developments have been achieved with the permanent growth of profitability. You see the figures on this slide, the evolution of the profitability of Amundi, the pace of increase had been about 7% before the acquisition of Pioneer and now, this year, we're at 14%. That means that each year, even if the market was not favourable, Amundi results have been growing. That's a demonstration of the strengths of our business model, thanks to the diversification of the revenues by expertise and by country, and so we are less dependent than many of our peers to the market.

More recently, when we have listed Amundi, we have set four objectives. (1) Net inflows, (2) efficiency, (3) net income per share, (4) the payout ratio. On net inflows, I have mentioned in my introduction that we targeted €120 billion in three years and we have done €131 billion in two years. Regarding the cost/income ratio, we have said that our cost/income ratio should be, in any situation, any context of the market, under 55%. We are now at 52% and we have been permanently under this target.

We had set up an objective of 5% per year of increase of the net earnings per share. We were, in 2016, at 7% and this year at 14%.

Finally, we had set up an objective of payout ratio of 60% and we have done 65%.

That means that we have surpassed all our objectives. I mention this, because there are two ways to set objectives. One way is to define what we would like to be, and another way is to define objectives corresponding to the level we are convinced to be. We are in the second kind of situation.

As a consequence of this, there has been a very significant value creation for the shareholder, because the market cap has nearly doubled since the creation of Amundi and we have surpassed all the index and especially the index of the asset management industry. Amundi is the first market cap in Europe and the fourth in the world. Of course, we had mentioned something, I remember a question about, 'What will you do with this excess capital?' which was a preoccupation of investors at the time of IPO. What we have done is to use it in line with what we have said. That means, in order to reinforce the development and with financial criteria, which are very serious, which is the case of course for Pioneer, but it was also the case for KBI.

So, now, what we want to do to the future. Maybe I will be a bit boring, but I will say that in the future we will continue to do what we have done in the past, but we will try to do it a bit faster, a bit more stronger. That means that, after the integration of Pioneer, the strategy of Amundi is confirmed. That means that the organisation of Amundi, which combines a global view and the local approach, which is based on the capacity to provide all kinds of expertise to our clients, is confirmed. Of course, it's really strengthened by the acquisition of Pioneer. For us, acquiring Pioneer, it's not adding €220 billion of additional AuM. I have never an objective of size. Size is a consequence of our performance. The acquisition of Pioneer reinforces us, with this capacity of distribution, uniquely in Italy, Germany and Austria, in Eastern Europe and also in the US. It reinforces us in our expertise, of

course, the US expertise, but also the emerging market expertise, but also the MLT-assets, but also European equity expertise, and it reinforces us with the talents of the people of Pioneer.

Generally, when the investors or people ask me, 'What will be the pace of development of Amundi?' I say, 'I'm sure of the trend of development. For the pace, my goal is to attract new people who will, in their country, in their expertise, help development.' With the acquisition of Pioneer, we have recruited, in one transaction, 2,000 people who are of very great quality.

So, what we want to do, the first ambition is to maintain in retail this position of leader, clearly we are the dominant player of retail in the world. You see page eighteen, the total of our retail assets now is at €524 billion. I want to come back to the pace of development. Last year, and you correct me if I'm wrong, Nicolas, the amount of net inflow in retail was €50 billion, and even if I say JVs were €18 billion, that means that if you compare this, the pace of development is between 7-10% a year. Now we have the second market in Italy, which is equivalent to France. We have created a second market, we have a strong position. Look at third-party distributors, €181 billion. At the creation of Amundi, it was something like €30 billion; year-by-year the pace of development in this area is 15%. It's a very good demonstration of the quality of expertise and the quality of our commercial team, because we are growing not in our captive network, we are growing against other competitors.

Finally, look at the joint ventures. They were created from scratch in 2010 and now we manage €118 billion, and the value that has been created is fantastic. I have seen, two weeks ago, the CEO of SBI and there was a question about potential listing of our company, and the market cap we are speaking about is, let's say, between €1-2 billion for this company.

