Full Year & Q4 2018 Results

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FY18 Financial Highlights

CEO, Amundi

Okay, so thank you to be here for this presentation of the results. I will make a short introduction to these results and then Nicolas will detail the figures for you.

2018: sharp increase in annual results and successful integration of Pioneer

We are really satisfied with these results for three reasons. The first reason is the fact that when you look at the results, they are in line roughly with what we have announced in our 3 years' business plan, which has been presented here at the beginning of 2018. In the plan, we announced an average increase of the adjusted net income of 7% per year (excluding the exceptional level of financial income in 2017) and we are at 9% this year. In line with the cost to income ratio (we had said target was under 53%) and just a little bit under the target of net inflows (it was €50 billion and we have registered €42 billion this year).

Second: the fact that we have been able to be in line, in the context of a difficult market, a difficult environment, which was marked by two main features. Firstly, a decrease on the valuation of all asset classes during this year: 2018 has been the mirror of 2017, in 2017, all the asset classes were up and in 2018, all the asset classes were down. That means that capacity to generate absolute performance was more difficult. Secondly, a decrease in volumes. The global market for UCIT funds in Europe was an amount of net inflows of €800 billion in 2017. And this year, it was, to be simple, nearly flat. And to have been able to generate this result shows – and that is my second reason of satisfaction – the solidity of the business model of Amundi.

When you look at our results since the creation, each year we posted increase in net income. It was in good years and in bad years. And this year, it was again the same. And it is the result of the solidity of our business model, the diversification between different expertise; passive, active, monetary funds, the structured products, real estate; diversification by the client segments, Retail and institutional; diversification by geography. And this year, you see that net inflows were at 100% coming from outside France, and especially from Asia.

And third, concerning this level of activity, for me there is a figure which is very significant in our industry, which is the ratio between net inflows and AUM. For Amundi, this year it is around 3%. And when I look at the asset managers which have released their figures, it is nearly 0%. That means that we have been running faster than the others.

Pioneer: a transformational acquisition that strengthens Amundi's leadership and resilience

And it is all the more remarkable that during this time, we have done the integration of Pioneer. And we can really say now that it is a very big success, or tremendous success. When you make an acquisition, the first point is to make no mistake about the quality of what you are acquiring. And with Pioneer, the quality was excellent because we were reinforcing our business model, our industrial model into three dimensions, which are distribution capacities, expertise and talent.

Pioneer: a highly successful integration that bears fruit

But the second key parameter to be successful is to be able to execute, to implement the merger or the acquisition successfully. And that is what we have done. In 18 months, we have fully implemented the merger; decreasing the staff; realising all the merge of legal entities; transferring all the operations of Pioneer from Aladdin, the IT platform of BlackRock to Alto, the software of Amundi and without any operational problem. And that is the reason why we now are saying that the amount of synergies is higher than announced. We announced €150 million of cost synergy per year and we will deliver €175 million.

And so the amount of synergies is higher and the pace of delivering, in the income statement, these synergies is also faster. In 2019, nearly the totality of the synergies will be in the income statement and it was phased differently in the past. So a year which is a major year in the strategy of development of Amundi.

Pioneer: a transaction that creates significant value

We have implemented this merger. At the same time, we have begun to reinvest part of the synergies in new additional teams. And Amundi is really ready to accelerate its pace of development for the coming year. We have now all turned only to business and no more to integration.

And that is the reason why also, to a question received yesterday evening during a press conference, we answered that the central objective of our plan is €1 billion accounting net income. I say €1 billion. For me, this parameter is a key parameter. Net inflows, cost of income, they come second. And we confirm this with the assumption that the markets are at the same level than at the time of the plan announcement. So we are not referring to the present market level but the market level at the time of the plan announcement. You remember that at the time of the plan, the assumption was a stabilisation of the market at the level of the beginning of 2018.

That is the word that I wanted to tell in introduction. And so now I pass the word to Nicolas.

Business Activity

Nicolas Calcoen

CFO, Amundi

Thank you very much and good afternoon to all. So I would start with a little reminder about the market condition in which we operate. I think you all know well, but it is important to remind what it was.

