



# **Amundi Q3 and Nine-Months 2019 Results**

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## **Q3 and Nine-Months 2019 Results**

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### **Q3 2019 highlights**

Thank you very much and good morning to all. Thank you for participating in this call dedicated to our quarterly results. As you probably have already seen, I think we can qualify this result as good-quality results for two reasons. In terms of activity, we recorded the best quarterly net inflows since the creation of Amundi, with €43 billion of inflows, translating the significant recovery in our flow stream. Secondly we experienced very good operational performance in this quarter, with an increase in revenues but expenses that are kept under control.

### **Markets have returned to their average 2018 levels**

So, if I may start with just a few quick elements on the business environment, I am on page seven on the slide deck. Since the beginning of the year, we benefited from a significant improvement in the market environment, with two elements. On the equities side, a significant recovery since the beginning of the year. Most equity indexes are up around 20% since the beginning of the year and it continued 2–3% in the third quarter.

The second element is a significant decline in interest rates, with now the majority of sovereign rates in Europe being in negative territory. So, in terms of market impact, there was a positive market impact around this element. If you look at the equity market, the recovery is significant since the beginning of the year. Considering the average level of the equity indexes over the first nine months of the year, we are basically at the same level as in the first nine months of 2018. In terms of average assets and average net income, it is important to keep this element in mind.

### **Inflows on the European asset management market are gradually recovering**

A second element of context regarding the asset management business. What we are seeing in Europe is a gradual recovery after a difficult 2018 and a difficult start of 2019.

Page eight presents the flows on the European market of open-ended funds. Until the beginning of 2018, we experienced very strong net inflows, between €150-200 billion of inflows quarter after quarter. This trend basically stopped in Q2, with net inflows around zero, or even negative, at the end of 2018. Since the second quarter, we have started to see a progressive recovery; to illustrate this: during the first two months of the third quarter (no data yet for September), we saw positive flows of €125 billion in the market although a significant part of it was in treasury funds. There is also recovery on medium-to-long-term assets but such recovery has been quite progressive.

### **Assets under management**

(Page 9) In this context, Amundi performed well with total assets under management reaching €1,563 billion at the end of September so a significant recovery. Such recovery represents a 5% increase in AUM compared to the end of June and around 10% since the beginning of the year. We benefited from a significant positive market impact, €33 billion in

the quarter and a bit more than €100 billion since the beginning of the year. However, we also benefited from a significant recovery in inflows, with the €42 billion inflows in the third quarter of 2019. It is the best level of inflows on a quarterly basis for Amundi since its creation.

### **Record net inflows**

(Page 10) As you can see, these net inflows have been driven by both medium and long-term assets and treasury: €25 billion in the long-term assets and €17 billion in treasury.

### **Treasury products**

(Page 11) To illustrate a bit on treasury products. The inflows were as usual concentrated on the corporate and institutional clients. After the seasonal outflows that we saw in the first half of the year, we benefited from a recovery in this quarter, after the dividend payments by corporate clients in Europe. So more than a recovery compared to the first half of the year.

### **Retail**

Concentrating on medium-long-term assets, we are seeing this recovery in the retail market, with net inflows in retail ex-JVs of €2.8 billion excluding treasury products. What is in particular noticeable is the significant recovery rebound on third-party distributors in most of our geographies in Europe and Asia.

Also to notice that French networks are back in positive territory, slightly positive at €0.2 billion thanks to unit-linked, in a context where the majority of savings inflows are still going on traditional life insurance.

Regarding the international network, we are seeing moderate outflows in Italy and some other positive signs such as the development that we see on unit-linked.

However, overall, the main element is the recovery in particular in third-party distribution.

### **Institutionals and corporates**

(Page 13) Regarding the institutional and corporate clients we are as well seeing a recovery. In addition to treasury funds that I previously mentioned, we experienced medium-long-term inflows of a bit more than €6 billion. The €6 billion in medium-to-long-term assets reflects the continued positive inflows coming from the life insurers of Crédit Agricole and Société Générale. Until recently we have seen strong inflows from individual savers in France going to traditional life insurance. Additionally, we are also seeing a good recovery on external clients, institutional and sovereign clients in particular, which represented close to €2 billion in this quarter.

