Half-Year 2020 Results Conference call

Friday, 31st July 2020

Introduction

Yves Perrier

CEO, Amundi

Market Context

A more difficult context

Good morning to all of you, and welcome to this conference call. Firstly, I hope that you and your relatives are fine. I will make just a short introduction, and then Nicolas will present in detail our results. In this introduction, I want to begin with the market context, which is important, to have the view of the context in which we have operated.

As you know, we had a market during the first semester which was very specific, a beginning of the year which was very positive, then the very strong shock of March, and then a partial recovery of the market after the action of all the central banks, Fed, the Bank of England, and the ECB. All in all, when we look at the impact of this market effect on AUM and revenues, we need to have in mind that the average, for example, CAC40 was down 15% in the second quarter compared to the second quarter of 2019.

Second feature of the market is the fact that last year, we were in a global asset management market in Europe which was positive, with inflows. This year, I have only the figures at the end of May, the European markets have outflows. So that means that we had, during this period of 2020, a context which was more difficult than last year, and it is important to have this in mind to assess the results.

Satisfactory results

The main thing that we can say is that we delivered satisfactory results during this second quarter, and looking at activity for medium- and long-term assets, we registered net inflows of €3.5 billion, so that means that they came back in a positive territory. This was mainly driven by real assets, and passive asset management. These inflows compensate for the outflows that we had in treasury products. A word about this, there were outflows until the end of May, June was positive, and July is even more positive.

So all in all, AUM post an increase of 7% when we compare to the figures one year before, June 2019, and an increase of 4.2% compared to the end of March 2020.

Adjusted net income amounted to €233 million, it is a decrease of 9% compared to the second quarter of 2019. If we take into account the impact of the market and the revenues, all in all, our net income would be comparable to the figures of last year. This is due to the fact that the decrease in revenues was than compensated by a decrease in cost, and the cost to income ratio figure for the third quarter is 50.9%. It is a slight improvement compared to last year.

Main achievements during the quarter

Now after the key points of activity and results: during this quarter, two main achievements. The first is the renewal of the partnership with SocGen for the next five years. The second is that we closed the Sabadell transaction, and the figures that we have for this transaction are totally in line with what we had announced in January. But we revaluated the amount of synergies anticipated.

And the last point is the fact that the implementation of our joint venture in China with BOC is widely intact, and our anticipation is to be operational during the last quarter of this year. That is what I wanted to say in the introduction, and now I give the floor to Nicolas.

Q2 and H1 2020 Results

Nicolas Calcoen

Deputy General Manager, Amundi

Operating environment

Thank you, Yves, good morning to all. I will start by giving a bit more colour about the environment in which we operated during this last quarter. In the data you have, I am on page 7. As Yves indicated, you all know well the major shock that we faced during the month of March, with the market on the equity side down by 30-35% in a few weeks, and also a significant shock on the credit side, with a significant widening of spreads, and the reduction in liquidity on the market. Since then the market has been impacted by the interventions of the central banks, which means that the market partially recovered during the second quarter, with equity markets recovering let us say half of what they lost during the month of March, and spreads going almost back to their previous level.

If you look at the impact on revenues, the important point to notice, and I am on page 8, is the fact that, considering average levels, during the second quarter of 2020, equity markets were still down on average by 15%, compared to the first quarter of 2020, and also compared to the second quarter of 2019. You know the sensitivity of our revenues to the market context, it means that this drop in equity market has a negative impact on our revenues for the quarter close to €35 million.

Also to be noticed is the fact that market level is also significantly down compared to what it was at the beginning of 2018, when we announced our three-year plan. It is down by 13%, if we take this same index as an example, compared to the end of 2019.

Page 9, in terms of the evolution of the asset management market, as Yves indicated, a significant effect to notice is the outflow of the market of open-ended funds until May, we do not have yet data for the month of June, on the European Open Fund Market, outflows of close to €70 billion, and if you look only on long-term asset outflows, of €161 billion.