A market environment that is less favourable for business

And 2018 was, from this point of view a very special year. It is a year where almost all asset classes delivered negative absolute performance. And basically, it is the reverse from what happened in 2017. It is the first year since the big 2007-2008 crisis that it happened. It was particularly noticeable of course for equity markets. Remember, we had the first market correction around February or March last year, then a very volatile market. And then last quarter, a sharp decrease in basically all world equity market indices by 10-15% depending on the market.

At the same time, interest rates remained low. So again, negative market context in a sense that you have absolute performance negative for almost asset classes. So weighting of course on the average asset under management and our revenues, but also weighting on the capacity to generate performances of financial revenues. But also leveraging our capacity to add inflows. In this context, risk aversion rose significantly and it is clearly visible on the following slide.

A sharply lower European asset management market in 2018

For the whole European market of open ended funds, two elements. First , as Yves indicated, we had in 2017 more than €800 billion of inflows for the full year. In 2018, it was only around €60 billion, so a sharp decrease, first element. And second element, the inflows we saw in the market last year were all concentrated in the first quarter, €150 billion. Then following the first market correction, flows became flattish for the second and third quarters and significant outflows (close to €90 billion) on the fourth quarter. So a market environment that clearly weighted on the appetite of clients for asset management products.

Amundi: AUM of €1,425bn At End-2018, Stable Over 12 Months

In that context, our total asset management remained basically stable between the end of 2017 and the end of 2018 at €1,425 billion, with on one side positive inflows of €42 billion, and on the other side negative market impact of €43 billion. And what is clearly noticeable on this graph is that the inflows were mainly concentrated on the first quarter in line what we saw on the whole market. Also the negative market impact was very strong on the last quarter, in line with the decrease in, basically, all equity markets.

Net Inflows Maintained At a High Level in MLT Assets, and Lower Treasury Product Activity

So to come a little bit more in detail on the inflows. €42 billion of total inflows, a good level of inflows, of course, lower than what it was in 2017, which was a very positive year with a very favourable market context. You can notice on the graph that the decrease in inflows came mainly from treasury funds, meaning that on the long-term asset we had a very good level of activity overall of the year, €36 billion, more or less the same level as in 2017.

Brisk net inflows, driven primarily by retail

Second element, most of the inflows continued to be driven by the retail, with especially good contribution from the JVs. On our two businesses, there are positive inflows, €37 billion for retail (excluding the end of the Fineco mandate) and a little bit more than €11 billion for institutional.

Retail: Strong Net Inflows But With A Slowdown at the End of the Year against the Backdrop of Heightened Risk Aversion in Europe

If we go a little bit further in this two segments, first on retail. Strong net inflows over the years but, of course, with a slowdown at the end of the year; against the backdrop that I already mentioned, increased risk aversion in Europe. So if we go business line by business line, very strong inflows momentum in Asian JVs, primarily in China and India. And if we look at the rest of the business, in the French network, we saw inflows that stood well and were resilient and mainly concentrated on long-term assets; so positive inflows of close to €3 billion for the year. It is around €4 billion on long-term assets, which remained positive in the last quarter despite the environment I mentioned.

Regarding international networks and third-party distributor, they are clearly being more sensitive to the market context with some outflows on the last quarter. But overall, on the year, they continue to deliver positive flows around a bit more than €3 billion for the distributors, if we exclude the exceptional one-off due to the end of the termination of the Fineco mandate that we already mentioned that happened in July last year. And for international networks, close to €5 billion, especially with our new partner in Italy, UniCredit.

Institutionals & Corporates: Strong Annual Inflows (+€11bn) Despite the Outflows in Q4 Related to the Termination of Two Mandates

Regarding institutional and corporate business line, here also strong annual inflows despite the outflows we posted on two significant mandates at the end of the year. And what is interesting is that the inflows were concentrated on long-term assets. It is true for our institutional and sovereign mandates, a bit more than €12 million on inflows, and despite the termination of two mandates at the end of the year that represented around €6 billion.

For corporates you have, on one side, significant outflows on treasury funds; but on the other side, a good level of activity on long-term assets, mainly coming from activity with corporate pension funds, where we continue to develop and attract new clients all across Europe.

