



Amundi Third Quarter & Nine-Month 2016 Results

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Q3 and 9M Financial Performance

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Thank you very much and good afternoon to everybody or good morning for those who may join and listen from the US. I'm happy today to share with you Amundi's results for the first nine months of the year and the third quarter of 2016. As you have seen, we have published our results this morning and I believe you have already read our press release and the slides for our presentation, which I believe you can also download on our website.

So now I will start going through the presentation and then be able to turn to your questions.

Operating performance

Starting with slide 4, for which my general comment will be that our operating performance, whether in term of activity or in term of result, is perfectly in line with the objectives announced at the IPO last year, despite a more difficult environment than was envisaged one year ago.

Business activity

In term of business activity, I will develop this element further but, as you can see, our asset under management reached €1,054 billion at the end of September. And the net inflows of the quarter were €22 billion, bringing total net inflows over the first nine months of the year to €39 billion.

Results

And in term of results, net income Group share for the third quarter which are up sharply to €137 million, +14% compared to third quarter 2015. And for the first nine months, net income Group share grew to €415 million, which is +5.3% compared for the first nine months of 2015.

Net inflows

So going a little more in detail and starting on slide 5 with the activity. As I said, assets under management reached €1,054 billion at the end of September, which is an increase of 5% compared to the end of June and slightly above 7%, compared to the beginning of the year. So the main element, of course, strong net inflows of €22 billion over the quarter, with the market effect but also perimeter effect. As you probably remember, we finalised the acquisition of KBI Global Investors at the end of August. And now we register €8.3 billion of assets managed by KBI in our total asset under management.

Medium- to long-term assets in first nine months

So where did those inflows comes from? Turning to page 6. First, the net inflows by asset class. As you can see, once again net inflows since the beginning of the year were led by inflows on medium- and long-term assets which represent roughly two-thirds of the total new money since the beginning of the year at around €26 billion. And what we can see also is that this increase was observed in all traditional asset classes and both in active and passive management as well as in real, alternative and structured assets, for which inflows amounted to €4.6 billion in the first nine months of the year. So quite diversified source of new activity in term of asset class. And beside net inflows on medium- and long-term asset, we also

registered positive inflows in treasury for a bit more than €13 billion in the first nine months of the year.

Medium- and long-term assets and treasury in Q3

I was mentioning inflows on treasury product. As you know, inflows in treasury are always more volatile, bumpy, from one quarter to another, which can be seen on the next slide, slide 7.

What do we see in these figures? You can see that, in as far as medium- and long-term assets are concerned, they have been able to deliver consistent and sustained level of inflows since the last year, with quarter-to-quarter inflow in medium- and long-term assets staying in a range between €7-10 billion. And it is the same in the third quarter; it's close to €9 billion in long-term assets on the third quarter.

These constant inflows in medium- and long-term assets, were complemented, I would say, in the third quarter by very strong inflows on treasury funds, with close to €14 billion on treasury funds.

Inflows by client segments

Now let us go a bit further, having a look to the inflows by client segment. And you can see here again, the inflows activities were well diversified among client segments.

Retail

First, so page 8, in term of retail, you can see that the retail segment posted a good business activity, despite persistent risk aversion, with positive inflows of €14.2 billion in the first nine months of the year. And this was again driven by the success of our joint venture, mainly in Asia, inflows of €12.6 billion since the beginning of the year, and by third party distributors, positive inflows of €5.5 billion since the beginning of the year.

Focusing on medium- to long-term assets, excluding Treasury funds, you can see that the inflows were €16.7 billion since the beginning of the year. And more specifically, as far as the French networks are concerned, of course – and we already discussed that – there were some outflows in Treasury funds. But on the French network we were moderately positive, on medium- to long-term assets with inflows since the beginning of the year of €0.6 billion but also in the third quarter. You can remember that on long-term assets, the net inflows were zero in the first half of the year, quite a volatile and difficult market environment. On the third quarter they came back to a slightly positive environment with €0.6 billion of inflows.

Institutional

Turning now to the institutional segment, page 9, you can see that the institutional segments also recorded very strong inflows at €25 billion over the nine months of 2016. Again, the Institutional and sovereign segment accounted for a bit more than 70% of this inflows, with particularly significant inflows in the third quarter in treasury fund. Business activity also remained strong for our insurance partner, Credit Agricole Insurance and Sogecap, with €5.5 billion of the positive inflows since the beginning of the year.

