



# **Amundi to acquire Pioneer Investments**

***Conference call transcript***

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## PRESENTATION

### Yves Perrier

*CEO of Amundi*

Good morning, ladies and gentlemen. I am very happy to welcome you at this conference call. As you know, we have announced this morning the signature of a binding agreement with UniCredit in order to acquire Pioneer Investments for the price of €3.5 billion. The press release and the specific presentation are available on our website. I am with Nicolas Calcoen, as you know, CFO, and Anthony Mellor who is head of investor relations. So, this transaction is a very important step in the development of Amundi. It's a transaction which has a very strong industrial rationale. It will strengthen the position of Amundi as a European leader with, you know, a presence reinforced in major countries like Italy, Austria, and Germany. It will provide us also with complementary expertise, mainly with, you know, a platform in the US, which is of a very high quality, both for investment management and distribution. We'll create the eighth largest asset manager in the world by the size of AuM with nearly €1.3 trillion. Strong industrial rationale, but also very strong value creation, with an amount of synergies of €180 million pre-tax. Accretion of EPS of around 30% based on the total run-rate synergies, and ROI which will be around 10%, that being something which is completely in line with the financial criteria that we had mentioned at the time of the IPO.

The price will be exactly €3,545 million. It's a price which will be paid completely in cash. That means a multiple of 16.6X 2016 price-earning ratio, multiple, excluding synergies. When we take into account the synergies, the multiple is 10.5X and that's to be compared with the multiple of Amundi and the average of the sector of about 14. If we take the EBITDA, the multiple is 11.4X excluding synergies, and 7.2X including total pre-tax run-rate synergies. The amount of tangible equity at the closing of Pioneer will be nearly €500 million, that being an excess capital compared to the regulatory requirement of €300 million. This acquisition will be financed by €1.5 billion of the excess capital that we have disclosed at the time of the IPO, €1.4 billion by capital increase, and €600 million of the senior and subordinated debt. This rights issue is to be completed in the first half of 2017, prior to the closing. It will be fully underwritten by Crédit Agricole Group which completely

supports this transaction. Crédit Agricole Group will keep a minimum percentage of Amundi of 66% compared to a level of 74% presently.

So, it's an acquisition which makes of Amundi the eighth asset manager in the world, with nearly €1.3 trillion AuM post-acquisition, under clear leadership in Europe. We were number one before, by the size of AuM. We, of course, are still the number one, but more importantly we will reinforce, you know, our presence in these three key markets of the Eurozone, which are Italy, Austria, we'll also have a strong position in Germany. We also reinforce, you know, the part of the business which is to serve retail networks and you will see in the future slides of the presentation that the part of retail, which was inside Amundi at 25% of the total AuM will go to 35%. You know that retail has really higher margins than institutional network. We also enhance our expertise in various areas like European equities, emerging market debt, but also in the US, both in US equities and US fixed income. It's an acquisition but it's also a partnership. A partnership with UniCredit networks, in Italy, in Austria with a subsidiary of UniCredit which is the Bank Austria, in Germany with HypoVereinsbank which is one of the major banks of Bavaria, which is the richest part of Germany. Also in some countries like the Czech Republic, Romania, or Bulgaria.

It's a partnership where we will reinforce the offer of saving solution to the customers of UniCredit networks. They will benefit from additional Amundi's expertise, like smart beta, real alternative assets, structured and guaranteed solutions, discretionary asset management. That's a transaction which is also to reinforce the capacity of UniCredit to enhance its wallet in savings solution in the Italian, German and Austrian market, which is really an objective of this bank, which will be presenting its development plan tomorrow. The way we will build this, it's with a strong intimacy between networks and Pioneer and Amundi people, through dedicated structured approach. What we will do, by the way, is to replicate what has been so successful with Société Générale. Coming back to the financial, so I mentioned that synergies are €180 million, of which €150 million of cost synergies and €30 million of revenue synergies. These synergies have been estimated in a prudent way. If you take cost synergies, €150 million, it's the same amount that we have delivered with the acquisition of Société Générale Asset Management in 2010. The cost base of the new entity Amundi - Pioneer is significantly higher. By the way, what we will do, it's, you know, in terms of the project, it's the same that we have done with Société Générale. That is in a transfrontier context.