So, in retail, what we want to be is the reference player which provide, not only funds, but saving solutions, not only saving solutions, but services to the network and to the customers of this network. I can tell you that the beginning of the cooperation with UniCredit network is very satisfactory.

The second segment is on institutional and corporate investors. We have been in a dynamic of growth of about 10% per year. We'll continue by the same strategy, which is a strategy which gives to these clients eye-level advice through our global relationship managers and also will benefit of the reinforcement of the expertise. I take the example of the US expertise, we are in a situation to provide them to all our clients in Asia, in Middle East, and it was not the case before. One point of the strategy which changes is our capacity to provide to our clients all kinds of expertise, corresponding to their risk appetite and corresponding to the context of the market.

You see, on the slide 20, that our position in active asset management and passive asset management, liquidity solutions, real assets, one of the strengths of Amundi is to have all these kinds of assets ; and now the context of the market is more difficult. Generally, people ask me, 'What will be the consequence for us?' Of course, it will have a negative consequence if all the valuations are down, but the investors have to invest anyway. If they don't invest in equity, they will invest in bonds or real assets, because they will consider it safer. We have these to provide, so we are really less dependent than our peers to the context of the market.

So we are, I think, very confident in our capacity to develop or again to reach our objectives, and we have many levels of additional growth.

The first is, of course, the cooperation of UniCredit network and I told you that we have been very fast to create activity. It's also to continue to develop these joint ventures.

It's also to continue to benefit in our advance in technology. The word 'digital' is a key word now, but for me, digital is just an evolution of technology. We have permanently considered that the quality of infrastructure and IT was a key driver of competitiveness for our industry, that is the reason why we have chosen to have all our software in our hands: we don't outsource, we have our own software, and presently we are migrating the operation of Pioneer on the software of Amundi ; before, it was Aladdin , which was used. So, we have worked on digitalisation in three ways. The first way is to work with a network, with relationship managers on the network. The second is to occupy a position above the distribution layer. We have created a new company, its name is WeSave, it's a start-up, which is an equivalent of Nutmeg, for those who know, which is a savings company online. That means that we are ready in any case of the evolution of the market.

One point I want to emphasise also is we have created a new business line, which is for the present time small, but which will grow. It's Amundi Services. I have said that we have invested a lot in technology, in the quality infrastructure. We have begun to sell these services to other clients, and in some cases to competitors, either our software, either our dealing room platform, either our service in terms of fund hosting, administration and so on. Two days ago, we have announced a partnership with Goldman to manage their platform of Luxembourg. At the present time, the business line is something like €5 million of revenue and the objective we have is that, in the next five years, to be something like €50 million. The advantage of this is not only the additional revenue, but also it's a way to increase the quality of this infrastructure.

About our commitment of a responsible investor: when we have created Amundi, we have set among the four pillars of the DNA of Amundi, to be committed to the society as a whole. We have done this in three ways. The first is to implement the ESG criteria in a permanently increasing amount of AuM. Today, it's €170 billion of AuM, which are managed by integration of this ESG criteria, in addition to the financial criteria.

The second objective, or second act, is to have a specific initiative about the question of energy transition. We have created a joint venture with EDF, the French energy utility, in order to finance energy efficiency. We have also been selected to launch the first green bond funds for emerging market projects, and we have been selected by the IFC, the subsidiary of the World Bank.

Also, we have invested in projects with a very strong social impact, we have a fund dedicated to this, which represents today €160 million and the objective is to put the amount of investment to €500 million.

So, a strategy and organisation which is unchanged. With these two business division, retail and institutional, plus, in addition, Amundi services. But in each area, a number of strengths which are significantly higher than before.

With this in mind, what are the key objectives of 2018/2020 ? We have not been very creative. We have taken the same criteria as at the time of the IPO, net income, net inflows, cost/income ratio, payout ratio.

Concerning net income Group share, we have put an objective of more than €1 billion of accounting net income. That means more than €1,050 million in adjusted net income, I mean before amortisation. That corresponds to, if we compare to the normalised net income of 2017, a growth of 7% per year.