Resilient activity

In this context Amundi showed quite resilient activity, first illustrated on page 12, by the fact that our asset under management went back to close to €1.6 trillion – to be exact, €1,592 billion at the end of June, up by 7% compared to one year ago and up by 4% compared to the end of March. Main driver for the evolution of AUM during this quarter is the market impact, positive and close to €65 billion. We basically recovered half of the lost assets due to the drop in market during the first quarter.

In terms of activity, page 13, the main element to notice is, of course, the solid activity for long-term assets during the second quarter. Despite an increased risk aversion following the crisis, with positive €3 billion inflows in long-term asset, plus €3 billion also coming from our joint venture in Asia; this compensated for the continuation of outflows on treasury products close to -€7 billion during the quarter. We started to see outflows following the crisis in March, coming mainly from corporate clients affected by the crisis. These outflows continued partially in April and May, but what we can say is that, since June, we have seen significant recovery in inflows on treasury product and it is continuing in July.

So, good activity in long-term assets and if we look at client segments, page 14, in retail we see a good resilience of the activity in the networks. It is particularly true for the French networks where we posted 1.2 billion inflows in long-term asset driven by a good level of activity in unit-linked in life insurance. The international networks also show some resilience with flat net flows, and we did see some outflows coming from third-party distributors. They were concentrated in April, following immediately the crisis, and what we see is that the flows turned back to positive in June.

Page 15, as I indicated, our JVs continued to post a solid inflow, a bit more than 3 billion during this quarter, driven in particular by a continued, very strong, good momentum in our Indian JV with SBI, which posted close to 6 billion inflows during the second quarter. Very good momentum, partially compensated by some outflows in China, concentrated on the money market products.

In the Institutional segment, page 16, we can notice the fact that inflows bounced back very significantly in long-term assets, overall 4.6 billion inflows in this segment. After some de-risking observed at the end of the first quarter, in March, in the context of the crisis, we saw the flows coming back on long-term assets from these clients. And we can also notice a very solid activity in employee savings schemes where, you know, we have a very strong position in France, 45% of market share, and we posted more than 2 billion in inflows in this quarter in this segment. This was partially compensated from outflows coming from the mandates we manage for the Crédit Agricole and Société Générale insurance companies. These outflows are the consequence of the fact that, in the life insurance space in France, we saw some outflows on traditional Euro contracts. Life insurance, globally in France, and for our insurance partners, saw some outflows on Euro contracts and positive inflows in unit-link which are reflected in our retail segment.

Expertises page 17. We can notice that our activity was driven by our successful growth drivers. First of all, passive management, ETFs and smart beta, where we saw 5.5 billion inflows during the second quarter, both in the index mandates, in ETF and the smart beta product. In terms of ETF, we continued to post positive inflows. We remain the fourth player in Europe and we can mention particularly the success of our physical Gold ETC which was launched just one year ago.

Also, positive inflows in real assets, 1.3 billion during the second quarter, in particular in real estate, where we posted 1 billion of inflows.

Responsible Investing: implementation of three-year plan underway

Page 18 and 19, we continued during this quarter, this semester, to implement our three-year plan regarding the ESG and responsible investment. You remember that we announced the three-year plan back in the end of 2019 and we are well on track on this implementation. We can notice that activity has been also driven during this semester by products incorporating an ESG approach, with 6 billion inflows with an ESG highlight during the first semester. This was partially the consequence of new initiatives, partnerships and products that were launched in the recent period. Some of them are mentioned on page 19. You can particularly notice the fact that we were selected by an important Danish pension fund to manage a mandate replicating a climate change index. We launched several ETFs in this space, in particular three new ones replicating Paris Aligned Benchmark. So, many initiatives, in particular dedicated to climate change, but also to the social dimension of the ESG with, for example, the launch of a new, quite innovative social impact product by our subsidiary, CPR, during this first semester.

Solid investment performances

To finish on activity, just to mention that during this quarter and semester, we continued to have a very solid investment performance. If you look, for example, by the Morningstar ranking for open funds, whether you look at the one-year, three-year or five-year period, we have around 70% of our assets that are in the first or second quartile.