These synergies, we think that they will be phased in the following way, about 10% in 2017, 50% in 2018, and 100% in 2019. The EPS accretion is 30%, including total run-rate synergies.

Now some words about Pioneer. What I want to say is that Pioneer is a very strong company. It's a very beautiful franchise, with proven expertise. Pioneer in some figures, it's an amount of AuM of €222 billion and with a dynamic of inflows which has been very positive in the last three years. The average increase of AuM was 10%, and it's really noticeable because you know that Pioneer was in the process of a merger with Santander. That means that during this kind of context, generally the dynamic is not really good, and the fact that they delivered this kind of growth demonstrates the quality of the people of Pioneer. Pioneer, the amount of revenue is nearly €900 million, an EBITDA of €227 million and the net profit which was, in 2015, €227 million. The business of Pioneer is divided between retail and institutional, and proprietary business. That means business which is with the network of UniCredit Group and secured by long-term distribution agreements.

UniCredit Group, you know, has a strong franchise in retail. In Italy, they have a market share of nearly about 13%. In Austria, the market share of Bank Austria is nearly 15% and, as I mentioned, HypoVereinsbank has a strong position in Bavaria. That means that we will have access to nearly more than 5,000 branches across Italy, Germany, Austria, and some other countries. Pioneer has

nearly 2,000 distribution agreements with third parties, banks, and 300 institutional customers. Looking at the breakdown between retail and institutional business, retail represents 75% of the total AuM, and institutional investors 25%. It's just the opposite of what is Amundi. Pioneer also has a strong track record in terms of expertise, namely, in the multi-asset, US equity and fixed income products, but also emerging markets debt and so on. In the recent period, the performance of Pioneer has been very good. They have been recently increased by one star. I come more on detail, now, about the breakdown of the business by customer segments, by geography, and by expertise.

I mentioned that retail represents 75% of the total of AuM. Have in mind that the average margin in retail is about 45 basis points and compared to 15 basis points for institutional business. In this business, in retail, the total AuM is €155 billion, of which €93 billion are with UniCredit networks. Italy representing 84% and third party distributors represent €72 billion. When we look at the financial figures of Pioneer, we see that in 2012, and at this time, we looked at Pioneer, because they were for sale, the amount of AuM was €158 billion. They are now €222 billion, that being an average increase of nearly 10%. In this period, the percentage of funds which were above the benchmark has permanently increased. Three years ago it was 61% for mutual funds, and now it's 65%. For institutional investors, it went from 75% to 100%. In terms of figures, revenues of nearly €900 million, net profit of €227 million and a cost-to-income ratio of 63%. The tangible equity that we acquire is €500 million, an excess capital of €300 million, the Tier 1 ratio of Pioneer is 25%.

So, this acquisition clearly will reinforce the Amundi industrial project. Amundi was created at the time of the acquisition of Société Générale Asset Management to build a platform open to various networks in various countries.

We have done this with the Société Générale network in France, and it has been successful. We have done this abroad in the Czech Republic, in Italy, in Austria with BAWAG, in Asia with our joint ventures with ABC in China, NH in Korea, and State Bank of India in India. So what we are doing is to do this now with the different networks of UniCredit. We will be at the eighth position in the world, with nearly €1.3 trillion. More importantly, it is, you know, this reinforcement that we have in Europe, and also with the various expertise of that group, Pioneer. What about the partnership, which is a key point, because, as you know, we acquire the capacity of distribution of the UniCredit network, which is part of the transaction. The distribution agreement that we will put in place is-, let's say, the principle is quite the same as the distribution agreement that we had with Société Générale at the beginning, but it's a ten-year distribution agreement. With then an organisation of dedicated structure, which would be put in place, to reinforce the proximity between the people of the network and the people of Amundi and Pioneer.