Relating to net inflows, €150 million, it has to be compared to €120 billion before. That means if you take out the mandate of Group insurers, of Predica and Sogecap, that means a pace of growth for net new money of 5% per year.

Turning the cost-to-income ratio, it's less than 53%. Just a word about this, we don't target to be at 53%. We are at 52.4% this year, and we are just at the beginning of the implementation of the synergy. That means, as a cost/income ratio, it is a ratio between cost and income, and the revenues are linked also to the market condition and so on. What I want to say is that in any case, in any context of the market, we will be under 53%, but probably, if the market is normal, we will be probably at a level which should be something like 50%. So, this is very clear to understand.

The final point is 65% dividend pay out.

A word about the assumptions. The assumptions that we have taken is to say that we won't benefit during the plan of a positive market effect, not a negative also, but it means that it's at the level of the market of 2017. The fact that in the recent period the market is down, but it's still up on the condition of last year, it doesn't change our projection. It could seem prudent to do with this at present, but I say at the same time, doubling the net income since the IPO in five years, well, I would like that all the companies in which we invest double this way. Generally, you know that I am bold, but generally, when we give an objective, we reach this objective. So, if I had to summarise, I would say that I think that Amundi's the true story of a profitable development of a company which is also very committed to society. A company which has a very strong business model. We will continue this strategy, deal with the same organisation, but with the reinforcement of Pioneer and the people of Pioneer. I would say that I am confident, more than 100%, that the Amundi story for the next three years will be again a strong story of development and profitable development. So, thank you for your attention and now we will answer your questions.

## QUESTIONS AND ANSWERS

### Yves Perrier and Nicolas Calcoen

*CEO and CFO*

**Pierre Chedeville:** Yes, thank you for this presentation. Three quick questions please, and the first question is regarding your objective regarding net inflows for institutionals. How can you manage to make some assumptions regarding this item considering the fact that the monetary funds are very volatile, and what exactly do you put into this assumption regarding these types of assets and customers? My second question is related to your new platform that you want to sell. We have recently learned that BNP has chosen Aladdin for their asset management business. I wanted to know if you were part of the public tender or not, and if you were, why you lost this contract? My third question is about the tax guidance on your net income regarding the fact that you will have some evolution in France. So, I wanted to know in 2020 what tax rate should we implement in our evaluation model? Thank you.

**Yves Perrier:** So, I will let Nicolas answer the question of tax. About institutional, of course, monetary funds, it's volatile during the year. I remind that generally in June and December, you have less because it's the time where institutions pay, for example, retirement pensions and so on. Secondly, it could be also dependent on the context of the market, the policy of the ECB and so on. You know, the way we put an objective of €50 billion, it's not during work in the room of Nicolas with myself, thinking, 'Do you know what? Looking at the market, which assumption?' In fact, it's the

36 people in charge of the business that will come with a plan, with an objective, and then it's a combination of these objectives which make our global Group objectives. So, it's a managerial approach. The people in charge of institutional are committed to this objective, . Laurent Guillet, who is the CEO of the UK, is committed to an objective, and so on, and so on. My experience is that everybody doesn't fulfil the objectives but most of the managers of Amundi are used to fulfilling these objectives, so I am confident on this. On the second, of BNP, well, they have chosen Aladdin. You know, BlackRock began on this five, maybe six years ago, I don't know, and they have a leadership on this. We have begun, and we are a challenger, but that means that also we have a lot of room to improve.

**Pierre Chedeville:** Did you tender?

**Yves Perrier:** No. We could have. You asked me if we tendered. We had preliminary discussions with BNP, but in the end, they choose their own way.

**Pierre Chedeville:** Was it a question of capacity?

**Yves Perrier:** No. Frankly, I consider that we have probably in terms of ratio, quality and price, the most efficient of the industry. When people join Amundi, and they see what Amundi is, they are very happy. When I look at the cost, and I can compare the cost, I am very happy. That's the reason why we migrate from Aladdin the operation of Pioneer to Amundi IT.

