Third Quarter Results 2020

Friday, 30th October 2020

Operator: You may please go ahead.

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Amundi Asset Management

Introduction

Welcome

Good morning to all of you. This is Anthony Mellor speaking. Welcome to this Q3 2020 Results for Amundi. With me in the room are Nicolas Calcoen, Deputy General Manager and Domenico Aiello, Chief Financial Officer. Nicolas, the floor is yours.

Financials and Strategy

Nicolas Calcoen

Deputy General Manager, Amundi Asset Management

Third quarter performance

Overview

Thank you, Anthony. Good morning to all of you. First of all, before starting this conference, I hope that you are all well and healthy in this renewed difficult environment.

As an introduction, I want to say that these results for the third quarter of the year are good results for three reasons.

The first one is that we came back to a high level of inflows with €35 billion of positive net inflows over the quarter.

Second: our financial results remain solid: the adjusted net income for the quarter is €235 million, up by a bit more than 2% compared to last year and 1% compared to the second quarter of 2020.

And third, we received this month the final regulatory approval for the creation of our new subsidiary in China in partnership with Bank of China. We are adding, again, a new growth driver and this is, I think, a good opportunity to step back a little bit and to give a bit more colour about of our strategy in Asia and the potential for the future.

Before talking about the results of the quarter, we can talk about market context. Not teaching anything new to you, we all know that after a strong crisis in March, we saw a partial recovery in the second quarter. No major market evolution during the third quarter – the equity market recovered partially but not completely and interest rates remained very low. What is, probably, more interesting to notice, page 8, and to remember because it’s the main driver for the evolution for revenues is the fact that, despite this recovery, the equity markets are still down compared to last year, down by around 10% compared to the third quarter of 2019 but slightly up compared to the second quarter of 2020.

Last element of context, the evolution of the asset management market, here also a partial recovery following the outflows we saw on the first quarter. Inflows came back to positive starting in Q2 2020 but if you look at the year to date data, inflows in the market for open-ended fund have been over this period almost exclusively comprised of treasury product.

Activity

In that context, Amundi performed well in terms of activity. At the end of Q3– and I'm at page 12 – at the end of September, our asset under management were €1,662 billion, it is the highest level in the history of Amundi, and this represents an increase of a bit more than 6% compared to last year and a bit more than 4% – 4.4% to be exact – over the quarter. This growth over the quarter has been driven by three elements. First of all, a high level of inflows – €35 billion. Second effect, the integration of the acquisition of Sabadell Asset Management. You remember that we closed the deal on the 30th of June so starting on the 1st of July, we are integrating the asset managed by Sabadell Asset Management for close to €21 billion. And the last element, the positive market effect over the three months of around €15 billion.

So, a very good level of inflows, page 13, driven by, I would say, roughly all segments of activity. A very high level of inflows in treasury products, for €22 billion. You remember that during the first half of the year, we saw some outflow triggered by the crisis. Outflows came in mainly from corporate clients facing a difficult situation at that time. The flows started to came back in May and June and the trend was confirmed over the third quarter with, again, the €22 billion of inflows.

The business activity in long-term assets, excluding the joint ventures, is close to €5 billion so confirmation of the recovery that started during the second quarter. And last main component, our joint ventures continue to see a very positive momentum with a bit more than €8 billion of inflows during the quarter.

If I go now a little bit more in detail. Page 14 starting first with the retail business segment. Here, we see clearly a recovery of inflows. We saw outflows of around €4.5 billion in the second quarter. We have now positive inflows of a bit more than €5 billion during the third quarter. In particular, we saw a recovery in the long-term asset, positive inflows of €2.4 billion driven mainly by third party distributors. In the French and international networks, we are still seeing the effect of risk aversion with inflows concentrated in treasury products.

If I come now to the Institutional client segment page 15. Here we see clearly a very sharp recovery of inflows from less than €1bn in the second quarter to more €21 billion of inflows in the third quarter. This recovery was mainly driven by treasury product. As I mentioned earlier, corporate clients and some insurance clients came back to money market funds for €19 billion of inflows but we also continue to post positive inflows in long-term assets with a bit more than €2 billion of inflows across all our client segments.