And finally, regarding employee saving schemes, a good year, €2.7 billion of inflows in 2018 compared to €1 billion in 2017, which confirms the strength of this business line, where we had a very strong position in France and more than 40% market share. And whose potential, by the way, will be reinforced by the Pacte law to be adopted fully in the months to come.

MLT Assets: Net Inflows Driven By All Areas of Investment Expertise

Regarding asset classes, as Yves already mentioned, good thing is that first the inflows were concentrated on long-term assets, and were driven by all areas of investment expertise. So we had positive inflows in multi-asset, significant like last year, in bonds but also in equities. And even more than in 2017 in structured on real asset products that also are developing rapidly.

Net Inflows Still Driven By the International Segment

And last but not least, activities seen from a geographical point of view. You can see here that more than 100% of our inflows came from outside France, with of course a strong contribution from Asia, coming mainly from our joint venture in China and India, but also good level of activity in Hong Kong and Taiwan, for example. Solid inflows also in Europe, in Italy, but also in other European countries, such as Germany, Netherlands, Spain. And in France, we have net inflows slightly negative that is, on one side, a good level of activities for long-term assets; on the other side, outflows on treasury products mainly coming from corporate clients.

Continued Success for Our Growth Drivers

Before moving to the net results, maybe a short focus on a few significant growth drivers for the last year but still this year. First one being the development of the passive and smart Beta activities. €14 billion of inflows in 2018, so very good level of activity. For example, on ETF, close to €4 billion of inflows and positioning for Amundi that moved from the fifth to the fourth position in terms of assets in Europe.

Also, as I already mentioned, a good contribution from real assets and despite the fact that we still had at the beginning of 2018 the last outflows coming from the alternative fund activity which was in runoff. Now outflows are over. So despite that, we have a good level of activity for real asset overall, driven by, again, by real estate, a bit more than €3 billion inflows in 2018. But also by the private debt and private equity where we had €1.6 billion of inflows over the year.

Amundi Services, which is a way for us to expand our presence on the value chain and benefit from the administrative operational capacity that we developed internally. So Amundi Services is continuing to develop, attracting new clients, close to a bit more than 20 new clients onboarding into the year, with especially two significant ones that we already mentioned, Fineco and Goldman Sachs.

And finally, I already mentioned it, the Asian joint ventures continue to deliver very strong contribution to our results in net sales and assets as well as in terms of results, with a global contribution to our P&L reaching €50 million and increased by 50% compared to last year. So we clearly now are in the phase where the growth of the activity in these joint ventures is translating in the growth of their contribution to our net results.

Results

Steady Growth in Income

So a good transition to present our results. As Yves mentioned, our pure bottom line, accounting net income increased by a bit more than 25% compared to 2017, benefiting from, of course, the integration of Pioneer, which was, if you remember well, consolidated starting mid 2017, but also from the business momentum of the business. That is why, as you know, we will also present our numbers on a pro forma basis, combined on adjusted net income, which reached €946 million in 2018 and increased by 3% compared to last year.

But if you exclude the exceptional financial revenues posted in 2017 and linked to the preparation of the acquisition of Pioneer, when we realised capital gains on our investment, it is an increase by a bit more than 9%. So it is above the target that we gave to ourself for the three years in our 2020 plan, which was, on average, 7% a year.

Resilient revenue

So where do these results come from? First, revenue. If you look at the total revenue, you see a decrease by 5% but you have to take into account the fact that there are, of course, very unfavourable basis of comparison for financial revenues. As I said, in 2017 we had an exceptional level of revenues coming from capital gains, while in 2018, due to the market context, the yield of our investment portfolio was slightly negative. And since the implementation of IFRS 9 in mark-to-market valuation, we had a negative impact of €24 million on our P&L.

So if you exclude the financial revenues, our net asset management revenue stand well. They are almost stable at €2,606 million.

Net management fees up 1.9% in 2019

This is well because the management fees are up by close to 2%, excluding performance fees, increasing by 1.9%, to be exact, in line with the increase in our activity. You can observe there is a slight decrease in our average blended margin. Where does it come from?

The average margin from the main segments of activities are continuing to see a slight decrease year after year, which is not a surprise, something that we are seeing for long time, which is due to continued pressure on fees in a low interest rate context.