**Nicolas Calcoen:** Regarding the tax rate, you have seen in 2017 our blended tax rate is slightly below 31%, which is logical. Amundi was a bit above, Pioneer a bit below, due to a different country mix. So, the starting point is this number, and there are some positive and negative one offs in 2017, but they compensate. So, going forward, considering that we should expect continued development outside France, where tax rates tend to be a bit lower than in France, considering some changes that are already known, and implemented, we could see, I would say, a slight decrease, a progressive decrease, in our tax rate. Regarding your specific mention, regarding France you remember there was an exceptional tax last year. This year there is no change. There are plans to have, to see a decrease going forward, but there are also some discussions regarding the tax basis, so we'll see where it goes.

**Pierre Chedeville:** 32% or 31%?

**Nicolas Calcoen:** Like I said, a slightly progressive decrease due to business mix.

**Yves Perrier:** Trying to integrate, for example, the full effect of a French decrease, but on these parameters, some would prefer to be prudent because experience of the French tax has been that all the promises are not confirmed.

**Haley Tam:** Thank you. It's Haley Tam, from Citi. Just one quick question. Thank you very much for confirming that the 53% cost/income ratio is a very easy target to achieve. You did say in the press release that the target was reached after considering, I think, some reinvestments aimed at fuelling future growth. Given we know what your €180 million synergies are going to be, could you give us some idea-, what revenue and cost synergies are going to be, could you give us some idea of how much you might be thinking about in terms of investments?

**Nicolas Calcoen:** I have not said that 52% is easy. I propose that you tell this to all your colleagues, asset managers at your bank, that 52% is easy. I remind you that the average in the sector is between 65% and 70%. What I was saying, it was not an objective, it was a maximum, okay? Then, the reason why it's a maximum, it's also because we want to take account of market effect on

revenues, but also reinvestment. You know, I have said that organic growth is the DNA. How do you invest in organic growth? You recruit people. I consider that there is, let's say, a delay of one year between, when you recruit somebody and when you generate the associate revenues. So, the bulk of the reduction of staff will be done at the end of the first quarter. That means that recruitment which was frozen will be reopened, and I have asked to all the other business lines now to look to additional plan of development, and for the additional of plan of development we can strengthen a certain number of teams. I'll take an example, ETF this year, €10 billion of net inflows. A close second player in net inflows of the market, and year by year we will increase. I have asked to the head of ETF to accelerate, so, that's kind of reinvestment that we will do.

**Hubert Lam:** Hi, it's Hubert Lam, from Bank of America, Merrill Lynch. Three questions. The first question is similar to Haley's. Considering your views on reinvestment costs, does that mean that your cost income/ratio should be closer to 53% rather than at 50% just given that you want to reinvest more in the near term?

**Yves Perrier:** Well, it's to a magnitude, you know, it's a figure of 50%, 51%, 52%, it's not, you know, dramatic. I push the people of Amundi permanently to have a view of development, and so on, after there is conditions and market opportunities, and it will depend on the opportunities.

**Hubert Lam:** The second question is on Pioneer synergies, just wondering when will you have a better view in terms of whether or not there could be any potentially higher cost synergies coming up from Pioneer? Will it take another half a year to find that out, or, just wondering?

**Yves Perrier:** I think that we will see this quarter by quarter in the results to come, and maybe that could be more. At the minimum, it will be what we have announced.

**Hubert Lam:** Okay, and one last question. On the French networks, you've been averaging about €1 billion per quarter in net inflows, pretty consistently. I'm just wondering, like, if you expect that number to increase over the next year or so, just given your views on moving from Euro contract to unit linked, and also French tax reforms. Should that number start to pick up this year?

**Yves Perrier:** I think that it will continue, because presently life insurance companies, and especially life insurance companies of the group, have increased the percentage of unit linked products which are sold. In the past, the breakdown was the magnitude of 80% for Euro contracts and 20% for unit linked. Now it's more than 30% for unit linked and 70% for Euro contracts. At the same time, it's also linked, the pace will be also linked to the context of the market. You know, if the market is too volatile or the market is down, the risk appetite of the customers is diminished, and it's less favourable.