### **Strong net inflows in the JVs driven by India and Korea**

(Page 14) Focusing on JVs, we have seen very strong inflows in India partially thanks to a specific mandate of €14.6 billion won by the JV from SBI pension fund. The rest of the business however is also very positive, in particular the retail business and overall our Indian JV which recorded more than €21 billion inflows since the beginning of the year.

In Korea we are also seeing a good level of activity with positive inflows of a bit more than €4 billion since the beginning of the year. On the contrary, we have experienced some outflows in China which is mainly driven by the change in regulation and treasury product outflows.

So, the overall JVs YTD inflows consist of €21 billion of inflows in India, €4 billion in Korea and €13 billion of outflows in China, totalling €12 billion of inflows accounted for just in the third quarter.

### **Expertise**

Net inflows were driven by long-term assets at €25 billion and even excluding the Indian JV's specific mandate, it's a bit more than €10 billion of inflows, driven by fixed income to some extent, as we can see in the market in general and partially driven by insurance mandates but not only. Also, positive inflows in real assets, with a continued positive trend for several years now, as well as for structured products. Equities also experienced positive flows, especially on the passive side.

It is also worth mentioning that these long-term assets are quite well balanced between active and passive management, where we recorded a bit more than €4 billion inflows over this quarter.

During this period we continued to implement our plan regarding our responsible investment positioning, which we announced last year. In particular, in September we launched a new initiative with the Asian Infrastructure Investment Bank in Asia, namely a \$500 million initiative dedicated to developing the green bond market in emerging countries.

### **Accounting net income up more than +5% over nine months 2019**

(Page 17) This good level of activity translated in an increase in our net result, in particular an increase in our accounting net income of 5% over the last nine months and 4% on the third quarter.

This is in particular due to a solid operating performance, illustrated by our adjusted gross operating income, which posted an increase of 1.7% on a nine-month basis and of almost 10% on the third quarter compared to the third quarter of 2018.

### **Net revenues up sharply**

(Page 18) Firstly this is due to a significant increase in our revenues on a quarterly basis of 5.7%. The net asset management revenues increased by 5.6% since the third quarter of 2018, with net management fees increasing by 2.6% and in line with the increase of assets under management, which rose by 3.3%. The level of performance fees is reported at €25 million, where in 2018 in the third quarter the level of performance fees was quite lower. Overall, we see a good level of revenues driven by operating revenues, while financial income is close to zero in the context of low, or negative, interest rates.

So we see a good level of revenues and costs that remain under control. The overall increase in cost is around 2% on the third quarter compared to the third quarter of 2018 while on a nine-month basis it increased by 1.1%. If you exclude the foreign exchange effect, the change would be around 0%. This means that the remaining impact of the synergies associated with the integration of Pioneer are offsetting the impact of inflation and the impact of the targeted investment we are doing in the development; specifically targeted in areas such as passive management or real assets management.

### **Cost/income ratio of 51.1%**

So revenues are rising while costs are under control, translating into decreasing cost/income ratio, at 51.1%, both on a quarterly basis and on a nine-month basis. We remain at the

lowest level of the industry with cost/income ratio decreasing by 1.8% compared to the third quarter of 2018.

### **Detailed income statements**

(Page 20) Increasing revenues and costs that remain under control translate into a good level of operating result with gross operating income increasing by 9.7% on a quarterly basis. Taking into account cost of risk, which is negative in this quarter due to a mark-to-market on some assets related to guaranteed products and a decrease in the contribution of equity-accounted entities in the JVs, driven by two opposite trends, continued progression in India and South Korea while a decline in China, all this results in an adjusted net income of €230 million in the quarter, which is stable compared to the third quarter of 2018 but increasing by around 2% on a nine-month basis. The accounting net income increased by around 4% on a quarterly basis and a bit more than 5% on a nine month basis.

### **Conclusion**

To conclude and before leaving the floor to the Q&A session, I would like to summarize with three main takeaways from these results.