We will be in a situation to reinforce the quality of the savings solution offered to the customers of UniCredit. For example, you know that we are a very strong position in what is a guaranteed product, or structured products and so on, and so we will bring this to UniCredit customers. I think that we will be in a situation to increase the market share of UniCredit. In the past, UniCredit has placed a lot of bonds to its customers, and their intention is to rebrand this and to distribute more mutual funds. You know that Amundi is organised in two business lines, one which is retail, and the second which is institutional investment. At the time of IPO, we have clearly explained to you what was our retail business. Which is a business that not only provides products, provides funds, but to provide saving solutions, and to provide services to the network of the customers that we see including IT tools, including training for the sales force and so on.

Now, with Pioneer, the amount of retail, AuM will be €443 billion. It was €275 billion when we presented Amundi at the time of IPO, and with a break down which is well balanced. Nearly €100 billion in France, €88 billion in Italy, when we include UniCredit and Crédit Agricole Bank Cariparma. €23 billion for other European retail partners, Bank of Australia, BAWAG, HypoVereinsbank, commercially Bank of the Czech Republic, Eurobank and Crédit Agricole in Poland. In Asia, it represents €88 billion with our Asian joint ventures, plus the partnership that we have with Resona Bank in Japan. Third party distributors will represent €148 billion. Reinforce clearly in retail, but we will also reinforce our position with institutional clients, with a further extension of the client base, notably in Italy, Germany, US, and Asia. Better positioning with consultants, due to the increased scale and the stability of the ownership to support the rating improvement with consultants of Pioneer after a long period of instability. Also due to the reinforcement of our product offerings, we will be probably one of the asset managers in the world with such a large range of products and solutions.

If you look now at the breakdown by expertise, you see that Pioneer has nearly 50% of its AuM which is on multi-asset. Multi-asset is really a great strength of Pioneer and they have a part of equity which represents 17%. That means that the balance of expertise for Amundi plus Pioneer will be better than it was in the past.

If you look at the geographical reach now, there is a slide at page twenty, which is really interesting. You see that France will represent €354 billion. We have to add to this the AuM for our two life insurances companies, Crédit Agricole and Société Générale, which represents €400 billion, but which is a specific business. You see that Italy with €160 billion will be quite the half of France. Europe except Italy and France, €124 billion. Asia, €168 billion and the US €47 billion. That's the amount distributed, the amount managed from US is €60 billion. A project that gave, you know, one of the strengths of Amundi, the diversity of its source of revenue, by business line, by geography, by expertise, and the acquisition of Pioneer will also reinforce this character, we think, of Amundi.

I turn now to the financials, and to begin, a word about synergies. Total synergies have been estimated to be €180 million, and divided like this, €150 million of cost synergies, €30 million of net revenue synergies, which is formed by €40 million positive revenue synergies, and an assumption of €10 million of negative synergies due to potential accretion. On this point, to be honest, I don't think there will be potential accretion, because there is no situation where we have significant client overlap. That we have put this, you know, in the prudent way, and also to keep to account when you merge some funds, you can have some loss. I come to the cost synergies. They represent 27% of Pioneer costs of 2015, and 11% of the combined cost-base of the two entities. This amount, we considered prudent. That's the equivalent of the amount that we have delivered with the acquisition of Société Générale in 2010. We will do this by different ways, which will be to rationalise investment platforms, to streamline IT services, and to rationalise back-office costs.

Coming now to the revenue synergies, we have about €40 million. This €40 million is what we are sure to do. The kind of thing which we are sure to do is internal cross selling of expertise, for example, if you do a diversified fund, you can take the expertise of Amundi or the expertise of Pioneer versus the expertise of another competitor. Also, some optimisation of revenues, brokerage fees, custodian fees. You know that, at the time of IPO, we explained that we were able to reduce the brokerage fees by 50% due to, say, our purchase power situation. These two synergies are to be completely implemented in 2019, and our estimation is to have 10% of the costs synergies in 2017, and 50% in 2018. Financing structure, I have given this in introduction. I recall financing will be done like this. €1.5 billion of the excess capital, €1.4 billion for rights issues, and €600 million of debt. It will be fully underwritten by Crédit Agricole Group. At the end of the capital increase, Crédit

Agricole Group will be for sure above 66%, 66.7%. It has not been decided between this and the present level what Crédit Agricole will do precisely. Very strong value creation, EPS accretion of 30%. The return of equity is at 10% within three years, and we will keep a very strong financial structure, after the capital increase.