So this is continuing and this is partially, but only partially, offset by an improvement coming from the business mix. We have relatively good level of inflows in retail, almost no inflows on the insurance mandate, which improves slightly the mix. But this year, the overall inflows in retail ex JVs were a bit lower than expected. That explains why the average blended margin is slightly decreasing. But the net management fees are still up by close to 2%.

Performance fees affected by unfavourable market conditions

Regarding performance fees, they are, of course, clearly affected by the market context. So they amount to €115 million, of course a decrease compared to 2017, which has been, on the opposite side, an exceptionally good year in a very favourable market context and where we reached €180 million.

Costs down 7% due to synergies

So overall net asset management revenues that are almost flat. On the other side, the costs which are significantly down by 7% compared to 2017. This is clearly the impact of the synergies linked to the integration of Pioneer. As Yves mentioned, the integration of Pioneer is working well. We will be delivering more synergies that we initially expected, €175 million and not €150 million as we expected. As it is implemented faster than expected, they are delivered at a faster pace than expected.

So in 2018, we had already €110 million of synergies visible in our P&L. So that is the element that explains the strong decrease in costs, despite the fact that we had, for the first year in 2018, to account in our P&L the impact of external research following MiFID II. We already forgot it but one year ago there was a debate about it. And despite the fact that we started also to partially reinvest part of these synergies in focused investment to nurture future growth, for example, reinforcing expertise or teams in countries that are developing fast.

Combined income statement breakdown (annual and Q4)

So consequence of revenues that stand well and the significant decrease in cost. Our cost to income ratio decreased once again and reached in 2018 51.5%, so a decrease by close to 1 percentage point compared to 2017.

If you add the contribution I already mentioned from the JVs, increasing by 50%, and the reduction of our average tax rate, which is in particular due to the tax reform in the US, that explains the increase of our net income by 9% excluding the exceptional financial revenues posted in 2017.

Maybe one quick word about the fourth quarter, which is basically in line with what I mentioned, which in terms of revenues is particularly impacted by negative revenues on financial revenues. As you know, most of the market correction was concentrated on the last quarter, so impacted on financial revenues significantly during the last quarter. And performance fees were clearly much lower at the end of this year than at the end of 2017, where they reached a very high level of €80 million.

So if you exclude these elements, you can see that management fees are only slightly decreasing compared to 2017 due to the market impacts and costs are significantly lower, which allow us to post total adjusted net income of €225 million, a good level considering the low level of performance fees and the negative level of financial revenues.

Dividend

A 16% increase in the 2018 dividend

To conclude, a word about dividend that will be proposed to the General Assembly to be held on 16th May, in line with our commitment which was to distribute 65% of our net income, excluding integration cost. The dividend that will be proposed will be €2.90 per share. So it corresponds to an increase by 16% compared to last year's dividend and based on last week's value of the stock, a yield of close to 6% – 5.9% to be precise. So very attractive dividend policy.

Responsible

Responsible investment, one of Amundi's founding pillars

Before I conclude, maybe just one word, not to be directly linked of course with the activity and the results of 2018, but within an important element of identity on our development, which is our commitment and our actions in responsible investment. As you know, responsible investment have always been one of the founding principles, one of the founding pillars of Amundi since its creation and is based on several complementary approach.

The first one, of course, is applying ESG criteria to our investment policies, in addition to traditional financial analysis. So for that, we rely on the dedicated teams screening more than 5,000 issuers and which allow us to build a portfolio that take into account this criteria in addition to financial criteria.

Responsible investment at Amundi today

The portfolio managed according to this approach represent today around €276 billion. And this approach has already been complemented by targeted investment approach dedicated, for example, to climate change and finance under energy transition. They represent close to €10 billion today. And also support for social and solidarity economy with a dedicated fund of around €200 million.

Our three-year ambitions

Going forward, our ambition is to develop and generalise this approach with several commitments that have been presented few months ago for the three years to come.

First one is to basically generalise explicit inclusion of ESG factors in our investment policies and the management of our funds, as well as generalising also our voting policy based on factors integrating ESG rating for all the asset, the corporation in which we are invested. So basically to make progressively responsible investment completely mainstream. At the same time, we continue to develop specific initiatives dedicated, in particular, to the environment, to climate change, as well as to continue to develop our commitment to social enterprise.