Results and financial structure

High level of earnings maintained

Consequences of this momentum in terms of results are on page 22. The main feature is the high level of earnings which was maintained despite the crisis, with the fact that revenues were strongly affected by the market downturn, while we kept an excellent control of operating expenses.

Total net revenues affected by market backdrop

First, on revenue, page 23. Our revenues are down by around 7%, both in the second quarter and the first semester, compared to the similar period of 2019. This is mainly driven by the impact of the downturn on the market. This is illustrated on page 24. The drop of market represents a decrease of revenues by 5 to 6%, the main effect being the impact of the decrease of equity markets on our asset management revenues.

We can also notice a slight decrease in margin due to the less favourable product mix. This is illustrated on page 25. This slight decrease in margin is due to the mix, but also to the fact, if you compare to the similar period of 2019, as you may remember, during the first half of 2019, we registered an exceptional level of revenue coming from new, guaranteed product launch, in particular in Italy. We do not benefit this year from this favourable phenomenon, which explains part of this decrease in the margin observed during the first half of the year.

Expenses down substantially and a cost/income ratio still at an excellent level

The decrease in revenues triggered mainly by the market context is compensated by a very strict cost control, illustrated on page 26. All operating expenses decreased during this quarter by 7.8%, compared to the second quarter of 2019, and for the whole semester by close to 5%, compared to the first half of 2019. This is driven, firstly, by the implementation of the synergies related to the Pioneer acquisition. You remember that the last migrations took place during the first half of 2019, and so now we fully benefit from this synergy. Also, of course, also impacted by the adjustment of variable compensation, the bonus pool adjusted to the expected evolution of the results. And, finally, to some extent by some reduction in cost on travel or events linked to the context of the crisis.

Operational efficiency maintained regardless of market conditions

This significant cost control resulted in a cost/income which remains very well under control and one of the lowest in the industry, regardless of the market context. This is illustrated on page 27. You can see that on the second quarter of 2020, our cost/income amounts to 50.9%, the same level as the one observed in 2019 in average. So, a very strong operational efficiency. And this strict cost control on operational efficiency is accompanied by continued investment in the future development of the company. You can see on page 28 the investments we are making to reinforce our main areas of development such as passive management, real assets or the investment we made in IT, through recruitment of reinforcement of our capacity in this area, but even more compensated by productivity gains on synergies.

Overall, during the last 12 months, we slightly decreased our overall workforce, plus 80 people in the areas of investment, compensated by a reduction of 100 people related to productivity gains and synergies.

Detailed income statements (H1 and Q2 2020 & 2019)

To conclude on the results on page 29, revenue are down around 7%. Operating expense is under control. Our gross operating income decreased by close to 10% during the quarter. If you take into account the positive contribution from our equity-accounted entities, meaning the JVs, with an increase by 16% on the semester, even 25% during the quarter, we have a net result, adjusted net result which amounts on the quarter to 233 million, down by 9% compared to last year. But if you actually exclude the negative impact of the decreasing market on our revenues, our net result is at a comparable level, compared to last year.

A solid financial structure

Page 30, about our financial structure. Just to confirm, a very strong financial position of Amundi with, in particular, a tangible equity of 2.7 billion at the end of June. It is the same level as the level observed at the end of 2019. Basically, the impact of the acquisition of Sabadell on the 30th of June was compensated by the results during the first quarter. Other consequence, the CET1 ratio amounts to 17.8% at the end of June, well above the regulatory requirement, and the strong financial structure was somewhat confirmed by the Fitch agency that confirmed in May our A+ rating, which is one of the best ratings in the sector.

Partnership with Société Générale

If I move to page 32, I can come back to what Yves mentioned in the preliminary round regarding the renewal of the partnership with Société Générale. As you know, it was announced last evening. We remind that the initial agreement was signed at the time of the creation of Amundi in 2009 and extended at the time of the IPO in November 2015. This agreement was coming to an end in November of 2020.