Presently, the Tier 1, the combined ratio will be 10% but at the end of 2018, it will be 14%, and the net cash position of Amundi after the transaction and the financing will be €1 billion. When I speak of net cash, it's after the financing of the seed money and participations. That means we will keep a strong financial position. We have always considered, that's something important for us. Regarding the dividend policy, we will maintain the dividend policy that we have announced with the results of 2015. That means a percentage of distribution of the consolidated net income of, at the minimum, 65% of pre-integration costs earnings. The amount of integration costs that we have estimated, but at this stage it's clearly an estimation, and it's quite a prudent estimation, is €190 million.

To finish, some words about the question of integration implementation. It's clear that this transaction has a very strong industrial rationale, and will create a lot of value for our shareholders. You know, in acquisition, strategy is important, but execution is also very important. You know that we are used to this, and when we have done SGAM, we have delivered synergies and a pace of execution which was higher than what we announced at the time of the acquisition.

The first objective that we have is to maintain the quality of service, to both retail and institutional clients. Today there was a letter addressed and co-signed by myself and Giordano Lombardo who is the CEO of Pioneer to commit to all our clients the continuity of the quality of service during this period of transition. There was also a letter which is co-signed by us to all the employees of Amundi and Pioneer. Secondly, to maintain the investment performance and sales momentum and maintain staff motivation. For example, we will clearly work at this in the period coming. The second point is the implementation principle that we will apply in order that it will be a successful integration. Firstly, of course this transaction is an acquisition but the way we will conduct it is like a merger. That's my commitment and it's a commitment which is not only a human point of view, but it's a question of efficiency. That means that all the integration and migration plan will be defined with the Pioneer management team. The people of Pioneer will be completely, you know, integrated on this. The future organisation will be defined together, with Giordano Lombardo and with a principle which will be to integrate both company executive teams by identifying complementary skills and retaining the best and key senior people.

Though that's clearly the kind of spirit we have, and next Monday morning, there will be the first integration committee, in which, you know, will be the key managers of Pioneer and the key managers of Amundi, and we will co-chair this with Giordano Lombardo. The timetable we anticipate is the following, page 28. We are in December, in the month of the transaction. We anticipate a closing in the second quarter of 2017, after having all the approvals from the regulatory authorities. We don't anticipate problems, but, you know, it's always some time, it's always a bit long. We anticipate during this period, an extraordinary general meeting of Amundi and the launch of the Amundi rights issue. At this time, during this period, we will prepare the integration plan, in order that, at the day of closing, we will begin to work in the new organisation with a clear strategy. Not only for Amundi, because it won't change, but business line by business line, country by country, because in this transaction, there are of course synergies, but it will be really a step of development. I will take just an example. In Germany, we will have an amount of AuM of nearly €40 billion. That means that we will be probably one of the key foreign asset manager of Germany and in this kind of country, it will be clear, you know, a plan of development that we will implement in this big country of Amundi.

Then we will implement the migration plans, or rationalising of the staff, and the idea will be to finish this at the end of 2018. The last point in this, kind of, transaction is always IT migration. Maybe I have been a bit long and time now to conclude.

I will conclude with three points. This transaction is a further strengthening of Amundi's industrial project. Amundi will become the uncontested European leader with a stronger global franchise, especially in retail, with enhanced global distribution and product expertise. Significant value creation with EPS accretion of 30%, ROI of 10%, and a low execution risk, because what we do, we see clearly, you know, the way we will integrate. It's completely in line with all the construction of the organisation of the business model of Pioneer, and I would say we are experienced to do this. Thank you for your attention, and now with Nicolas and Anthony, we are ready to answer any questions you have.