**Chris Turner:** Thank you, it's Chris Turner from Berenberg. Three questions from me as well please. Firstly, with retail margins, I think I heard you say that many of the guaranteed contract maturities were coming to an end, so can we take that 46bp as a run rate going forward? Second question, I think I heard you say, and apologies either if I got this wrong, I think I heard you say that you had been in talks about potentially listing one of your JVs with a market capital of €1.5 billion. Can you just confirm if I heard you, and if not I apologise. Then the second, sorry final question there, in terms of the net income guidance for 2020, the €1,050 million figure, can you give us some clue on how you got there? So, I think you've assumed zero market effect for three years to get to that number. Can you confirm that? Secondly, what tax rate you've used? Then thirdly, how we assume the 52% EBITDA guidance, that actually in most market conditions we may be actually able to beat? Thank you.

**Nicolas Calcoen:** So, on the retail margins, as I said, the one-off effect is behind us. So going forward what we expect, I would say, if you look at each business line or clients segments, probably a slight decrease in the margins, again for the same reasons, and which you see all over the market. But this effect, if you look at the global blended margin, is to be more or less compensated by the improvement in the mix, more retail, less insurance, so more or less a global margin, more or less stable.

**Yves Perrier:** About India. I mentioned it, we have not decided to list the company, but it was just to give you a flavour of the value created with this joint venture, and also with the other joint ventures. About the tax rate, we have understood that the tax rate is ...,

**Nicolas Calcoen:** ...Today a bit below 31% and what we have in mind is a slight decrease of over the next years.

**Chris Turner:** So, for 2020?

**Yves Perrier:** So, if you went to the last rate, 29%, or-,

**Nicolas Calcoen:** 29% to 30%.

**Yves Perrier:** 29%, 30%, but it doesn't take into account a potential further decrease in France, which has been announced by the present government.-,

**Nicolas Calcoen:** So, it's a decrease starting in 2019 that has been announced, for the normal tax rate of 33%. It's phased. So, I think for 2020, it's 28% I think.

**Yves Perrier:** 28%, so it has not been taken.

**Chris Turner:** It doesn't take the lower tax into account, it doesn't take any market moves into account, and it's the highest 53%?

**Yves Perrier:** Yes, and for market we have taken no market effect, compared to the average level of 2017.

**Chris Turner:** Very clear, thank you very much.

**Angeliki Bairaktari:** Hello, thank you for the presentation. It is Angeliki from Autonomous. I have two questions please. The first one is on the costs, we keep coming back to this number. When I look at your combined figures, you had €1.4 billion cost base, including Pioneer now in 2017. We know that you have a target of €150 million cost savings. Could you please give us an indication of what should be a level of cost? Actually, I appreciate that, on the revenues you have, the market uncertainty, but could you give us a range or an indication of what that could be? When we take this £1 billion bottom line target that you gave us and the cost/income ratio maximum of 53%, we get to a cost base of around €1.7 billion, so that looks quite high from €1.4 billion.

**Yves Perrier:** It's a maximum, it's not an objective. If you want, it's very simple. Synergies, we have announced, in terms of costs, €150 million. We have said that this year 10% has been done, €15 million. Next year, you will see something like 40%, that means €60 million in addition. In 2019, 80%, that means €120 million, and €150 million in 2020. That's a decrease. In the same time we will hire new people. It will cost a bit. We'll pay our people better because of the results increase and the variable remuneration increases ; that's in the other direction. All in all, if you do this mechanically, you will be at 50% at the maximum. Imagine now that the market is down 20%, that the revenues are down with this. It changes, but, even in this case, Amundi will be at 53%. That means that what you need to have in mind, if I was an investor in Amundi, well I am a bit of an investor in Amundi, I

would say that I am with a company which has an objective of growth which is quite significant. I would say that the interval of confidence is really high. You could put the objectives with a 70% interval of confidence or you can do it with 99%. I think that we are more in the second range.