We are renewing the agreements for five years, so until November 2025. These agreements are been renewed in all their dimensions. We will remain the leading provider of savings solutions for the French and international network of Société Générale, to the Société Générale and Crédit du Nord network in France, and the KB network in the Czech Republic. We also remain a partner for the employee savings schemes in France, and remain the manager of the mandate for the insurance company Sogecap. We will also remain their partner in the securities service division, as before, whereas they will remain one of our two main partners.

Some parameters are adjusted, but overall the adjustment of these parameters will not have any significant impact on Amundi's financial planning. So, overall, consider that this renewal, the first time that we renewed one of this long-term distribution partners, confirms and cements our positioning as a reference partner for retail networks in Europe.

Growth drivers: partnerships with Banco Sabadell

About the new agreement that came into force with Sabadell in Spain, pages 34-35. The partnership and acquisition, were announced in January, at the beginning of this year. On the 30th of June, the transaction was closed and we both made the acquisition of Sabadell AM, which manage a bit more than €20 billion in Spain, and began a long-term partnership with Banco Sabadell, where we will be the reference provider for asset management products for the whole Sabadell network for 10 years. It will reinforce significantly our position in Spain, which is the fourth market for asset management in the Eurozone and where we will be the fourth player.

From a financial point of view, what we can say or confirm is that we can re-evaluate the synergies that we announced when we sealed the deal. For a structure that should generate pre-synergy around €33 million of results this year, we expect to deliver €20 million of synergy pre-tax, and to generate the synergy rapidly. We expect to see 50% of the synergy realised as soon as 2021, and 100% the following year. So it's obviously very accretive, immediately accretive, and post synergies the accretion should reach around 5% on our EPS, and clearly with a return on investment above 10%.

JV with BOC Wealth Management: a strategic project under implementation, in line with the envisaged objectives

Page 36. As Yves indicated, our other big strategic project, the new partnership with Bank of China, is now also well underway. You know that the idea here is to create, and it will be a first in China, a JV in wealth management with Bank of China, where we'll be the majority shareowner, 55% of the JV. So the project is well underway. Of course, we finalized the terms of the agreement with the Bank of China. We applied for the license. The management team is in place and we are well-advanced in hiring the staff, and the infrastructure in particular is being prepared. We expect to get the final regulatory approval from the authorities throughout the end of September, beginning of October. And the structure should be fully operational by the end of the year.

Conclusion

To conclude, and before giving the floor for questions, the main feature that we can take out from this result is the fact that both in terms of activity and earnings, despite the context of the crisis, this result confirms once again, I want to say, the solidity, the resilience of Amundi's business model.

The growth trend, despite risk aversion, remains positive, driven especially by our main growth drivers, the Asian JVs, passive management, real assets and ESG.

Third element, the renewal of the distribution agreement with Société Générale confirms our positioning as a reference partner for retail in Europe.

And last element, the growth drivers that we have initiated over the last six or nine months are well underway. The partnership with Sabadell is signed, actually already started, we already launched some products in the Sabadell network in advance, compared to the closing of the operations. And the project with BOC is well underway, in line with our plan.

Q&A

Yves Perrier: Thank you, Nicolas. Now we are ready to answer to your questions.

Jacques-Henry Gaulard (KeplerCheuvreux): Yes. Good morning, gentlemen. A couple of questions. The first one is, in light of the good results you had in a disastrous environment, can you safely reiterate the financial target you had in terms of earnings to 2022? That's the first question.

And the second one, how concerned are you about ECB recommendations? The first recommendation ended up with you having to cancel your dividend quite absurdly, frankly. Is it a similar situation for the renewed recommendation? Thank you.