## QUESTIONS AND ANSWERS

**Yves Perrier, Nicolas Calcoen, and Anthony Mellor**

CEO, CFO, and Head of Investor Relations

**F:** Thank you, sir. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing 'star, one' on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing 'star, two'. Again, please press 'star, one' to ask a question. We'll pause for just a moment to allow everyone to signal. We will now take our first question from Benoît Pétrarque from Kepler Cheuvreux.

**Benoît Pétrarque:** Yes, good morning. Benoît Pétrarque from Kepler Cheuvreux. A couple of questions on my side. The first one will be on the distribution. I think you mentioned that the distribution agreement is more or less in line with the one that you have with Société Générale and Crédit Agricole. Can we say it's a, kind of, quasi-exclusive distribution agreement? So exclusive on retail, and probably less exclusive on the private-backing assets. Then I think in those slides, you mentioned €213 million net profit of Pioneer. You know, can we take that as a run-rate for the future, or will there be any renegotiation on the retrocession fees, please? The second question will be on the cost synergies. Could you indicate the number of FTE reductions you are planning on this merger? Maybe could you talk about, you know, whether you see difficulties, because that will be obviously, a cross-country integration here, a bit different than what you have done in France. Any thoughts on that?

Then the third question will be on the €1 billion, I think you mentioned net cash, but just to confirm this is the excess capital figure post-transaction, so €1 billion. Any thought on potential distribution? You know, at one point you were telling us that you will be aiming for additional distribution in the future. Any thoughts on additional special dividends potentially post-transaction, maybe talking about? Maybe could you indicate a break down of the senior and the sub debt financing? That would be useful for the financing cost estimates. Thank you.

**Yves Perrier:** Okay, I will let Nicolas Calcoen answer the question about cash and that. On the distribution agreement, when I say, like, effectively it's a quasi-exclusive in retails and private banking, even the way we have built this is a bit different. The difference is it's ten years, which again, it was a five years, renewable, but in fact, with certitude to be renewed at the time of the creation of Amundi, which was quite certain. Then of course, the level, the percentage of revenues, you know, the share of revenues between the network and us, will be unchanged during the life of

the agreement, compared to what it was in the net income of last year. Then, relating to the cost synergies, the idea, the amount of staff corresponding to the reduction of costs is 450 people, but it's an estimate. At the same time, have in mind that when you are in this kind of implementation, the best way to reduce the cost is to be in a development plan. You know that Amundi has quite a reputation of cost killing, but at Amundi, we don't speak permanently of cost reduction. We speak of development and efficiency. We will do these cost synergies reduction, where there are redundancies, but at the same time, we will have the possibility to move some people in some positions of the group, linked to the development plan.

The net may be a bit different. That's very important, you know, because the people are motivated for efficiency, for development, but not only if you motivate them only on the cost reduction. You are saying eighteen different countries, of course, maybe we can say that it's a bit more difficult, but we all speak the world language which is English. Another way, the fact that the breakdown is not concentrated in a country, on a social point of view, it could be even easier.

**Nicolas Calcoen:** On the financial question, so first regarding the capital. As Yves mentioned, the core equity tier 1 should be around 10% at the time of the closing, and the total capital ratio which was expected to be around 14%. You can notice that, as you know, our cash generation capacity is high. Post-synergies you can expect, with a distribution rate of 65%, the capital regeneration to be around €300 million a year. It means, for example, that by the end of 2018, our core equity tier 1 is expected to be close to 14% and the total capital ratio close to 17%. Regarding debt, we have not defined precisely the split between senior and subordinated debt but it should be something like half for each.

**Yves Perrier:** The point, you know, Nicolas you don't answer the question. This €1 billion is the net between tangible equity of Amundi, which will be after the transaction, and the capital increase of €1.4 billion, the debt €600 million and on the asset side, seed money and participations will represent €1.3 billion and net cash €1 billion. The net cash is not, I don't define it as an excess capital to be given back to the shareholders, as we defined the €1.5 billion of excess capital at the time of the transaction. To be even clearer, we said at the time of IPO that this excess capital of €1.5 billion could be given back after three years in case we haven't done acquisition, (acquisition creation value). We have an acquisition policy which is completely in line with this. As we say in France, you can't have the butter and the money and the butter.