The first is the significant recovery in activity. We have a record level of inflows of €43 billion and even excluding the recovery of treasury product inflows (after the usual outflows on the first half of the year) and the specific mandate from the Indian JV, we are still very positive. So this is significant recovery in an environment that remains volatile.

Secondly, our operating performance is strong, illustrated by the increase in our gross operating income and the improvement in the cost/income ratio for two reasons: this recovery in activity and the impact of the synergies associated with the integration of Pioneer.

Thirdly, we clearly see from these results that now that the integration of Pioneer is completed, Amundi as a whole, together with all its staff and management, is totally focused on its future development. Thank you very much.

We can now move to a Q&A session and Domenico Aiello, CFO and myself will be happy to take your questions.

## **Q&A**

**Jacques-Henri Gaulard:** Good morning everyone, two small questions. On the cost of risk and the -€9 million, which is linked to the mark-to-market on the guaranteed product, according to your competitor DWS yesterday, that was due to interest rates coming into negative territories. Is it fair to assume that interest rates remaining as they are, this is something that is not going to recur or do you believe that there is more to come in 2020?

The second question is on the joint venture. You had an amazing mandate in India, congratulations but I realise that in profitability terms, the impact of China may have been a little bit overwhelming this. How should we look at the associate line on your joint venture going forward? Thank you very much.

**Nicolas Calcoen:** Okay, so the first question, on cost of risk: yes, it is clearly due to the move in interest rates. So, going forward, again, it is mark-to-market effect so it can move,

it can be positive or it can be negative. However, I would say, directionally, we are not expecting to see this kind of negative adjustment every quarter.

**Jacques-Henri Gaulard:** Okay.

**Nicolas Calcoen:** On the JVs, yes, the institutional mandate in India is very low margin but I think it is still positive because such a win is also a sign of recognition from the institutional space in India and for the quality of the management of the JV.

Regarding China, we see the impact firstly of the outflows seen for a few quarters and the risk provision on a specific mandate, which is more specific to this quarter. Going forward, we expect to see India and Korea to continue to develop. In China the change and the transition coming from the regulatory change translates into the possibility of a continuing impact in the months to come but I would expect, overall, the results of the contribution of our JVs to continue to grow in the years to come.

**Jacques-Henri Gaulard:** Thank you very much.

**Hubert Lam (Bank of America Merrill Lynch):** Hi, good morning, I have a couple of questions. Firstly, going back to the JV, I have a question on the contribution on the associate line. The profit margin fell significant quarter on quarter; should we use that, the Q3 profit margin, as the starting point and expect it to grow marginally from there or was that just mainly a one-off effect and we should expect it to bounce back similar to the prior levels? That is the first question.

The second question is on regulatory reform in France. I think next year the PACTE law comes into effect. I was just wondering what your views are in terms of the outlook for flows next year from this change. Do you expect to benefit from it? How big of an impact do you think that will be?

My third question is on the Soc Gen distribution agreement. I am just wondering, again, if you have started negotiations on this already, or when you expect this to commence. Thank you.

**Nicolas Calcoen:** Thank you very much. So, on the first question, on the JVs as I mentioned, there was a specific element on this quarter and going forward we would expect to progressively have a better result, especially compared to this quarter.

On the PACTE law, yes, indeed. In fact, the law did enter into force at the beginning of October; however, it is obviously a bit early to see any real impact. We continue however to believe that it is a positive reform for Amundi. It, I would say, harmonises, simplifies and makes more attractive long-term retirement products in France especially providing a tax advantage when one makes voluntary contributions. We already have offers ready to be distributed in our various channels; more specifically in our employee saving schemes, where we have a leading position in France (approximately 40% market share). We have 3-4 million individual clients who do not necessarily have a retirement product but have an employee savings scheme with us, making it an important channel for us to propose these new solutions. The second channel is the networks with whom we work, in particular the Crédit Agricole network.

It is difficult to quantify to what extent this reform can impact but when considering that the traditional euro contract is more and more challenged due to the interest rate environment, we expect this new reform to be positive for us in the years to come.