On the JV, page 16, as I indicated, positive inflows of a bit more than €8 billion, driven by China where we see a high level of inflows during the quarter but also India, where we see positive inflows of €1.8 billion despite the fact that during this quarter we saw some outflows in treasury products, but a good momentum, a continued momentum, in long-term assets.

In terms of expertise page 17, our flows, long-term flows were driven by most asset classes except fixed income product. What is particularly important to notice is the fact that the positive momentum was driven by passive management where we had a bit more than €3 billion of inflows in the quarter, including €2.3 billion in ETF. And real assets with €1 billion of inflows, in particular in private debt and private equity where we added €0.8 billion positive inflows during the quarter.

To finish on the front of activity, a word about responsible investment. Our plan, our three-year plan is still underway and we are implementing it. This is, in particular, illustrated by the fact that we continue to post positive inflows on responsible investment products, with around €9 billion during the third quarter. We continue to develop new initiatives such as the launch of the AIIB-Amundi Climate change investment framework. We developed a new investment framework dedicated to green project financing in emerging market. Second illustration, we developed a new range of equity product called the ESG Improvers product with an approach which is dedicated to selecting company that demonstrate long-term improvement in energy transition, totally in line with our approach to ESG, based on supporting companies to improve their ESG trajectory rather than excluding them..

In parallel, we continue to contribute to, I would say, the thinking around the ESG approach, in particular on the report on responsible capitalism in Europe which was published by two French think tanks. Finally, one illustration of our commitment on the subject is also the fact that we reached the highest score of A+ across all categories in the 2020 PRI (Principles of Responsible Investments) assessment results.

Results

Moving to results, page 21. As I indicated, solid results illustrated by the level of the adjusted net income : €235 million over the quarter, up 2.3% compared to the 3rd quarter 2019 and up 1% compared to the second quarter of 2020. As you can see the impact of the market downturn on our revenues was countered by a strong control and reduction in operating expenses.

So, to illustrate this element, page 22, our total revenues of €630 million are down compared to the third quarter of 2019 but up compared to the second quarter of 2020. This evolution is mainly driven by the market situation. In fact, the year on year decrease in revenue, or at least in the net management fees, is driven by the decline in average market levels. As I mentioned earlier, the equity markets were down by 10% and our net management fees are down by 5%, with the continued pressure on margins which is not new, and mainly due to the lower level of fees on guaranteed product compared to 2019 in the context of a low interest rates and the evolution of the asset mix with more passive management.

If I compare now to the second quarter of 2020, our net management fees are up by close to 5%. This is due to a positive market effect and the integration of the assets and the revenues coming from Sabadell Asset Management.

At the same time, our performances fees are maintained at a good level at €30 million, driven by, in particular, good performance in equity products.

On the cost side, expenses are down by close to 4% compared to the third quarter of 2019, thanks to several factors. The first one is a continuation of our optimisation efforts which is, I would say, permanent. Also due to the fact that we lowered certain expenses in line with the context and, of course, that we adjusted the variable compensation in line with the evolution of the revenues. Compared to the second quarter of 2020, the cost are slightly up. This is, due to the fact that we consolidated Sabadell starting from the 1st of July of this year.

So, we had strong cost control and our cost income remains one of the lowest in the industry, at 51.2% stable compared to last year.

As a consequence of this evolution and taking also into account a very good contribution from our joint ventures with a net result of equity accounted entities of €17 million, our adjusted net income was slightly up compared to the second quarter of this year.

And if we look at the result for the first nine months of the year, two elements are noticeable: our cost income ratio is 52% so well under the 53% target in our plan and this despite the very difficult market environment during this period. And second element, the net income – adjusted net income –is €674 million, down by around 8% compared to last year, with a strong decrease on revenue, especially of financial income compared to last year ; but the thing to notice is that excluding the financial income which is strongly impacted by the market downturn, this net result is comparable to the one of the first nine months of 2019.