Focusing now on medium- to long-term assets, you can see that inflows were quite positive, €9.1 billion.

Net inflows and International activities

Finally, what can we say about the geographical mix? You can turn now to page 10. You can see that total inflows were quite evenly split between France, 44%, and international operations, 56% of the inflows, since the beginning of the year.

Then for long-term assets, you can also see that 85% of the inflows came from outside France with roughly two-thirds in Asia and one-third in Europe outside France. So you can note that our development continued to be driven by our geographical diversification and our development outside France. And on a year-on-year basis, our total asset under management for clients outside France went up by 31%.

So this element concludes my comments on business activity.

Financial results*Revenue growth in first nine months*

I will now turn to the financial results. So going to page 11 and page 12.

First you can see that Amundi delivered high quality results over the first nine months of the year, with revenue posting a modest growth of 0.7% in the first nine months but a sharper growth in Q3, +5% compared to last year. Operating expenses remain under control, decreasing by 0.7% compared to last year. As a consequence, the cost/income ratio stood at 52% over the nine first months of the year, posting an improvement of 0.7 percentage point compared to 9 months 2015. And just focusing on the third quarter, this ratio showed also an improvement by 1.1 basis point.

So growth in revenue, slight reduction in cost. Consequence is an operating result growing by a bit more than 2.2% over the nine months and 7.6% for the quarter. If you now take into account the fact that the tax charge decreased due from a reduction in the French corporate rate tax which was implemented at the beginning of the year, the total net income group share, as I said at the beginning of this conference, was €415 million for the first nine months, growing 5.3% compared to last year. So you can see that this result continued to basically post growth on a very regular basis.

Net income

Very quickly on page 12, maybe focusing just on few points on Q3, since I already commented on the first nine months of 2016. As I said, you can see that revenues were up by 5.1% compared to the third quarter of 2015, including high level of performances over the months, €34 million. For the rest, I think I already commented on the numbers.

Maybe moving on page 13, if we put this earning, this result, into perspective, you can see a continued growth of our results over the last four years, which illustrates the resilience of our company, which continues to post regular income growth, year after year.

So that was the results for the third quarter and the first nine months of the year.

Initiatives to boost and diversify revenue

Before concluding my initial remarks, I would now underscore a few recent initiatives that were launched or implemented mainly over the last quarter, which are aimed at boosting our revenues and continuing to diversify our sources of growth.

Internal growth drivers

So we start page 14 with some development in term of organic growth drivers. First mentioning that Amundi has created an integrated platform, dedicated to our expertise in real and alternative assets, which, as you well know, are gaining a lot of traction from investors in the context of low interest rates. It covers our expertise in real estate, in private debt, in private equity or in infrastructure. On this division, we already manage approximately €34 billion in assets. And as you can see, we expect to see this figure double in the next three years.

Second initiative, we recently launched a service business line, whose aim is to leverage on our existing industrial operational platform in order to offer service outsourcing to some of our clients, whether institutional clients or small or medium-size asset managers. Example of services we could provide are fundhosting, trading services, reporting, regulatory monitoring, calculation of risk indicator and so on.

Of course we are just starting this business line. We already gained a few clients over the last month and quarter. But the objective is for this activity to represent up to 5% of our net revenues within five years. So again, here a source of diversification of our revenues but really leveraging on many existing capacity.

External growth initiatives

Coming now to page 15, here to mention some external growth initiatives that we already presented and discussed but that I would like to remind.

The first one, on 29th August, we have finalised the acquisition of KBI Global Investors, that we announced, I think it was, in last June. So KBI is an Irish asset management company which specialises in global equity and which manage €8.6 billion of assets at the end of September. And there was a very strong growth over the last four years. So this transaction is perfectly in line with our acquisition policy since it offers marketing synergies and is immediately accretive on Amundi's net earnings per share.

Second initiative, the fact that we have combined the real estate management activities of Amundi on Credit Agricole Immobilier. You may remember that we announced this transaction in mid-September, and this transaction was approved yesterday by our Board and will involve the merger of the two management companies under Amundi's ownership. The goal is to create a sizeable player on the European level with ambitious business development growth and to help to consolidate our positioning in real estate investment funds. So it is really part of our overall strategy regarding real estate that I just mentioned a few minutes ago.