Conclusion

So to conclude, just to repeat, globally a good year, despite the market environment that progressively becomes more and more difficult year on year. Basically, we managed to continue to post a good level of inflows and to more than compensate the negative impact of this environment on management fees, performance fees, financial revenues by a stronger cost control and delivering of synergies better than planned.

So going forward, it allows us to remain fully confident to continue to develop and to benefit from what we believe is a strength of our model, the resilience based upon a very diversified approach, whether in terms of geographies, in terms of business lines or in terms of expenses. Thank you very much.

Q&A

Jacques-Henri Gaulard, Kepler Cheuvreux: Good afternoon. I have two questions. The first, Yves, I am interested by the fact that you have put a little bit of a caveat on the target plan about market levels. So the question to you is how comfortable do you think we can be about the market levels being at the same level than at beginning of 2018?

Yves Perrier: Recall me what were the market levels that we take into account at the beginning of 2018.

Nicolas Calcoen: So for equity markets, for example, if we take the CAC 40, it was around 5,300 pts roughly. And for European long-term interest rates, it was around 0.8% or 0.7%.

Yves Perrier: It is impossible to determine the lowest level of the market. However, the CAC 40 is currently close to this level. As you may remember, the impact for us in terms of revenues is 10% of decrease of the stock market represent €85 million of revenues. So this is the assumption.

The other assumption also is the fact that, which is even may be more important, that we entered into an environment which has a strong aversion to risk. The impact of this is twofold, firstly on the total AUM and capacity to generate performance fees and secondly on the impact on AuM. When you have a lot of volatility and incertitude, you have an increase in aversion of risk, with a decrease in investment in mutual funds. This is what happened in Europe in 2018 compared to 2017. This change occurred at the end of the first quarter, after the correction of the market on February.

So, at the same time, I am quite confident – to be simple: what I say is €1 billion of accounting net income. I am confident with this because, of course, on one side, the environment is more difficult, but on the other side, we have permanently these new engines of development. For example, this year we have recruited nearly 100 people, which is a reinvestment of part of the synergies, but which will create additional development in the future.

Jacques-Henri Gaulard, Kepler Cheuvreux: I had one more question for Nicolas. Considering the volatility in your financial portfolio, are you tempted to hedge it potentially, or not?

Nicolas Calcoen: Well, we look at it sometimes, so it is noted in our policy sometimes. We do it, for example, for FX but generally no.

Yves Perrier: in my past experience as Chief Financial Officer, the costs of hedging, when you look at the long term, is higher than the benefit of hedging. And so if we try to hedge for a decrease in the CAC 40, we are hedging the variation of revenues but it is so intelligent, so sophisticated that generally it conducts to disaster.

Hubert Lam (Bank of America Merrill Lynch): Two questions. Firstly on fee margin. As you said, the fee margin is down slightly year on year. Should we continue to expect the fee margin to trickle down on the back of ongoing fee pressure? That is the first question.

The second question is, can you just give us a sense what your excess capital position is today, and again, refresh us on your views on M&A opportunities and what do you see out there?

Yves Perrier: On fee margins, it is always a consequence of certain things that we control and other things that we do not control. The first is the mix of our products, the mix of our expertise, equity versus fixed income, real estate versus monetary funds; by client segments, retail and institutional; and investment management style, active and passive. I do not know, frankly, which will be the breakdown of this in the future. The objective of each head of business line is to grow as fast as possible and then we will see the effects.

Having said that, there will be a continuing pressure on the margin in each kind of product, both active and passive and so on, for a reason I have often explained, which is a low interest rate. But I think that we can resist probably better than others because our prices are, right now, cheaper than the others. In the case, for example, for ETF, our brand moto has been smarter and cheaper. But it is also the case – for example, in France, we have recently conducted a survey to compare the prices of Amundi funds, to those of competitors. We have done this in view of the implementation of MiFID to have arguments for our network to discuss with the customers. And the conclusion was that our average price was 20% below the average of the sector.

So that means that even if there is additional pressure on the fees due to competition, our present position will put us in a better position to resist. So, all in all, I see a slight decrease of the average margin, but more dependent on the mix and other factors.