Before moving to the section dedicated to our strategy in Asia on China, just to finish with numbers, page 21, a few words on the financial structure which remains very strong. At the end of September, our tangible equity was up and reached €2.9 billion. Our core equity tier one ratio is at 18.6% which allows us to consider that we have around €1 billion of excess capital compared to a managerial target of a minimum level of core equity tier one of 10%.

Moving to our strategy in Asia page 27: we received the authorisation a few weeks ago to create our new subsidiary in China, this is a good opportunity to step back a little bit and provide a bit of colour about our presence and strategy in Asia.

Asia is, of course, a very important market and will be more and more important. This is especially illustrated by a few data page 28. Roughly, we can consider that today Asia represents 13% of the global asset management industry but this is up from a share of only 5% some 10 years ago. Asia represents roughly 50% of the population of the world so we have a good chance to see Asia continue to grow.

The good thing is that we are very well positioned to capture a significant part of this growth, thanks to a long-standing presence in Asia. The presence that started several decades ago for the, I would say, ancestor of the family, and that continuously increased in recent years, allows us now to be present in most of – but not all- the significant markets for asset management or financial market in the region. This allows us to reach a bit more than €300 billion of assets managed for Asian clients which overall represent 25% of our total assets under management, excluding the AUM managed for the Group insurance companies.

This strong presence is a consequence of our strategy page 30 which, basically, combines two approaches. First approach is to build strong partnership in our joint ventures with leading retail banks. As you know, it is the case in India with the State Bank of India, with Agricultural Bank of China in China and with the NH Group in South Korea. These partnerships allow us to access a huge market, markets that are difficult to reach or sometimes impossible to reach on a standalone basis. So, the partnerships give us access to the distribution networks of very powerful retail houses.

Our development is also based on fully owned subsidiaries in the main financial markets of the region. This is the case with our strong presence in Japan where we manage more than €21 billion but also in Northeast Asia, more specifically in Hong Kong and in Taiwan and in Southeast Asia in Singapore, in Thailand and in Malaysia. Overall, these subsidiaries represent around €60 billion of asset and allow us to access both institutional clients and third party distributors.

So, this strategy, this development, allows us very pragmatically to cover all the main Asian markets. This strategy is, by the way, well illustrated by the success of the development for our joint venture in India which is illustrated in page 32. Today this JV manages more than €135 billion, a very strong development in retail historically, in the whole network of SBI. But also in the Institutional space, where SBI MF has now an established franchise. Thanks to this development, SBI MF has become today the first asset manager in India.

To come now more specifically to the Chinese market and the new opportunities opened by the subsidiary created with the Bank of China, it is also just worth to mention that, of course, it's a market with a very strong growth and a very strong potential. Overall, the last six or seven years, growth averaging 25% a year and expected to continue to grow, in the years to come, by around 10% so, clearly, an important market for asset management, a market which is also in transition. We have an historical fund management market, which is the one in which we have been operating with our partner, ABC, which has continued to grow with products similar to mutual funds. But we have also a wealth management market which used to be a market of balance sheet products but which is evolving to be more and more similar to the traditional fund management market, thanks to a regulatory change which creates new opportunities.

And precisely with the creation of the new subsidiary in partnership with Bank of China, we are positioned to capture the opportunities of this new market. This is illustrated in page 35.

We maintain, of course, the partnership with Agricultural Bank of China, which operates in the fund management market and we create a new channel with Bank of China to address the wealth management market. So what has been really created is a unique positioning for Amundi, which is this capacity to partner with two of the four leading banks in China combining around 700 million of potential clients, of retail clients, with a bit more than 30,000 branches, so a unique positioning to cover the full market, taking also into account the fact that we will – as we do already - continue to also address directly, under the Amundi brand, some institutional clients, either from our Hong Kong office or more and more, through our wholly owned new subsidiary, based in Beijing.