Yves Perrier: Okay. Firstly, on target 2022, I suppose the question is what about the financial trajectory for Amundi? I would say, taking into account that in 2022, we have an economic situation which come back to normal, that the GDP of the main countries come back at their level of pre-COVID, taking the assumption that you have no specific shock of the market, I consider that we are on the same trajectory. And the fact that, if you look to our figures of the quarter or this semester, except the renewed impact due to the level of the market, we are on the trajectory. So I don't see, today, any reason to change the view of the trajectory for 2022. That's the first point.

The second point relating to ECB. The ECB has made this communication two days ago. At the level of the group, Credit Agricole, we are examining the impact of this recommendation, because it is, in this case, a kind of recommendation. The devil is in the details. And so, there will be two different cases. The first case: Credit Agricole is not allowed, which is not the wish of Credit Agricole, to pay a dividend this year. In this case, Amundi also won't pay a dividend. And if Credit Agricole is allowed, Amundi will pay, also, a dividend.

But also, have in mind that in all our commitment at the time of the IPO, and when we announced the 3 years plan, we have always said that in the case, at the end of the plan, we have an excess capital because we didn't find good opportunities of acquisition, we will give back this excess capital to the shareholders. And presently, you've seen the figures. We have nearly €3 billion of tangible equity. We have a CET 1 ratio, which is 17% after the acquisition of Sabadell. And so, we have plenty of excess capital.

So in the case − that I don't wish − that we won't be able, this year, to pay a dividend, we would find the ways for next year, for the upcoming years. So we will give back this capital for shareholders.

Jacques-Henry Gaulard: Thank you so much.

Arnaud Giblat (Exane): Good morning. It's Arnaud Giblat here. Three questions. Sorry if you've talked about it during the call, I missed the beginning. But my first one was on China. Last quarter, you mentioned that you'd give some indication in terms of sizing the market opportunity for that new JV. I was wondering if you could comment there? What are the start-up costs, and how fast should we look at that JV ramping up?

My second question is on retail revenue margins. Those have been coming down. Is there any one-offs we should be thinking about in H1? Clearly, the situation was pretty fluid. I was just wanting to get a bit more of an outlook for further down the line. And how does the Société Générale renewal impact that revenue margin?

And thirdly, we realize that real assets did pretty well across the space. How are you building out that pipeline for the future? I suppose, in a zero interest rate world, are you seeing real assets as a key tool or as a key product that you should try to put more in front of clients? Thank you.

Yves Perrier: I will take the answer on China and real assets. And Nicolas, you take the answer about retail margin and the impact on this margin of Société Générale renewal in time.

Regarding the Chinese JV, we are in the last step of creation of this company. All the people have been recruited. There has been a small delay linked to the COVID context. For example, the people that we are sending to China have been advised only to go to China by the Chinese authorities in August. So we should have the final authorisation by the regulator in September. And the company will be operational in the fourth quarter of the year. And next quarter, we will present you a view of the trajectory of activity, and outlook for this joint venture.

About real assets, of course, for us, the main parts are real estate and private debt. We have some private equity, but we are not a big player in this area. They are doing well. And I consider that they will continue to be doing well, and that it will be a driver for the reasons you mentioned. If you take our funds, the real estate funds, they generate yield for the investors, which is not far from 4%. And so, it's very attractive, with quite good security of the capital.

Nicolas Calcoen: Regarding the retail margin, there was no specific one-off during the first half of this year. But there was a specific one-off on the first half of 2019, which I mentioned as the fact that we launched a significant amount of new guaranteed product in Italy, with some specific fees upfront. Which is why, if you look at page 25, on the margins, we did have last year on retail an increase in the margins in the first half of 2019, compared to the previous year. So this was a part of it. The increase was clearly one-off in nature. And so, if you exclude that, there is still a slight decrease this year compared to last year. But with no specific element, unless the fact that, if you look basically at the last 12 months, we did have an unfavourable mix with retail activity last year. Remember, the year 2018 was not that good, either, and with many inflows going to passive.

And going forward, you asked about the impact of the SocGen agreement. As I mentioned, there are some adjustments in the parameters of the relation. One of the adjustments is a slight increase in the rebate rates. So it will have – not a significant, but it will have a small impact on our margins in the retail side, starting next year.