**Angeliki Bairaktari:** Thank you. If I can go to my second question on your net flows cumulative target. When I look at your old 2016 investor presentation, you had a given an updated target back then for cumulative flows of €160 billion between 2016 and 2019, if I remember correctly. Now you have a target of €150 billion.

**Yves Perrier:** Yes, but one was for four years and now we are for three years. The €160 billion was the same as the €120 billion plus €40 billion because we were within the Crédit Agricole plan.

**Angeliki Bairaktari:** Back then you didn't have the UniCredit Distribution Agreement, if I'm not mistaken.

**Yves Perrier:** That's the reason why we have the additional €10 billion. Before, it was €40 billion, per year. Now, it's €50 billion per year, so it's an addition of €10 billion which is more than what I've done with the average of Pioneer in the past. It's very clear. What can be a bit strange for you is the fact that we have done better. Excuse us, next time we'll be under the objectives in order to be sure that there is no problem with the objectives.

**Angeliki Bairaktari:** Thank you. Can I ask a last question on your UniCredit network?

**Yves Perrier:** Yes, why not?

**Angeliki Bairaktari:** Thank you. We saw a big jump in the net flows from the UniCredit network from the Pioneer's fund alone. I think you have slide 25 the Pioneer and Amundi flows. I was just wondering, is that because their market conditions are improving in Italy or have you given more incentives to the UniCredit distribution network to do more AuM sales?

**Yves Perrier:** No, I think there are different reasons. The first is that the Italian market is a very good market for mutual funds, really a better market than France is. The second reason is that UniCredit is clearly in the dynamic of increasing its distribution of mutual funds. In the past, UniCredit improved its market share on mutual fund, comparable to their overall market share in retail. And one of the objectives of the management of UniCredit and its CEO, Jean Pierre Mustier, is to increase its market share.

**Question from the audience:** What are your observations so far in terms of the cultural fit between Amundi and Pioneer?

**Yves Perrier:** Excellent. It's an excellent culture fit between the people of Pioneer and Amundi. Since the announcement of the acquisition of Pioneer in December, first point, we have lost zero clients. Zero AuM have been lost in the integration, due to the impact of the acquisition. On the contrary, we've seen, for example, that net inflows were positive in the US and one of the reasons was the fact that there was no more uncertainty for Pioneer. Secondly, when I look at the people, not only of Pioneer, but also of Amundi, all of those that we wanted to remain in Amundi are in Amundi. That's a very important point because we have done the merge in a way that-, I said that we won't do this like an acquisition, but like a merge and we have done this. Then, what I said about the culture, firstly, we are mainly European. Frankly, the European culture is the same. We like food, we like to be happy. An Italian man, you know the definition: it's a French man who smiles. Frankly, it's never been a problem.

**Mike Werner:** Thank you. Mike Werner from UBS. You mentioned about €10 billion of inflows coming from ETFs in 2017. Can we assume those were all booked into retail or do you have a breakdown between institutional retail and, potentially, by distribution network? Second, in terms of growth areas that you'll be focusing on, I've heard ESG, ETF as well as Amundi Services, are there any other key areas that you're focusing on, in terms of growth trajectory?

**Yves Perrier:** About ETF, it's mainly through platforms and institutional investors, but, in some cases, it's through fund of fund which are distributed then to retail, so it's difficult to make the difference. For us, ESG is not firstly, let's say, a commercial approach. We do this because it's our conviction. We are convinced that the company has a role to play for the society as a whole. We think that more and more in the institutional side, the clients request that we integrate the ESG, and if we have been chosen by the IFC it's not by chance, but thanks to our commitment to this, the tools, the teams that we have developed which are really recognised. It's not, firstly, a question of business, it's a question of culture.

**Question from the audience:** I'd like to ask a question on your joint ventures, if I may. I'm looking at page ten of the results presentation. I know you were commenting that you were seeing strong net inflows, mainly driven by China and India, but, if you look at the numbers, although there was an inflow, it wasn't as much as 2016. I don't know if that's a non-comparable number because of the way you treated one of the joint ventures.