**Benoît Pétrarque:** This is very clear, thank you. Just to make sure I understand, what is the excess capital after the transaction?

**Yves Perrier:** We considered that in the definition at the time of the IPO, which was a very prudent definition. There is no more excess capital. At the same time, there is a tangible equity of €1.7 billion and a net cash position of €1 billion. My message is, the financial structure of Amundi remains very strong.

**Benoît Pétrarque:** Yes, good. Thank you very much.

**F:** We will now take our next question from Mike Werner from UBS. Please go ahead, sir.

**Mike Werner:** Hello, thank you for the opportunity to ask questions. Two questions, number one, on the US operations of Pioneer. We know Amundi strategically has been looking to expand distribution in Europe and in Asia, but little has been mentioned about the US operations of Pioneer. I was wondering, you know, how this is going to fit within Amundi's strategy going forward, or if this is something that Amundi would potentially consider divesting at some point? Then on the second



question, you know, you note in some of the footnotes of the presentation and the press release this morning that you've identified an incremental €40 million worth of revenue synergies that you identify but don't integrate into your assumptions. I was just wondering, you know, where those revenue synergies could potentially be coming from, if they are different than the €30 million you have already announced. Thank you.

**Yves Perrier:** Okay, we have not integrated this because, firstly, that means, if we had integrated this, probably people will say, 'You are doing some overshooting. We don't believe this.' I am sure that in the future, so not a commitment but it's a conviction that we will do these revenues synergies. You know the way we will do the revenues synergies will be the following. I will define different points. First point, I take the example of UniCredit networks in Italy. If you look at the market share for mutual funds of UniCredit compared to the market share of Intesa with Eurizon, as UniCredit and Intesa are quite equivalent banks in terms of market share in Italy. The market share for Pioneer is under the market share for Eurizon. One of the reasons was the fact that in the past, UniCredit has issued a lot of UniCredit bonds or notes and now they will move to more mutual funds. Other example, they have very good expertise in Pioneer. You see that they have only €70 billion of AuM for institutional investors. One of the reason was the fact that they were under watch during this period of attempt to merge with Santander. Amundi has a very strong position in terms of clients in Asia, in the Middle East, in these kinds of countries. That means that we will be in a situation now to promote all the expertise of Amundi for these clients.

Another point, Amundi is very strong in the area which we call 'real and alternative assets' and especially in real estate, private debt, all illiquid assets. Pioneer is not. That means that we will be able to do this. So, there is a lot, because the beauty of this transaction is that you have, at the same time, cost synergies by rationalisation, but a strong complementarity in the business is taken by, you know, expertise, geography and segment of customer. I will say the same for the US, as you know, our expertise in the US is very limited. It's mainly with Amundi Smith bredden, where there is a mortgage-backed security expertise. That means that we will have a very good franchise in the US, which can be promoted to our clients in Asia, in the Middle East, and also in Europe. So, about the strategy of Amundi. The US will represent about 5% of the total assets of Amundi. Clearly, our axis of development are unchanged. It's Europe, Asia, the Middle East, but we have this opportunity to have this expertise in the US and we will develop this expertise, and it's not a change of strategy.

**Mike Werner:** Thank you.

**F:** We will now take the next question from Arnaud Gibrat of Exane. Please go ahead.

**Arnaud Gibrat:** Yes, good morning. Arnaud Gibrat from Exane. Three questions please. Firstly, in terms of the cost synergies, I was wondering if you could maybe give us percentages from which areas these cost synergies are going to be derived from. Secondly, in terms of the approvals required, I mean, I think Amundi and Pioneer has been looked at a few years back, and was blocked. I'm wondering perhaps if you could give us the reasons why the tentative deal was not successful in the past and why you're confident this time round that you can achieve a closing of the deal. Thirdly, could you give us perhaps a bit more detail around Pioneer? For instance, what proportion of revenues are from performance fees, what is your assumption in terms of AuM growth, or even AuM attrition from this deal. Thank you.