Arnaud Giblat: Thank you.

Haley Tam (Credit Suisse): Hi there, could I ask a couple of questions, please? First of all, just on the new partnership agreement with Société Générale, could you maybe give us some colour on why this is just a 5-year agreement? I think the UniCredit and Sabadell ones are both ten years.

With that in mind, with the Sabadell one, could you maybe give us some idea of how much the goodwill amortisation of that distribution agreement is going to be? Thank you.

Yves Perrier: Yes. About the partnership of SocGen, firstly, this partnership is renewed in all its components. Remember that the partnership was done in 2010 at the creation of Amundi, and it was a five-year contract. It has been renewed at the time of the IPO for five years again, and it is renewed for five years. It is renewed in all its components; that means that Amundi remains the main, and really, the most important partner of Société Générale for the distributions of mutual funds in its retail network in France (Société Générale network, Credit du Nord network) and Komerční Banka in the Czech Republic. We remain the asset manager for the mandate of Sogecap; the insurance mandate. We remain the unique provider for employee saving schemes. In counterpart, we continue to use, along with CACEIS, the services of Société Générale Securities Services. In this case, Société Générale is a supplier of Amundi. So it is renewed in all these components.

What has changed for Société Générale: they have the possibility to increase the part of open architecture, compared to the previous level. It is at an increase of about 13pts, but coming from a level which was very far, and we remain the main provider of Société Générale. Secondly, there were some adjustments on the rebate;.

What has changed for Amundi? There is also an adjustment on the prices that we pay for custodian activities.

And we pay no upfront payment for this renewal.

All in all, when we compare the impact on revenues of this renewal and the fact that we have no amortisation of the previous goodwill, linked to that goodwill recognition when we bought Société Générale Asset Management in 2010, the impact on accounting net earnings is neutral.

Nicolas Calcoen: About the second question on Sabadell, yes, part in the price we paid, part of it will be allocated to the value of the distribution agreement, and an amount of intangible asset which will be untied, and the value given to this agreement is roughly one-fourth of the price; it is €108 million pre-tax. This means that the annual amortisation for this agreement will be, let's say, €11 million per year pre-tax and post-tax, €8 million.

It is not exactly the same number, but it will replace, I would say, the amortisation of the Société Générale distribution agreement.

Haley Tam: Thank you. Could I just quickly clarify part of the first answer? The 13pts that you mentioned, Monsieur Perrier, I am not quite sure what that related to, if you could help me there?

Then, the agreement replacing in all aspects of the previous agreements, just to confirm, that was previously a quasi-exclusive agreement which covered all of the main bank branch network for Amundi. Is that still the case, and this open architecture is just for the higher-net worth clients, or it has actually changed a little bit there?

Yves Perrier: The scope of the customers and of the channel of distribution is exactly the same than before, but the only point is that Société Générale wants to give the possibility, but not the obligation, to increase the level of open architecture to provide to its customers additional products or brands. However, it is in fact a slight adjustment.

Haley Tam: Okay. Thank you.

Nicholas Herman (Citi): Good morning, and thank you for taking my questions. Three quick questions if I may? Just firstly on cost: I am just curious if you could help us understand how the variable compensation ratio in 1H20 compares to that in 2019?

Secondly, can we assume that the market recovery and flow mix, and treasury outflows, should be partly accretive to margin in the second half of 2020?

Finally, capital position is incredibly strong. It does seem that a more volatile revenue environment should encourage consolidation. I am curious what your preference is in terms of capital allocation if you had the choice? Would it be to M&A in alternatives, within that illiquid alternatives, or would it be another branch-based asset management deal, similar to Sabadell? Thank you.

Yves Perrier: About your first question about compensation, the way we register general variable comp, we have a policy defined in 2008; it is the global bonus pool, defined as a percentage of the gross operating result, and we have applied the same as before. As a gross operating result was down, the level of variable compensation is down.