Nicolas Calcoen: There was a question on excess capital I think. Regarding excess capital, as you know, following the acquisition of Pioneer, we did not have any more excess capital. So progressively we are and we will continue to rebuild it. In terms of amounts, it is not complicated, we distribute 65%. So as a result, we reconstitute capital around €300 million a year or so. We are just one year out, so we can say that we have begun to build this excess capital but for the time being, this is more a buffer compared to the minimal regulatory requirement. But going forward, yes, we will continue to rebuild this capital.

Yves Perrier: And at the end of the plan, to be simple, roughly speaking, we will have, again, without acquisition, €1 billion of excess capital. And this €1 billion will be used either for acquisition, if we have good opportunity, or it will be given back to the shareholders.

Arnaud Giblat (Exane): Three questions please. Firstly, one on investments. You mentioned you hired 100 people this year. Could you talk about which areas you are trying to grow and what sort of quantum of investments we should be expecting in future years?

My second question is on MiFID. Can you talk a bit about your experience on the ban on retrocessions that MiFID put in place in distribution? How has that impacted distribution? Have market share shifted? Has pricing been impacted by MiFID?

And my third question is on Amundi services. I think from your plan, you are targeting €50 million of contribution from corporate services. Is that something you can reiterate? And where are you in terms of contribution from Amundi Corporate Services?

Yves Perrier: About new hiring, we have hired about 100 people, across all the areas of Amundi. But for example, in the investment division, we have recruited a new head for equity, who is a guy coming from Nordea, Kasper Elmgreen. In emerging debt we have also recruited. And there is a significant number of people on the commercial side. For example, in the US we have recruited people in the institutional segment. Pioneer was purely on retail in the US. Amundi had a small franchise in the institutional side and we have an ambition to grow this area.

About MiFID, it is too soon to speak of the impact of MiFID. Have in mind that MiFID is being implemented this year for funds. But for life insurance, the equivalent in France is PRIPS. It is being implemented this year, but the first report will not be available to customers until 2020. And as you know, in France, most of the funds are sold through life insurance. I do not anticipate a direct impact of MiFID, just so the fact that the people receive the fees about the funds. I do not anticipate also a major shift in the market share between the players about this.

I think that MiFID also is a way – I see this discussion inside Credit Agricole Group with the distributors – to be more conscious of the effort to manage more efficiently the savings of the customers. We have launched a plan inside Credit Agricole to change the approach, to shift from an approach of product selling to an approach of permanent advisory to the customers.

Regarding the last point, yes, Amundi Services is developing and the target in the next two to five years of €50 million of revenues is totally feasible. At the same time, do not add this figure to our overall projection. It is a way to be more sure to achieve this projection.

Chris Turner (Berenberg): Two questions, if I may. Firstly, you have obviously done very well executing on, in terms of the cost synergies and the realisation at Pioneer. From memory, you were also targeting €30 million of revenue synergies. Can you tell us where you are on that and whether you also see more room to expand on that?

Yves Perrier: We will do also this, of course. When we are speaking of cost synergies, it is simple. We know that the revenues synergies are more – always complicated to identify. But I can confirm you that this figure will be aligned because I see the additional potential in what we are doing. We have begun exporting US expertise to Europe and Asia; however, we are only in the initial stages of this. In addition, we are enjoying success employing our emerging market expertise in Taiwan, for example. We believe this exhibits our strong geographical presence across 37 countries. This has allowed us to gather all the necessary expertise.

Chris Turner: And then just one last question, if I may, which follows up on something Hubert was asking, which is in terms of your geographical footprint you have some very strong presence here in France and Austria and Germany and Italy. How do you think about entering new geographies and do we need to wait until your balance sheet recover? Can you do that inorganically? Or do you look at markets like Spain or some of the Asian markets and see a way of doing that organically?

Yves Perrier: Well, we are in 37 countries. I know that there is in the world 200 countries but some are not mature enough, in fact. Well, if I take Europe and Asia, Middle East, we cover nearly all the countries, except Vietnam, Cambodia etc. Maybe we will open joint venture one day in Vietnam because we are working for the future. Well, we are present in the countries where we have to be present. What we have to do is, month by month, reinforce our presence, our penetration in each of these country.

I take the example of Germany. We are better off now after the acquisition of Pioneer in Germany. We manage, in Germany, more than €50bn now. But frankly, we should be at the minimum €100bn and that is the objective that I have given to the head covering this country.