On your last question, regarding the Société Générale partnership, these agreements are expiring in November 2020, so in something like 13 months, providing plenty of time. We do have a permanent dialogue with Société Générale, which is a key partner for us, but we are not at a point when we can discuss renewal however we will inform you, of course, in due time.

**Hubert Lam:** Great, thank you.

**Bruce Hamilton (Morgan Stanley):** Morning, thank you for taking my questions. Just back on the JVs, on the China impact, I guess, broadly speaking, most of the global players we speak to view the sort of liberalisation in China as a net positive, longer term. Clearly it looks like you are suffering more on sort of money market, treasury-type flows short term but I wondered how much more risk you saw on the asset pool there, how much opportunity and when we might start to see that, or whether that is the right read of the China opportunity, as you see it.

Secondly, on the third-party distribution, which saw a decent uptake, it sounded fairly broad based but of that €3.4 billion of inflows in Q3, can you give a little bit more colour of whether that's skewed very heavily to Asia and where, within Europe in particular, you are seeing the benefit.

Then, finally, perhaps, just some thoughts on the M&A environment. Obviously there have been some press reports around possible assets in the passive side that could be up for grabs in France. There have been some of the captives in Spain that look like they could be moving. How are you looking at the opportunity set over the next 12 months? Is that more likely to deliver than, say, the last 12 months, or how shall we think about that? Thank you.

**Nicolas Calcoen:** OK. Due to the regulatory change in China, which relates in particular to the reform of the wealth management business, which has been an important channel of distribution for the JVs over the past year. This sector is in complete transformation and it generates outflows for the JVs. We may not be completely at the end of it, so in the short term I will remain prudent. In the medium-term, we continue to be confident on the expected growth of the asset management market in China and in the quality of the partnership with ABC.

If there are other opportunities arising from new regulations, more opening of the market, we will definitely consider them.

Third-party inflows are coming both from Europe and Asia, in most of the countries where we are with the exception of Japan, which remains a very difficult country. However, Domenico, you want to answer in terms of countries?

**Domenico Aiello:** In Europe it is very much spread across different countries, so in France, Germany, Italy, Spain and so on it is all positive. In Asia, the flows are skewed mainly in Taiwan and South-East Asia, excluding Japan, which remains a challenge, as Nicolas just mentioned.

**Nicolas Calcoen:** Regarding your last question on M&A, our approach always remains consistent. We are ready to consider any opportunities and following the completion of the Pioneer integration, we are clearly in a capacity to look at opportunities.. We definitely have, both in a managerial and a financial point of view, the capacity to look at any opportunities if they arise. First condition for M&A being the availability of a real opportunity with shareholders that are ready to sell their business. The second condition, of course, is for us to be convinced that it creates value and helps us implement our development plan, which remains based on organic growth, but which can also be complemented and accelerated by external growth.

**Bruce Hamilton:** Great, thank you.

**Haley Tam (Credit Suisse):** Morning everyone, could I ask three questions as well, please? First of all, on the Indian joint venture flows, I think I heard you say that that was a big institutional bond mandate win from the SBI pension fund, so I just wondered is there any comment you can give on the potential you see to win similar mandates from third-party pension funds? That would be of interest, please.

The second question is just to clarify the other revenues line. This does include the amortisation of the distribution contracts that you have here, so if any Soc Gen distribution agreement was to be renegotiated and we were to see a high amortisation, would we expect to see it in that line?

Then the third question is just to follow up on the previous one on third-party distributor flows. If you could help us understand, perhaps, then, given the strength here compared to the network flows, is it perhaps something different about the type of distributor and the nature of those clients which might help explain the difference to us? Thank you.

**Nicolas Calcoen:** Regarding India, yes, it is a mandate on a pension fund. I do not think, currently, the JV has any other mandate or client of this type. However, going forward, it is a good sign of recognition and especially if the JV will search for other opportunities of finding new clients and try to gain new pensions in this field.

Regarding the amortisation of the distribution agreement. In the income statement, the amortization is placed between the adjusted net income and net income, specifically the line "amortisation of distribution contracts after tax". It represents roughly €50 million per year (it was €38m on a nine months basis), out of which €12 million net of tax is for the SG agreement.