Amundi BOC WM

Regarding, more specifically, the new subsidiary, a few words, page 36, about the project and where it stands today. First, to remind that the project was just launched one year ago, or a bit more than one year ago, when, at the end of the summer 2019, Amundi was approached by Bank of China, among other leading asset managers, with a proposal to create a new partnership and a new JV where the partner – the foreign partner – will be a majority owner. This is following the announcement by the Chinese authorities of their intention to open the market and to allow foreign players to be majority owner of wealth management entities.

We very rapidly were selected as the partner by Bank of China and we got the preliminary authorisation from the regulator at the very end of 2019.

Since then, over the first eight or nine months of the year, we worked very closely and very hard with Bank of China to define, more specifically, the project, the agreement to define the commercial plan, the operational setup, to recruit the teams, establish the IT (based on our internal platform ALTO), and this allowed us to get, at the end of September, the licence by the authorities. So, now, where do we stand? Those teams are in place and already around 40 people are operating in the structure. The infrastructure is in place and we expect to build the capacity to launch the first new product by the end of the year.

Ambitious business and financial objectives by 2025

Going forward, page 37, our business objectives are very clear with Bank of China. In terms of clientele, the focus of the JV will be, first, on the BOC networks and the strong potential coming from the retail clients of BOC. And gradually, we expect to also cover third party distributors, platforms and institutional investors.

In terms of products, we'll be, at least in the first period, concentrated on Chinese assets, renminbi assets, in particular in the fixed income and multi asset products. What's important to notice is that these will be 100% new products, so there will be no transfer of existing products or existing assets from the BOC; they will be liquid products and we will rely on our strong expertise in asset management, asset allocation processes, tools, both IT tools and risk procedures.

In terms of financial objectives, based on the strong capacity of distribution of BOC and our expertise in asset management, we expect to reach more than €60 billion of assets under management in five years, by 2025 and by that time, also, to reach a good level of profitability with net income for the structure above €50 million, with break even for the structure obtained in one year, by the end of 2021.

2025 objective for Asia: AUM of €500 billion

So, with the addition of this new development – a strong addition to our existing capabilities and potential across different partners and countries - we believe that we could reach, also in five year, by 2025, €500 billion of assets managed in Asia.

Conclusion

So, before we open the floor for questions, to conclude, I would like to reiterate three positive elements to take out from this quarter, notwithstanding the quite difficult environment due to the COVID crisis. First, the fact that we returned to a positive – and a very positive – activity growth momentum. Second, we maintained a high level of operational efficiency and profitability. And third, we continue to develop for our future growth through new growth drivers. A few months ago we finalised the partnership with Banco Sabadell and the acquisition of Sabadell Asset Management, and the integration on this front is going well. Today, we launch this new partnership and subsidiary in China. Thanks to this and thanks to the favourable momentum in the region, we expect Asia to be one of our major sources of growth for the years to come.

Anthony Mellor: Thank you. I think we can now switch to Q&A.

Q&A

Operator: Thank you. If you wish to ask a question, please press star and one. And the first question is coming from the line of Jacques Henri Gaulard, please go ahead. Your line is open.

Jaques Henri Gaulard (Kepler Cheuvreux): Yes. Hello everybody. Just one question: thank you very much for the presentation on Asia. That's great and very interesting. If I understand well, the implied CAGR for the region to get to €500 billion by 2025 is about 10.5–11%. So the question would be: how should we view the growth of the other regions and basically, yeah, to have a little bit of context of where you see Asia outgrowing the rest of the world, if possible? The idea being of: how do you view your own assets under management at group level by 2025? Thank you.

Nicolas Calcoen: Thank you Jacques Henri. Yes, I think it's a CAGR of around 10% or something like that, for the Asian region. Well, for the rest of the world, for the rest of our business, we expect it to be lower for obvious reasons. First, our presence is even more established. Even if the one in Asia is already strong, we are even more present in Europe and the growth of Europe will be much lower, so I cannot give a precise target for the whole business but clearly Asia will represent a growing part of our activity and of our results going forward.