On monetary fund, Nicolas mentioned that in this quarter, we have net outflows of €4 billion, but since then we have been positive, and this trend has continued in July, in fact.

About the question of dividend and consolidation, our policy is mainly to continue organic growth, but at the same time, we have demonstrated that we were able to catch opportunities of acquisition, and to generate a lot of value by the integration of this acquisition. However, acquisition is a question of opportunity and it will depend on the opportunity of the market. If we have no opportunities, and we are very assertive in the way we make acquisitions, we will give back part of the excess capital to the shareholders in line with the policy we announced in 2015, at the time of the IPO, and confirmed when we presented the three-year plan.

Nicholas Herman: That is great. Thank you. If I could just follow up quickly? Just to clarify on the compensation point. I take your point that the gross operating income was down and therefore variable comp was down, but as a percentage of gross operating income, it sounds to me like the proportion is reasonably similar to 2019, then?

Yves Perrier: Yes, yes.

Nicholas Herman: Great, thank you.

Hubert Lam (Bank of America Merrill Lynch): Morning, I've got a few questions. Firstly, on your distribution of funds at SocGen, I just wanted some more clarity on this. Does this mean that SocGen is still going to prefer your products to others, or does that mean that they are now free to sell other products from other providers, without giving you a preference? Frist question.

Second question, could you please remind us how much assets do you manage currently for SocGen, in total?

And lastly, on costs, how much of the lower cost this quarter is related to less travel and marketing expenses from the crisis? And should we expect some of this to possibly come back in the second half? Meaning that, maybe, the Q2 costs were probably the low point of the year? Thanks.

Yves Perrier: The main decrease on costs results from the synergies effect, the full effect of pioneer synergies and the decrease in variable remuneration. Regarding the impact of travel and events, the amount is a few million. For the future, the synergy is in full effect as we have it now. For variable remuneration, it will depend on the results. And concerning travel and so on, there are some points which are positive in the COVID crisis, which is the fact that we have been collectively obliged to work more efficiently, and to limit the time of meeting and travel. And we have launched an efficiency plan, just at the end of June, with 15 projects in order to assess the development of the productivity gains. That means that it will also lead to be in this context of permanently delivering productivity gains, which are re-invested in new people for the development. And so, you have seen these figures that we have fully exhibited in costs and it's in the DNA of the Amundi organisation, and it will continue in the future.

The question on the partnership of SocGen was…

Nicolas Calcoen: Do we still are the preferred provider?

Yves Perrier: Of course. We don't give the detail, but have in mind that roughly, because it depends on the segment of customers and the appetite on product, but roughly we will remain at about 2/3 of the products distributed. So the fact that there is the possibility for SocGen to use more funds doesn't change the global relationship and also, because it's not also a question of product, it's a questions of services. For example, we will remain in charge of managing the mandates for the customers of SocGen.

Nicolas Calcoen: On AUM related to SocGen, overall, including the mandate, it is around 150 billion.

Hubert Lam: Yes, but on this 150 billion, which is the retail ?

Yves Perrier: It's 40 billion**.**

Hubert Lam: Great, thank you.

Yves Perrier: And the revenues from SocGen represent 8% of the total revenues of Amundi.

Hubert Lam: Thanks.

Angeliki Bairaktari (Autonomous Research): Thanks for taking my question. Just one more question on the SocGen distribution agreement on my side, please. Just to clarify, is there a contractual term, or some sort of contractual safeguard that prohibits SocGen from sort of dropping completely the distribution of Amundi products, if it finds a better partner? For example, someone who pays even higher retrocession fees than you have negotiated at the moment? If you could put our mind at ease with regards to that, that's my first question.

The second question on the dividends, I hear you with regards to the policy which has been proven in the past. Just a clarification for next year, if you are given the green light to pay your dividends from 1st January 2021, could we be expecting the 2019 dividend to be paid as a special already next year? Or is that going to be evaluated at the end of the plan, which I understand is going to be at the end of 2022?