From a financial standpoint, Amundi is financing this acquisition through the issue of Amundi shares in consideration for Credit Agricole Immobilier's contribution. So 680,282 new shares, to be precise have just been issued, equal to 0.4% of the share capital. The impact on net earnings per share should be neutral. And as we already mentioned, when we develop our strategy regarding real estate and overall real assets, Amundi expect to manage around €20 billion in real estate by the end of the year.

Conclusion

So to conclude, page 16, I can just remind that the main takeaway, I would say, from this quarter, is that our operational performance is perfectly well on track with the annual objective that we announced at the time of the IPO. In terms of activity, with €39 billion in net inflows in the first nine months, the average annual objective has almost been reached. And in terms of profitability, with the improving cost/income ratio, with the net income up by 5% over the first nine months of the year, we are also perfectly in line with our objectives. So an operational performance which is in line with the targets and, at the same time, implementation of new initiatives, whether internal or external, to continue to develop the business and diversify the business model.

So thank you very much and I am now ready to answer your questions.

Q&A

Anil Sharma (Morgan Stanley): Afternoon guys, just a couple of questions. On the French retail network, obviously the flows were marginally negative in the quarter. I just wondered if you could explain some of the moving parts there, as what's going on. And then how should we be thinking about the flows into the unit-linked products?

The second question is just on the service business line that you are creating, how should we be thinking about the revenues over the next 12-18 months? Or do you not expect any revenues until year three or five? I am just trying to think through some of the phasing of that.

And then finally, I might have missed it, but what is the kind of surplus capital level now please? Thank you.

Nicolas Calcoen: Okay, so first question was on the retail network. You were mentioning negative inflows of €0.2 billion in the third quarter. That is true, as over the previous quarters, we saw outflows on treasury funds. If you look at medium- to long-term asset, the inflows are slightly positive, €0.6 billion. Not very much but still it is positive after a first half where we saw zero inflows. There is a slight improvement here coming from various types of funds: real estate funds are still attractive, structured product and so on.

In terms of unit link, the inflows are coming. Overall, and that was also true in the previous quarters, we have positive inflows in unit-linked and negative inflows on other products. I am talking about the French networks. So positive in UL, in unit-link, and negative on other wrappers.

Second question was about service business line. Well, the business line, as I mentioned, already started. We already have – I think it is four or five clients now, for example, using our capacity in term of execution, trading and so on. So we are starting to generate some revenues for the next year. I cannot give precise figures but a few million is to be expected in the next year.

And the third question was – Anil, can you repeat it please?

Anil Sharma: Yeah, I am just wondering – I have probably missed it – but I was just wondering what the surplus capital position is now.

Nicolas Calcoen: We provide only that on the semi-annual basis. At end of June, it was €1.5 billion but, I mean, you do not expect any major change, since on one hand we posted the net results that I just presented, on the other hand we finalized the acquisition of KBI; so one effect more or less offsetting the other.

Anil Sharma: Got it. It was helpful, thank you.

Nicolas Calcoen: Welcome.

Benoit Petrarque (Kepler Cheuvreux): Yes, good afternoon. Four questions on my side. The first one will be on the excess capital. So you do not disclose it, fine, but it looks like you are pretty conservative on the definition you use. In case of a large acquisition, will you be open to change your definition slightly, i.e. show a better excess capital figure potentially? That is the first question.

The second question is on the French retail, the inflows. So if I understand correctly, you have inflows in unit link and outflows in mutual funds in France. However, I mean, it looks like there is a bit of a turnaround. It is not huge yet but we were negative and we are now sequentially moving now in positive territories. What is the kind of outlook for the coming quarters? What do you see, acceleration into September/October or are you expecting kind of flat curve from this level?

Third question will be on the margins on the retail side. What do you see in the quarter? I mean, you do not disclose the management fees per segment but what do you see on the retail side now year on year? Do you see a small improvement or still flat?

And then on the cost side, I was wondering, do you have seasonality in the fourth quarter? I was trying to understand what the cost base could be in the fourth quarter. It seems that last year, you were – I mean, we know you had some IPO cost. Clean of that, you were a bit higher in the fourth quarter so is your fourth quarter a seasonally higher quarter in terms of cost base? Just to understand a bit where we stand for yearend. Thank you.