**Yves Perrier:** Yes, but the problem is that with the JV, they generally always surpass the objective. We had an objective of €10 billion per year and last year they did €25 billion. It integrates in China through some specific products, I won't elaborate on this, which were a bit exceptional. The figure of €18 billion is higher than the objective that we are frankly speaking about. For this item, we are very, very prudent, in fact.

**Operator:** Ladies and gentlemen, if you have a question, please press, '\*1.' We'll move to our first question from **Arnaud Gibrat**, from Exane. Please go ahead.

**Arnaud Gibrat:** Yes, good afternoon. Can you hear me? I'm sorry for not being able to make it. A few quick questions. First of all, on your JVs, you've clearly shown very strong growth in AuM, the contribution to revenues isn't growing as fast. I'm wondering if you could give a bit more colour as to what's happening there and if we should be thinking in the future that the growth in profitability from the JVs will realign? Secondly, can I just check that your expectation for revenue margins from the retail book is expected to stay at 46 basis points? Finally, if I understand your flow targets well, the €20 billion inflows you're looking for, in terms of retail flows, is that an all-weather kind of target, like your costs targets, or do you need markets to remain favourable to be able to achieve them? Thank you.

**Nicolas Calcoen:** First, on the JVs. Yes, as you noticed, this year the growth in inflows are in line with the growth of results, it was not completely the case on the previous year. From one year to another it will depend on the kind of activities, the kind of products they sell, but, overall, in the medium term, you can expect to have a convergence between growth in activity and growth in income. Second question was on the margins in retail. As I indicated, there's no one-off effect expected going forward, but, then again, we have this continued pressure on margins. We can expect, if you look at margins by segment, by expertise, to have continued pressure on margins, but compensated by a mix improvement effect. That said, we don't decide on margins. They are the consequence of the development of the business. If we get a very large mandate with, by definition, low margins, yes, it will dilute our average margins, but we won't refuse it if it's profitable for us just because it will

decrease the margins. At the end of the day, what matters is the net result. The last question about ?,

**Arnaud Giblat:** The question was about the level of confidence of these figures. Are you prudent for net inflows, but I can add for net income, you seem to be prudent on the cost/ income ratio.

**Yves Perrier:** I would say, by a certain magnitude, yes. We are prudent. I've been working in the banking industry for 30 years now. Many of you are younger and I congratulate you for being younger than me, but I have experienced of severe financial crisis and so on. It's not the same to have an objective to do a permanent increase in good time. There's no permanent increase in good times, but to have this kind of increase, including bad times, is different. Our increase includes potential bad times. Look at the track record of Amundi. I would say with a company like Amundi, the risk premium should be very, very, very low for two reasons. The diversification of the business model and so as a consequence, the resilience. The fact that when we say something, we do this.

**Pierre Chedeville:** Sorry, Pierre Chedeville again. Two quick questions, one regarding private equity. We've seen that many investors, like AXA, for example, everyone wants to be very good in private equity. For an asset management business, they want to be distinguished by that. One of your peers (Natixis) has some boutiques in private equity linked to its asset management business. What is your view regarding private equity? Would it be interesting for you to acquire a company like that, to diversify your real asset strategy? That's my first question. My second, regarding your platform, Amundi Services, I have in mind that you mentioned a target of €100 million of turnover. Am I right? What do you plan to make as revenues for the selling of this platform? Thank you.

**Yves Perrier:** Private equity is an asset class which is required by institutional investors. Presently, we have some operations which are not big, but, at the same time, not insignificant. We manage €7 billion, it's direct and fund of fund. If we had the opportunity to reinforce this, why not? It's also dependent on the price, dependent on the possibility to integrate the teams in our culture. Why not? It's open. On Amundi services, no. What we have said, and that I confirm, the kind of objectives we target is €50 million of revenues per year. Don't consider that it will be in addition to the revenues of the plan here. It's all in. If there are no other questions, thank you again for being here. I wish you a good weekend.

**END**