And then if we go back a little bit to the region flows, could you give us some colour on what you are observing on the ground in your three different channels, so far in July? You have spoken in the past about customer risk aversion, when it comes to retail customers, in particular. Is that something that we should be expecting to see in the second half? Meaning, should we expect to see retail outflows in the second half?

And one last question on passive. How much are the 5.5 billion worth coming from the retail channel this quarter? Thank you very much.

Yves Perrier: I answer to the question to dividends, and Nicolas, you take the other question. About dividends, I say again what I have said. Firstly today, in CredAG group, we examine the real impact of the ECB recommendation ; obviously if we stay in the green area for results this year, we will pay the dividends of 65% of the net income in May 2021, it is our general policy. If it's not possible, and in line with the assumption that we have, during this period, the period to come, no significant acquisition to do with possibility to create value, we will look at the way to give back, in line with what we said in our plan, part of the excess capital to the shareholder. But at this time, we have not defined exactly when and how.

Nicolas Calcoen: regarding retail flows. So as was said now, overall on the second quarter, positive in the networks, and negative on third-party distributors, but coming back positive in June for distributors, it's a bit early to say what can happen to the second semester. But – and it will also depend a lot on market conditions, if let's say market conditions remain relatively well oriented, we would expect to see this recovery to continue. But again, if we have a second market accident, of course the situation would be different. Question regarding Société Générale, if we have contractual protection : yes, we do.

Yves Perrier: Yes. The way we are protected is in line with the way we were protected before. But keep in mind, you know, and some people asked the question before, why five years? It makes a demonstration that in fact that the link with Société Générale is very, very strong. It's a mutual interest between the two parties and the reason why they continue with us is that their retail network is satisfied with us. And so I think that what was initially a five-year contract is now a 15 years contract at the minimum. But if we work again well, as in the past, in the next five years, I have no doubt that it will continue in the future.

Nicolas Calcoen: The last question was on flows in passive management, they come both from retail and institutional segments. We won for example a significant mandate in Institutional, we mentioned it with a Danish pension fund, and there are also flows in retail, in third-party distributors. Next question.

Pierre Chedeville, CM CIC: Yes. Good morning and one question regarding the Bank of China. We understand that for 2020 you will have a cost, because you are preparing the structure. While you will not have any revenues, could you give us an indication regarding the impact and the cost income ratio due to this lag between cost and revenues between 2020 and 2021?

I had one question regarding expenses. Contrary to many big companies, financial companies, AXA, SocGen, BNP, etc., you didn't mention any participation to any COVID fund or any solidarity fund due to the crisis. And I wanted to know if it's done, and you don't tell it, or if it is done at the level of your mother company.

And the last question, but I guess that you will not answer it, but I try. During your discussion with SocGen, have you talked about passive management and strategy in the passive management on it? Thank you.

Yves Perrier: So, I take the question about SocGen and passive management, and your anticipation was good; I don't comment. Secondly, on COVID funds, what we have done at the level of Amundi is firstly myself, I have given up 50% of my variable remuneration of 2019. That means 1 million Euros, which has been given to the funds created by Credit Agricole group to support old people who had suffered from COVID, and it was a common decision of Philippe Brassac, Xavier Musca and myself, and which was announced in April, it was before the annual general meeting. And yes, also even money, the recurrent money to this fund, and plus two other initiatives, I think it's important to do, and less to make everybody know what we do.

Question: No, but my question is what the impact and the expenses and really –

Pierre Chedeville: It's not significant.

Question: Okay. That's my point, okay.

Nicolas Calcoen: The first question was regarding BOC, and its impact on our accounts. Yes, of course we start the company from scratch, well first we have some costs, and then , progressively some revenues. What we can say in terms of global impact on the cost income ratio, it won't be something significant on the scale of Amundi.

Yves Perrier: Okay. So thank you again for participating to this presentation. I wish you good holidays. I'm sure that we and everyone need holidays after this very intensive first semester. Goodbye.

Nicolas Calcoen: Thank you very much, goodbye.

[END OF TRANSCRIPT]