Regarding the difference between third party and retail in our networks, when considering last year, third-party business was probably the one that was first impacted by the reduction of inflows on the market and hopefully it is also the first one to recover. The flows reflect the addition of many clients with different perspectives and different asset classes. What we can most likely conclude is that part of these flows are generated from private banks and asset allocators and are probably more sensitive to market environment changes compared to mass-market networks.

**Arnaud Giblat:** I have three questions, please. Sorry to come back on the JVs but just if I can summarise to make sure I understand, the profitability has come down a lot and that is down to the fact that you have lost some Chinese assets. There are no one-offs whatsoever



so today represents a good run-rate of your current level of profitability; is that correct? You are saying that further outflows are expected in the short term so profitability could reduce even further before coming back up when things normalise and you benefit from the growth elsewhere. Is that the dynamic going on in the JVs?

My second question is with regard to the insurance mandates, to the euro contracts. So, €10 billion, that is quite a big number in a time when yields are negative and the yields on those contracts are quite low, so it is quite surprising. However, I suppose the question is, down the line, with yields being so low, is there an opportunity to convert those clients into unit-linked clients?

My third question is could you give us, perhaps a sense as to how revenue margins have been trending at constant mix within the retail and institutional segments? Thank you.

**Nicolas Calcoen:** Okay, thank you. On the first question, on the JVs there is a positive and continued increase from the Indian JV and to a lower extent from the Korean JVs while a decline in China. The decline in China is due to the outflows that JVs have been posting since the beginning of the year and from a risk provision on a specific mandate. So there is a part of one-off element on this negative result in the third quarter of this year.

Regarding euro contracts, clearly with the decrease in rates that we have seen during the third quarter, mainly, the net yield that the euro contracts that will be posted in the years to come is expected to decrease relatively significantly. Many life insurers are trying to limit inflows somehow on euro contracts, by placing conditions in terms of the breakdown of inflows between euro contracts and unit-linked, or imposing minimum parts of inflows going to unit-linked. Many questions are also raised in the press regarding what could be the future of this product, combining a full capital guarantee and almost instant liquidity.

We should expect all these elements to impact the inflows in euro contracts in the future, to the benefit of unit-linked. But it could be to the benefit of the retirement saving products in the context of the PACTE law. Or it could also generate more money staying in deposits or Livret A and so on, so it is difficult to assess what will be the behaviour of clients. On a global level, unless we experience another market correction, I would expect to see, what we are starting to see in this quarter, i.e. an increase in long-term assets we manage, either through unit-linked or through retirement products.

Regarding the last question, at a purely constant mix, I would say it is not something new: we continue to see fee pressure, for example when we gain new mandates, everything else being equal, fees tend to be lower. However, everything is never equal, the products change all the time. For example, in the institutional clients field, we are also developing progressively our relations with tier-two clients, i.e. smaller-size insurance companies or pension funds, which still tend to have a pricing which is a bit higher. So, again, the average margin that we see in our business is the result of the development of a lot of different business lines, a lot of different expertise and so on. It is not something we can steer.

**Arnaud Giblat:** Great, thank you very much.

**Chris Turner (Berenberg):** Good morning. Three questions on your flows, if I may. Firstly, your third-party retail flows were particularly strong this quarter but if I recall correctly, those third-party sales were disrupted in the first half by a restructuring of your Luxembourg fund

range, so can you give us an idea to what extent you think that played a role in why this quarter's flows there were so strong? Keeping on the theme of retail flows: your French banking partners, the flows there remain fairly weak. I understand your contract opportunity but is there anything else there that Amundi can do to accelerate sales through that domestic banking channel and try and get that to match the kind of strength you are seeing in your third-party channels.

Then, finally, returning to the outflows from your Chinese JV, how much of that remaining AUM in China is channel business, or I think you described it as wealth management products? How much, therefore, is likely to be caught up in this clampdown on shadow banking? Thank you.

**Nicolas Calcoen:** On third-party business first, there may have been a moderate effect on the merger of the Lux SICAV and there was a bit of a prudence and "wait-and-see" approach from some distributors in June before the move, so probably partially compensated positively on this quarter. However, it is not the main effect.