Jacques Henri Gaulard: Thanks a lot.

Operator: Next question is coming from the line of Haley Tam from Credit Suisse. Please go ahead.

Haley Tam (Credit Suisse): Morning gentlemen. Two questions for me, please. One: just to follow up on the Asia and China targets, thank you for those, a €60 billion target is ambitious but it would still be just less than 0.5% of the €12.5 trillion market size that you put on slide 34. So I just wondered, given BOC is a top five bank, why we shouldn't be more optimistic than your targets?

And then the second just in terms of M&A and your €1 billion surplus capital, given the relatively lacklustre fund flows in international networks over the last few quarters, should we consider M&A to add to your distribution networks as your top priority? So, you know, for example, could we consider you possibly adding to your capabilities in Italy, or is your UniCredit distribution network there enough? Thank you.

Nicolas Calcoen: Thank you. First, on the first question, is the €60 billion ambitious enough? Well, again, we are starting from scratch. The company doesn't, or didn't exist a few days ago, a few weeks ago; we are starting from scratch. Again, the potential is huge, considering the potential of China overall and of Bank of China.

But we won't be the sole provider of asset management products for this network. Bank of China has existing capabilities, they will remain but we will capture a significant part of this potential– this business plan has been built in conjunction with Bank of China, so we are very confident in the capacity to deliver it. Maybe it will be more, but €60 billion in less than five years – or in five years, for a totally new company, I think it's not that bad.

Regarding M&A and especially in terms of distribution, well, here our strategy has not changed. We prefer the strategy of organic growth and we believe that we have capacity to grow, of course, with the new drivers, the new opportunities we mentioned in Asia but also in Europe and including with the networks which are our current partners.

That said, if there are opportunities, we will look at them, as long as they still fit with our three criteria. The first one is: do they fit with the overall strategy and reinforce our capabilities? And part of our strategy is to have a very strong distribution capability, so adding new distribution networks could clearly be part of this strategy. But we have a second and third criteria. The second one being the return on investment based on the revenue or cost synergy potential delivered by an opportunity. And the third one is manageable execution risk.

So, if – that is if – there are opportunities that fill these conditions, we would definitely look at them.

Haley Tam: Thank you.

Operator: Next question is coming from the line of Mike Werner from UBS. Please go ahead.

Mike Werner (UBS): Thank you and thank you for the presentation, Nicolas. Two questions, please, first on the Bank of China subsidiary. Do you have a kind of a budgeted outlook for the costs that are likely to be incurred, either in Q4 or in 2021, before the company gets, you know, to be break even by the end of 2021? That's the first question.

And then second, on slide 23, you highlight, you know, some of the drivers of the year on year change in the cost base. I was just wondering if you could provide a little bit more colour as to the break down, as to the mix between those two in terms of the adjustment of the variable comp, the operational efficiency and then, you know, kind of the reduction in Travel & Expenses? Thank you.

Nicolas Calcoen: Sure. First, regarding the subsidiary in China and the costs we should incur. So, yes, of course, in the fourth quarter there will be very little revenue, and costs, probably in the region of €5–10 million of costs during the quarter, at 100%. And for next year, costs that will evolve from this level but with revenues progressively increasing over the year. So, yes, break even should be reached towards the end of the year 2021 . It means that we should still see, in a net result, a slightly negative impact in 2021.

Regarding cost management overall and the evolution of cost, compared, in particular, to last year. As I indicated, there are three drivers: less travel and marketing costs, variable remuneration and overall cost efficiency initiatives; well the breakdown between the three is basically around one third for each, overall.

Mike Werner: Thank you. Thank you very much.

Nicolas Calcoen: And just to mention that the reduction in travel and marketing cost, part of it, of course, is linked to the crisis and won't be recurrent. At the same time, every situation, every crisis is sometimes an opportunity to revisit the way we work and so on. So even at the point where, hopefully as soon as possible, the crisis will be over, we don't expect this kind of expense to completely come back to previous levels.