Nicolas Calcoen: Okay. The first question on the excess cap, I think we explained quite intensively our approach, which is well above what the regulatory requirements are today and so can be considered conservative. We do not expect to change our approach, meaning that over the medium term, if I take out the excess cap, the level of capital we have is adequate.

Second question on the French retail, yeah, so it is a slight improvement compared to the beginning of the year, as I said. In term of outlook in the medium term, we are still positive and we still believe that for many reasons we already explained (the regulatory constraints on insurance company, the level of interest rates, the search, I would say, for revenues fees for bank and so on), we still are positive in the medium term, including for the French retail market. That said, on a quarter to quarter basis, we cannot give specific guidance from one quarter to another quarter. There can be some change. But in the medium term we are still on the same tone.

Third question regarding margins; as you already pointed, we do not publish margins on a quarterly basis because we think it is not relevant. If you compare the overall revenues and, in fact, the average margin compared to the previous quarter, the third quarter is lower. But this year as well as last year we already mentioned that there was quite a high level of

revenues due in particular to guaranteed commissions linked to the coming to maturity of some funds. If you exclude these kinds of effects, there are no significant change in margins.

And in terms of cost, your last question, there is no real seasonality in the cost. The main element that can explain some level of variation from one year to another, from one quarter to another quarter, is especially the fact that we adjust the provisioning of variable remunerations to the expected or effective result, which means that you can have a change from one quarter to another. But no real seasonality in the meaning that first quarter should always be higher or lower than other quarters.

Benoit Petrarque: Just on this, the bonus pool, I think you guided during the IPO that the range for the bonus pool was 12-18% of the pre-bonus operating result. Will that be the case still this year?

Nicolas Calcoen: Yes.

Benoit Petrarque: Okay, cool. Thank you.

Nicolas Calcoen: Welcome.

Hubert Lam (Bank of America): Hi, good afternoon, I have three questions, if I may. Firstly, I am going back to fee margins. I think you mentioned that the fee margins are lower this quarter due to no longer guaranteed fees coming through. I am just wondering if we should expect that to be the case going forward now that you will not be getting much more on guaranteed fees going forward and we should expect this lower margin going forward. That was the first question.

The second question, just for modelling purposes, can you just give us a sense as to what the financial revenue was in the quarter? Is it very similar to the run rates you have seen in the first half?

And the third question on performance fees, just can you give us also a sense as to what fees came from in the quarter? It seemed pretty good. I am just wondering if it was concentrated on certain products. Thank you.

Nicolas Calcoen: Okay. Your first question, fee margins, I think we already indicated that we had, second quarter last year and this year, quite a high level of structured or guaranteed fees. So going forward, on average, we expect slightly lower than we had in the second quarter.

The second point was on financial results. I would say it was slightly lower, in third quarter. It depends, of course, on market effect plus the realization of latent capital gains. So it was slightly lower on the third quarter.

On performance fees, yes, this quarter they were higher than the same quarter as last year. The sources of performance fees remain quite diversified now. It does not rely on one fund. It is quite diversified. But keep in mind that from one year to another, the funds that can generate performance fees are not generally the same. And the performance fees are counted at the anniversary date of the fund. And so one year you can have funds with a high level of performance fees with anniversary date will be the third or the second quarter. Next year there will be more funds with an anniversary date being on another quarter, which explains that you can have significant change from one quarter to another.

Hubert Lam: Okay, thank you.

Nicolas Calcoen: Welcome.

Haley Tam (Citi): Good afternoon. Could I ask three questions please? First one just relates to your real and alternative assets platform. Can you tell us what typical fee margin is on the €34 billion of assets that you already have here?

And then second perhaps a related question, the combination of your real estate management activities with Credit Agricole Immobilier, the €5 billion, is that actually going to be added during Q4? So will we see a growth in your AUM because of that? And if so, where will I see it?

And the final question is just on the third party flows. I mean, these have stayed quite robust throughout this year. And I just wondered if you could talk us through some of the particular dynamics there that are different to your own network flows? So is it because you have been adding new partners? Is it a different focus of asset class or by region? I just would be interested to hear some more colour there, please. Thank you.