**Yves Perrier:** About cost synergies, I don't want to give you the detail for a very simple reason. Firstly, that we will work with the management of Pioneer on a new organisation and implementation plan and that after this, we will define precisely where it will be. Where it will be, it

will be on the global, to be clear, not only on the Pioneer people, but also about Amundi people. When we will have finished this, we will of course, at the time of the closing, everything will be detailed and to be implemented very fast, but at this time, it's not possible. Relating regulatory approval, we don't anticipate a major problem. At the time of 2011, when we were in the deal, it was, you know, not a formal opposition of regulatory, which meant that the deal didn't happen. What I would say is that we have presented our transaction to the finance ministry of Italy. There was a point I have not mentioned in this presentation, that I need to mention, which is important, that we will have in Milan one of the major investment hubs of Amundi. That means that the number of people will be significantly enhanced to go to a total of around 600 people. That's a transaction which is, of course, good for Amundi shareholders, but I think it's good for the Italian economy, because it will reinforce Milan as a financial place, and also reinforce this major Italian bank, which is UniCredit.

About the question of performance fees, Pioneer, under your control, Nicolas, I will-

**Nicolas Calcoen:** Very limited with regards to performance fees.

**Yves Perrier:** Very limited performance fees. Why not discuss this with the CEO of Pioneer? It could be an additional point of revenue synergies in the future. You know that in Amundi, we have pushed the development of performance fees. It represent a base of €200 million, provided that these performance fees are done in a way very respectful of the customers. I consider that's quite a good system, because it aligns the interests of the clients, the investment managers, and the company.

**Arnaud Giblat:** Sorry, if I can just follow up on another question from earlier. You're buying Pioneer with €300 million of surplus capital, and you're spending €1.5 billion of your existing surplus capital, so why do you say pro-forma you will have no more surplus capital, instead of saying you will have €300 million of surplus?

**Yves Perrier:** Okay, the €300 million is the excess relating to the regulatory capital applicable to the asset manager industry. The excess capital that we have defined at the time of the IPO of €1.5 billion is a bit different because it's a mix of regulatory and economic capital, because we deducted not only the regulatory capital requirement, but also the seed money. On a normalised way, which is higher than the seed money that we have today, and also the participations. It was a different view of approach, but looking at the financial structure of Amundi, it's the economic view, which is our first guidance, which is more conservative than the regulatory view.

**Arnaud Giblat:** Very clear, thank you.

**F:** Our next question comes from Haley Tam from Citi. Please go ahead.

**Haley Tam:** Morning gentlemen. Can I ask two questions please? First of all, could you just confirm, I think on slide 23, you talk about €10 million of potential revenue impact from client attrition, and it just seems like quite a low number. It's only about 1% of the existing Pioneer revenue, so I wonder if you can give us some more colour on where that estimate has come from, and perhaps which businesses you see not vulnerable and yes vulnerable. The second question actually was just to follow up again on the cost synergies. I appreciate you can't give us much detail at this point, but obviously, in the three areas you've identified, merging investment platforms, streamlining IT, rationalising admin and back-office costs, could you give us some proportion across those three, if possible please? Thank you.

**Yves Perrier:** Yes. Why client attrition anticipated is very low, well, a very simple reason. Most of the revenues are coming from retail. 75% of the AuM and probably 85% of revenues. For retail, you

know, by definition, you have no redundancy between what we sell to UniCredit networks and what we sold to Société Générale networks, or another network with a different customer base. For third party distributors, it's the same. You know, they buy a Pioneer product because it's a good product. That's not envisaged for the third-party distributors to stop to buy an Amundi product because unfortunately, we have not such a wide presence to third party distributors that the third party could be too concentrated with us, and frankly speaking, we have put €10 million, well, to put something. Then on the breakdown of costs, I do the same answer as before. I don't want to divide between back-office, IT, staff, because we have, of course, estimations but we work in detail with the management of Pioneer and all the key people of Pioneer to define together what is the most appropriate to do these synergies.