The problem is not to add more and more countries. Our challenge is to create a stronger presence in each country, such as in the UK for example. We have a strong base in the UK including an investment platform. However, our presence in distribution, even if it is improving thanks to the efforts of the people of London, should be stronger.

Mike Warner (UBS): Two questions, please. First, on the fee margins on the institutional business, we saw them at around 10.4, I think, for the full year. In your first half presentation they were at 10.8. So can we assume that we have seen a significant drop in the second half, or is there something going on that we have not seen in that calculation?

And then second, if we take a look at your inflows for 2018, excluding the JVs, they were about €16 billion or so, and you have noted that we have had about €14 billion or so of inflows into passives. So can we make the conclusion that we have only seen the €2 billion of inflows into active funds or actively managed products in 2018? And then is there any way to get a breakdown of those passive flows between retail and institutional?

Nicolas Calcoen: So regarding the margins in institutional, well, yes, they are decreasing. It is not new. It is due to the fact that competition is very strong. And in a low interest rate environment, to get yield to the clients, you need to propose products sometimes with a lower fees. So it is not something new, something that we have seen for many years and that we basically expect probably to continue.

Regarding the inflows, yes, inflows excluding the JVs amounted to €16bn, significant contribution coming from the passive management. You have also to take into account that we had the outflows coming from Fineco, which are on active management and close to €7 billion outflows. So also the two big mandates that ware terminated at the end of year are on active management. So that net-net active management had a small contribution but with still good level of activity, especially if you include the Fineco deal. And it was coming from the traditional active management, multi asset, equity and so on, but also from real assets.

Mike Warner: And is there a breakdown in passive retail versus institutional?

Nicolas Calcoen: Passive flow between retail and institutional. Sure, it is majority institutional.

Yves Perrier: Yes, but when we are saying institutional, it includes the asset managers, for example, which buy it in funds of funds. In the end, they are the retail customer but our clients are institutional clients.

Gurjit Kambo (JP Morgan): Just two questions. Firstly, can you perhaps give a bit of colour on the US business? What are sort of trends you have been seeing in the final quarter and maybe broadly in 2018? And then secondly, just on the JV contribution, you have obviously seen a big ramp-up in 2018. How is that move going forward in terms of the scalability of those businesses?

Yves Perrier: In the US, it was a year with net outflows. We view 2018 as a transitional year in the US for us. It was a difficult year for traditional mutual funds such as ours. I recently saw the results of Natixis, who suffered outflows in the US.

And we have just begun to implement the strategy to reinforce on the institutional side and to export more the US expertise. So that explains that, all in all, the contribution to net inflows of the US has been, this year, negative. At the same time, they have significantly improved their profitability due to the cost synergies and through better cost management, they have improved over 7 basis points of cost to income ratio.

Nicolas Calcoen: And regarding the JVs, as I said, what we expect going forward is to have a contribution in terms of activities and in terms of results broadly in line. Of course, there could be some operational leverage but you have to take into account that I think, all of these three JVs already operate with a cost to income ratio that are close to 50%, pretty much in line with Amundi ones.

Yves Perrier: And what is interesting, during the recent period AuM and net income have increased at different rates for JVs. You see that this year the pace of increase of net income is equivalent or even better than the pace of increase of assets.

Angeliki Bairaktari (Autonomous): Thank you for taking my questions. Firstly, when I look at the retail flows excluding JVs, those were around €4 billion for the full year. This compares to a run rate of around €20 billion that you had in the plan. And given that retail flows carry a much higher margin, a much higher fee rate, does that concern you for the future? And maybe related to that, could you please give us a bit more colour on what happened this year with third-party distributors? Because we saw another quarter of outflows. Obviously, the market environment might have affected that. But is there anything more structural in that segment, like MiFID II or something in the US retail segments?

Yves Perrier: You are right in your analysis. We are not at the level that we would like this year in retail, excluding JV. It is fundamentally linked to the context of the market that I mentioned; after the correction of the market on February, you had a major shift on the market. In addition the increase in volatility has created a risk aversion and net outflows in Europe.