Mike Werner: Thank you.

Operator: The next question is coming from the line of Arnaud Giblat from Exane. Please go ahead.

Arnaud Giblat (Exane): Yeah, good morning, I've got three questions, please. Now, firstly, on the retail margins, I was wondering if you could give us, maybe, a bit of colour as to how much the guaranteed products contributed in the quarter? And maybe if you could give us a bit of a feel in terms of how much you earn on money market products in the retail segment, just to get an idea of the dynamic that's happening in that margin and where it could be heading in the future?

My second question is on China. Firstly, recently we have seen a number of mandates being lost by Vanguard in Asia, in Taiwan and with various Chinese institutions. So it seems like Vanguard wasn't making any money on these mandates. So I'm wondering if these are specific situations or are you generally seeing a bit less fee pressure in these markets, with the withdrawal of some of the more aggressive pricing competitors?

And my third question is on Bank of China; thank you for the business plan. Clearly we've got AUM and net income, so we kind of have to guess what's in the middle but to go from €60 billion to €50 million of net income, it looks like the revenue margin for you is about 40 basis points. So I'm wondering: in the business model, is there a big revenue share – a big retrocession, to the bank or is it just the case that the products being sold are quite vanilla? And I'm wondering if there's scope, in the longer term, since it's a wealth management channel, to be selling more sophisticated products and get that revenue margin up? Thank you.

Nicolas Calcoen: Okay. So, first of all, on margins and overall Retail margins, as I say on the main drivers, it's not something new to the fact that margins are lower than last year. It's not that new, there are two elements: the mix changed progressively, going to a higher share of passive versus active management, and revenues coming from structured products are lower this year compared to last year. I cannot provide the details but what I can say is that there is no further decrease compared to the recent period. And we believe that, in terms of revenues coming from these kind of products, going forward we don't expect any new significant downward pressure.

Regarding – the second question was –

Anthony Mellor: money market in retail.

Nicolas Calcoen: Money markets funds – there are some money market in retail. By the way, a significant part of money market funds sold in retail are in fact bought by corporate clients of the retail network, and so the margins are quite similar to what we see in the more general corporate space that we have.

Regarding China and the margins and Vanguard, I cannot, of course, comment on any specific question regarding a competitor. We don't have a specific issue as far as we're concerned and the level of margins in the region is, I would say, for big institutional clients very similar to what we see in other regions. I mean these large clients are very similar and we have seen it across the world. For smaller clients and retail clients, I would say, overall, we see, probably, less fee pressure than we see in Europe, for example.

And the third question was regarding Bank of China and the margins. Actually, the average margin is a bit lower than what you have in mind, it's probably closer to 25 bps. This is due mainly to the fact that the focus is, indeed at least for the first years, mainly on relatively vanilla products, with a significant component in fixed income that should be managed and delivered to the network.

Of course, there are rebates to the network, but they are in line with the market and what we can see, overall, in the rest of our business.

Arnaud Giblat : Thank you.

Operator: Next question is coming from the line of Hubert Lam from Bank of America. Please go ahead.

Hubert Lam (Bank of America): Hi, good morning, I've got three questions. Firstly, on your €1 billion of excess capital, can you let us know what your priorities are for it? Is the first priority to pay back the dividend that you couldn't pay in this year, next year, as well as the 2020 dividend? So, that's the first question.

The second question is on ESG. You mentioned about €9 billion of inflows coming from ESG – into your ESG products. I was just wondering what – where the inflows are going to. Are they passive? Are they active? Are they equities or money market, et cetera? So just a breakdown of your ESG inflows.

And lastly, just in terms of client sentiment, I guess we're entering a new wave of the virus. I was wondering how you think clients will react this time around. You obviously saw big outflows in Q1. I was just wondering if, this time around, clients will react similarly or do you think they'll be a little bit more stable this time around? Thank you.