**Haley Tam:** Okay, thank you. Sorry, can I just clarify one extra thing on the capital position? Just to be clear, the number we're all talking about today, those are after taking into account the special dividends by Pioneer up to UniCredit of €315 million, is that right?

**Nicolas Calcoen:** Yes. The dividend to UniCredit is before closing of the price we paid, excluding the dividend.

**Haley Tam:** Perfect, thank you.

**F:** Again, ladies and gentlemen, to ask a question, it's 'star, one'. If your question has already been answered, you may remove yourself from the queue by pressing 'star, two'. Our next question comes from Hubert Lam from Banks of America. Please go ahead.

**Hubert Lan:** Hi, good morning. I've got three questions. Firstly on your use of debt. Previously you were happy to have a debt-free balance sheet, now you're leveraging it up. I was just wondering if you're happy at keeping a debt on your balance sheet for the long term? Second question, on your dividend policy, you stated 65% payout, which was in line with what you said previously. Are you still saying that you're going to have a minimum still of €2.05 dividend for next year? Last question is on net new money growth. Can you maybe just give us some colour how net new money progressed at Pioneer over the last couple of years, and what your expectations are for the next one to two years? Thank you.

**Yves Perrier:** Nicolas, the dividend?

**Nicolas Calcoen:** On the dividend policy, yes, for the next dividend, which is the one which is paid on the 2016 results, we confirm of course the €2.05 per share.

**Yves Perrier:** Okay. The question of debt, of course, in the past, we had no debt and free cash. We will have a debt which will represent 30% of the total permanent financial structure of the tangible equity. Frankly speaking, when the cost of debt is between 1.5% and 2%, it's not completely stupid to have some leverage of the balance sheet for the interests of shareholders.

**Hubert Lan:** Great, and my question on net new money?

**Yves Perrier:** The new money flows? Oh, the assumption of Nicolas, the assumption of new money for Pioneer-

**Nicolas Calcoen:** ... Is similar to the one we have from for Amundi 3%, 4% a year.

**Yves Perrier:** Yes, 3%, 4% a year. No market effect.

**Hubert Lan:** Okay, thank you.

**F:** Our next question comes from Gurjit Kambo from JPMorgan. Please go ahead.

**Gurjit Kambo :** Hi, good morning. It's Gurjit Kambo from JPMorgan. Just in terms of your EPS accretion of 30%, can I just clarify if that is factoring the potential rights issue and the cost for servicing the subordinated debts?

**Yves Perrier:** Yes, and to be complete, the price of Amundi share of reference is €45. That means it's not the present price. We have taken an assumption of €45.

**Curjet Kamal:** Okay that's great. Thank you.

**F:** Our next question comes from Anker Raingen (ph 01.06.06) from RBC. Please go ahead.

**Anker Raingen:** Yes, good morning. I just had one follow-up question. When you talk about the EPS calculation, you say it's post-amortisation of intangible assets and I just wondered how much the reported profit, if at all, is impacted by this amortisation going for the P&L. I guess it would also then have an impact on your dividend if it's a function of your reported net profit. Thank you very much.

**Yves Perrier:** Not yet determined. As you know, when we have to do the asset allocation in part, we will go to the valuation of the distribution agreement. It will create intangible assets that we have to amortise on the length of the distribution agreements. The breakdown between that and the pure goodwill is not yet determined, but from an economic point of view, this is neutral.

**Anker Raingen:** Okay, thank you.

**F:** As there are no further questions, I would like to turn the call back to our hosts for any additional or closing remarks.

**Yves Perrier:** Okay, thank you very much for being here for this presentation. Of course if you have any additional questions, Anthony Mellor will answer all your questions. Also, Nicolas Calcoen. Thank you very much, and good day.

**Nicolas Calcoen:** Thank you.