On the French retail, inflows are still low but as indicated until recently and since the end of 2018, most of the life insurance inflows are going to the euro contract. Going forward what we can do to accelerate is to continue to work closely with the networks to renew the approach, promote more unit-linked, provide products that fit to the needs the client, which probably want a little bit more yield but tend to be also cautious, and so expect some form of protection, but again we are more positive on the French retail due to the fact that euro contracts will be less attractive and there are new opportunities coming from PACTE law.

Regarding the channel business in China, Domenico?

**Domenico Aiello:** We have received this question in the past. We have not disclosed exactly the breakdown of all the assets but I we have indicated that there are still assets, AUM, in this channel business. So even with the outflows from this year, we are not, certainly at zero; it remains a portion of our business.

**Chris Turner:** That is very helpful. Thank you.

**Pierre Chédeville (CM-CIC Securities):** Good morning, a few questions. First question: could you give us any light regarding the real asset business at Amundi, because it seems to be that you have some ambitions regarding developing real assets to improve margins? More or less the same question regarding a pure ESG fund: could you give us any colour regarding this specific business?

Another question regarding your target on net inflows on your plan: €150 billion. We had the impression in the first half of the year that this target was no more, I would say, a star target, or something that you wanted to talk about and you wanted to focus more on your net income target? Would you say that with this quarter this target of €150 billion is I would say, regained confidence in your view, to get it?

Last question, regarding India, could you give us a little bit of colour regarding this market, the main competitors and your success factors here, to gain such a mandate? Thank you.

**Nicolas Calcoen:** Real assets is clearly an area of development and investment for Amundi. We had positive inflows year to date of €2.5 billion driven by real estate, which is clearly, where we have a strong position. Furthermore also driven by private debt and private equity,

where we are not as important as in real estate but nonetheless growing. Overall, we manage now around €50 billion in real assets.

Regarding ESG, I do not know what is pure ESG but just to remind you, the ambition we announced last year is to have an ESG approach on 100% of our funds, as long as it is technically possible, by 2021 and to develop specific initiatives dedicated to the environment and climate transition. That probably is closer to what you specify as pure ESG. Over the last 9–12 months, we have launched many of these initiatives. The most recent one was with the AIIB in Asia, which is an emerging green bond market initiative. It is also a little bit in the continuation with what we have done with the European Investment Bank, with what we call the GRECO initiative, green continuum. The idea is to develop the green bond market; not only on the traditional investment-grade bond market but also in high-yield and non-listed bonds, which is in line with what we have done with IFC. We have also launched over the last nine months several thematic funds. First of all, CPR, one of our subsidiaries, launched a climate change equity fund which reached close to €300 million in the recent period. There is therefore a lot going on, on this front.

The third question, regarding inflows: no, we are not changing our approach. We state that we are more focused on net result because we recognise that elements that impact inflows are very volatile. In this quarter, as a demonstration, we had strong inflows coming back into treasury products. A part of the inflows was due to the mandate in India. The rest of the business is good as well but you ask me if we should expect to have €40 billion of inflows every quarter? No. It would be ideal and possibly, it could be the case, but it is not the central scenario.

The last question regarding India. In India, the competition landscape includes mainly Indian players and most of them are captive subsidiaries of banks. Some are in a JV form with foreign partners, such as the one we have with SBI. There are also independent players. However, globally, we are progressing well. Amundi is number three in the market and we have gained market share over the recent years, thanks to the quality of the teams and the quality of the relationship with SBI, which are both really good. SBI is the first retail bank in India and the JV benefits from the access to the network and strong distribution capacities. One specificity of our JV in India is they have their own distribution centres that distribute directly to some retail clients. They have good-quality expertise and it is illustrated by the fact that for Amundi, the pocket of our funds that are dedicated to Indian equities, are managed by the JV. Lastly in terms of the technology approach, use of mobile and so on, they are very advanced.