Nicolas Calcoen: First question was the margins and real estate in general. I cannot give one figure because as for the rest of our business, they are very different when you are looking at internal clients or retail clients. What I can say overall and for one type of client, they tend to be of course higher than other asset classes. The impact in terms of assets of the combination of Amundi and Credit Agricole Immobilier investors, so the +€5 billion, will be recorded in the fourth quarter. They are not yet recorded since the operation was only finalised yesterday. So you will see them in the fourth quarter.

Regarding the third-party business, what I can say is that again it is quite diverse in terms of geographies. It has been mainly in Europe, in countries such as Italy, which remain positive, Benelux for example, Switzerland. We also started to see positive result, I would say, in Asia, Hong Kong, Singapore, for example. Except for Japan where, as you may know, the retail market in Japan is very, very difficult and it is the whole market, not only us, but very difficult with strong outflows in the retail market in Japan since the beginning of the year. So that was the geography.

And new partners, partially I was just mentioning some developments in Asia. They are based on some partnerships that has been negotiated over the recent quarters of last year, starting little by little. It is still moderate but they are starting to deliver some results.

And in term of products, it is quite diversified. You have active and passive management. In term of active management, what has been working very well this year, for example, is volatility expertise, which is in the context of high volatility, as we have seen at the beginning of the year become again a new active asset class. And we are very well positioned in this expertise and we have very strong inflows, not only but especially with some third party distributors, let us say, large private banks, for example.

Haley Tam: It is very clear. Thank you very much.

Nicolas Calcoen: You are welcome.

Arnaud Giblat (Exane): Hi. Thanks. I have a few questions, some of them are follow-ups from previously asked questions. The first is on the retail management fee margins.

Previously you indicated that your back book was worth around 49 basis points. I am just wondering if that is still the case and whether the new business you are adding on the front book in retail is coming in at around that average.

Secondly, clearly you stated recently that for Pioneer you were determined to achieve a 10% ROIC on a three-year view if you were to go ahead with that acquisition. I am wondering perhaps could you say if you would include revenue synergies in that return on invested capital or if you would take a more prudent approach?

So you stated that your surplus cash is at €1.5 billion. I understand that you deduct completely your seed money to calculate your surplus capital. Therefore by selling some of your seed money, you could increase the capital position. Is that something you would consider doing in the eventuality you would want to stretch to a higher level?

And finally on the business service line, could you perhaps indicate if there are any incremental costs associated with rolling these out? Because the way it is presented, it looks like it is just leveraging off the technology and the services that you already have in place. Is it very competitive? I know Aladdin is a big player in that space but I cannot think of anybody else there. So perhaps a bit of colour around that would be useful. Thank you.

Nicolas Calcoen: First question on margins and retail. As we have said, on average we expect our margins in the retail space to be between 45 and 50 bps. And we are still on this, including for the new development and new flows.

Second question, return on investment for Pioneer, I will not make any further development on this, number one being, as we said, we think their style would perfectly fit with our strategy. But in the meantime we stick to our financial discipline, keeping the objective of a return of investment greater than 10% over three years. But I will not make any more comment on the outreach of this 10%.

Third question, excess cash and seed money. I mean, we will keep the seed money we believe we need to finance our development and to contribute to development of new products. So there are no particular initiative or thought in that regard.

And finally, regarding the new business service line, yes, of course we are leveraging our existing capacities in terms of ITs and so on. But there will be an incremental cost maybe to adapt and change the size of the operation platform to what would be new clients and hence new demand and to contribute to the marketing and sales of this new business. So yes, there would be some incremental cost.

And the last part of the question was regarding the competition, the competitors, right?

Arnaud Giblat: Yeah, yeah, how competitive is that space? Because it seems to me, that Aladdin is present but I cannot think of anybody else. Is this competitive space to try to unlock the business service line to external managers?

Nicolas Calcoen: Yeah, it is a competitive space still. Of course, there is Aladdin. Under this business lines, you have different kind of activities, not exactly the same, as fund hosting, to do some trading or reporting. You have several components that can be sold together or I would say by part. And so depending on the segments, you can have competitors coming from actors such Aladdin, of course, but also, for example, coming from asset services,

custodians, that type of actors, for example. It really depends on the exact nature of the service you are looking at.

Arnaud Giblat: Okay, thank you.

Speaker: Okay, thank you to everybody and have a great weekend. Bye-bye.

Nicolas Calcoen: Thank you very much. Thank you to all. Bye-bye.

[END OF TRANSCRIPT]