There was also another reason to explain this which was the shift from American investors. Large sums were repatriated from Europe to the US, linked to first the Trump tax reform. And secondly, the fact that they consider that the potential of the US economy was better than in Europe, and also that there were less political uncertainty in the US than in Europe. So it is clearly a concern, in fact, in our plan and we know that we have to compensate for this.

Yves Perrier: Regarding Third-parties, that is the same explanation in fact. If you look at the figures of all the competitors in Europe, everybody is in the same trend.

Speaker: Can we please take a question from the phone?

Pierre Chedeville (CM CIC): Yes, most of my question have been answered. But just to be a little bit specific regarding what you say that there is problem in net inflows, regarding the original context and you say that you will have to balance this effect or this forecast. So what do you have in mind regarding this aspect?

And you talk about the market context, etc., but you do not talk about the economic context, which is going to be probably a little bit more tough than expected initially in terms of GDP growth, for instance, and also recent events. So clearly as a analyst, one part of our job is to make prospects. And we could be a little bit surprised to see that you did not change any figure of your plan, particularly regarding net inflows, having in mind that you have reaffirmed that continuing pressure on margin will continue. So at the end of the day if net inflows, it is more difficult, pressure on margin is more difficult, your cost to income is excellent and will be difficult to lower it below 50%, I guess. I do not see why you can accept external growth to continue– or reach your targets in your plan. So what is your view on that?

Yves Perrier: Look, my view, that, in life, firstly, it is better to be optimistic than pessimistic because you are not sure it will be right but you live better. As the Italian philosophe Grasmci said, "We need to have the pessimism of intelligence and optimism of the will", which is really the way we manage Amundi. Of course, you are right, times will be more difficult.

The question of the economic growth is not this easy for us. For us, which is more important is the question of volatility and hence risk aversion. That is the key question on the future and it is difficult to assess like this. What I am saying, in fact – when I say we will grow is that roughly we are seeing that we can do €1 billion of accounting net profit.

We are investing in some areas where we believe there is a strong return. We are able to deliver more productivity gains, for example, the cost, the shared benefit from them and some time, who knows, the tax rate can be better. So all in all, it is a target of trajectory. When I say €1 billion, we are not in, how do you say, the automatic pilot – management is not to pilot a plane (we sleep and so on), so permanently we need to adapt. And then there is a difference between execution, that is the life, sometimes between different management.

So all in all, it is, I will say, doable; at the same time it is not sure. I would say that we should give – as you know, you should ask to the management to give their objective with an interval of confidence. And I will say that at the beginning of 2018 when we give the €1+ billion, the interval of confidence was very high and now –

Pierre Chedeville: Yes, I remember.

Yves Perrier: – it is less high, but it is always manageable.

Haley Tan (Citi): Morning. Can I ask two questions, please? The first one on slide 18. If we compare this to the same one from your Q3 presentation, it looks as though you have seen €5.5 billion of net inflows in some countries in Europe, excluding France and Italy. And I am hoping you could give us some more colour on some particular regions there or anything unusual happening in Q4?

And the second question was actually the tax in Q4. Could you give us some idea of why that was so much lower and how we should think about this going forward?

Nicolas Calcoen: So for the inflows in Europe, excluding Italy, I would say it is a bit everywhere. It is in Germany, it is in Spain, it is in Netherlands, it is in the UK also, even if we would like to do better. So it is quite diverse in terms of source of inflows. But I would say it is a significant contribution, particularly in Germany, Netherlands and Spain.

And regarding the tax rates, so as I said, on the annual tax rate, the main impact is the tax reform in the US. On the fourth quarter, do not look too much at the fourth quarter, it is always like this at the end of the year. You know exactly what is your result country by country and there are adjustments. So the reference one you should look at is the annual one, not the one on the fourth quarter.

Yves Perrier: Okay. So just to roughly summarise, in fact, and in order that things are very clear between us. So what we continue to manage, it is this accounting net income target of €1 billion, equivalent to the €1.05bn adjusted net income. At the same time, do not consider that the inflows are an objective more important than net income. What the real commitment is on net income. And inflows, they will depend on the environment, this aversion to risk and so on, but we maintain the ability for under 53% of cost to income ratio, okay.

So thank you very much. It is always great pleasure to see you and life is beautiful.

[END OF TRANSCRIPT]