**Pierre Chédeville:** Thank you very much. Very useful.

**Angeliki Bairaktari (Autonomous):** Hi, thanks for taking my questions. Just two questions left, please. If I may come back to the Soc Gen distribution agreement, for the first time in September we had the Société Générale CEO, Mr Oudéa make some comments about the future of the relationship and the agreement that they have with you during a conference. He said that, effectively, they are examining all the options and also considering how their in-house business, Lyxor, could play a role in sort of the era after the termination of the agreement comes. Obviously, it is not clear exactly what he meant. However, I just wanted to ask you: do you see any risk that the bank may want to go in house. Do you see any risk that they may want to combine a potential sale of Lyxor with the distribution agreement to

another player? What would be your stance because that would be a risk to future flows in the French network for you?

That is my first question. Then, my second question: could you give us an update on what you see on the ground in Europe in terms of competition? We have seen some US players, for example Vanguard, being a bit more aggressive recently with your pricing. Has that impacted, at all, your business so far or do you expect it to impact the business going forward?

Thank you very much.

**Nicolas Calcoen:** Thank you. On Société Générale, I will not comment on what they may have said. The quality of the relationship is good and we consider it a partnership. I think there are mutual interests in renewing the agreement and that is why we are quite confident that, in due time, this agreement will be renewed.

Regarding the competition in Europe and initiatives from competitors, I would say there is nothing really new here. We know that the competition is strong, fees are under pressure due to the level of interest rates. We know also that some US players benefiting from the size and the strength of their domestic market are trying to further develop in Europe. However, we are ready to face that and will continue to do so.

**Angeliki Bairaktari:** Thank you very much.

**Gurjit Kambo (JP Morgan):** Hi, good morning, just a couple of questions. Firstly, on structured products, as we have a low interest rate environment and obviously rates have gone down further, you have continued to see inflows into that product line. How should we think about the outlook for that, or is there something else with the structured products which is benefiting from low rates? That is the first question. Then just secondly, briefly, on Italy, is there any sort of particular reason why you are seeing the outflows on the retail side? Anything you can highlight there? Thank you.

**Nicolas Calcoen:** Regarding structured product, with also clearly in a low and very low interest rate environment, it becomes more difficult to build formulas that are attractive to clients. There was a good window of opportunity at the beginning of the year, especially in Italy, a market environment with a very strong risk aversion. Going forward, it is probably a bit more challenging to propose attractive formula but, at the same time, we are proposing additional formulas where the guarantee is not 100% of capital, where the guarantee is based on 90% of capital or less for example - a product that has been quite successful. We will continue to propose this kind of formula. Progressively, due to this low/negative interest environment, people may accept such products with a potential upside from benefiting from an increase in the market on the protection on capital, which is not 100% but can be below.

Regarding Italy, in particular: the first element is the outflows we have seen in the networks, after very strong inflows over the past years. Such reflects the fact that market risk aversion is strong. Some clients, maybe after a strong increase, either are taking their benefits or may be now disappointed by the recent performance. However, we are quite confident that, as we are seeing in other markets, there should be a progressive recovery in the future.

**Gurjit Kambo:** Okay, thank you.

**Nicolas Calcoen:** Again, when looking at the market overall, there are similar trends. We have seen, since the beginning of the year, a significant increase in deposits, for example, versus investment in funds.

**Michael Werner (UBS):** Hello, just one question I do not think has been asked yet on the passive inflows. I think you noted just over €4 billion or so of passive inflows in Q3. I was just wondering if you could provide a bit of a breakdown between retail institutional and perhaps by asset class. Thank you.

**Nicolas Calcoen:** Regarding ETF, I think it is quite split between retail and institutional. This business line covers ETF, traditional, I would say, passive funds, index funds and index mandates and smart beta. So it is quite spread among these three categories.

**Michael Werner:** Thank you. Then any colour in terms of asset class, maybe equities and fixed income?

**Nicolas Calcoen:** Both equity and fixed income. It is true that in the past, it was mainly equities and we are seeing also significant inflows in fixed income funds.

**Michael Werner:** Thank you.

**Anthony Mellor:** Thank you very much to all of you and the next event will be the publication of the full-year 2019 results on 12<sup>th</sup> February 2020. Thank you, goodbye.

**Domenico Aiello:** Thank you very much, have a good day.

END OF TRANSCRIPT