Nicolas Calcoen: Okay, so first question, on the excess capital –

Hubert Lam: Yeah, it's what's the priority of the €1 billion of excess capital. Is it firstly just to pay back – to pay the dividend that you were supposed to pay this year, as well as next year's dividend? Is that the main priority of the €1 billion of excess capital?

Nicolas Calcoen: Our intentions overall have not changed. We have in mind – and it remains our approach – two elements. First is to resume as soon as possible our regular dividend policy, which is to distribute at least 65% of our net result. And the second element: we don't intend to pile up excess capital. So either we have opportunities to use this capital, otherwise we should return it, in a way to be determined, back to shareholders, so this approach has not changed.

What we don't know, concretely, is what would be the regulatory framework in which we will operate. But again, our intention is to resume a regular dividend payment. And in terms of usage of the excess capital, it is not as much a question of priority but a question of opportunity. Again, if we see an opportunity in M&A that makes sense, that reinforces our business model, creates value, with limited execution risk, we will seize this opportunity. Otherwise, we would distribute, if we can, the excess capital.

Regarding ESG inflows, it's – I would say it's across the board. It's both active and passive management. I don't have the exact figure in mind. And this is across all asset classes: equity, fixed income, treasury funds.

And the last question: yeah, the outlook going forward, given the – I would say the strengthening of the crisis– sanitary health crisis, COVID crisis in Europe. Well, it's a bit difficult to say. Just a few elements of comment around this question.

First of all, the trend, if we exclude the recent evolution of the health situation , the trend is and was positive over the recent months and weeks. This is clearly illustrated by the result and the activity over the third quarter and in addition what we can say is that in the institutional space, we are seeing a level of commercial activity, of RFP received, which is on a positive trend. So to see to what extent it's translated in actual inflows is unknown, but the trend, in terms of commercial activity, was up to now positive.

And in the retail space we saw, also, I would say, a better movement over the recent periods, both in French and international retail networks. As you mentioned, things are changing a little bit. It's clearly too early to say how it can impact the activity. It could, probably it will – generate more risk aversion but at the same time, we have positive, I would say, long term factors leading to more inflows that are still there, so difficult to assess.

And obviously on the front of corporate clients, let's say we see – considering the fact that we have the experience, that our clients have the experience of March, that the crisis is probably there for a long time but not as strong as it was over the end of March and probably clients are more prepared and have more liquidity.

We don't expect to see, especially on the money market front, what we saw in March and April.

Hubert Lam: Great, thank you.

Operator: Next question is coming from the line of Bruce Hamilton from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi there, morning guys, just a sort of follow up question, really, on excess capital and distribution. I guess you're the one listed asset manager that hasn't been able to pay dividends for 2019, so giving up sort of 5% yield versus the sector. Clearly there's quite a bit of uncertainty as to whether banks will be able to pay dividends for 2020, given the rising second wave. So what planning have you done around business structure, maybe looking at your banking licence and moving away from operating under a banking licence to free up capital to distribute? Or, put another way, if Cred Ag can't pay dividends next year, why should we have any confidence that you can?

Nicolas Calcoen: First element of response regarding the banking licence: we have this banking licence because we manage structured products, guaranteed products, which create significant value for us. And for that reason, we need to keep this banking licence.

Second element: we are, anyway, a subsidiary of Credit Agricole. So, even if we didn't have this licence and we were not managing this kind of products, and we didn't have this licence, there's no certainty that we could distribute a dividend. So, going forward, what I just can say is yes, we'll continue to be under the supervision by the ECB and to take into account what ECB is deciding. What we continue to say and explain is that first, our particular business model is different compared to a regular bank, that actually grants loans and has significant credit risk ; and second, considering our strong capital position, there is no reason for us to be under the continued restrictions on the dividend payment. But this is not completely in our hands.

Bruce Hamilton: Just to check, because obviously DWS are paying dividends and they are majority owned by a bank. Are you saying that you will be able to pay dividends given your capital strength, even if Cred Ag does not for next year? Is that basically what you are saying, or how should we read that?

Nicolas Calcoen: No, no. I am saying we will see what we are allowed to do. What I am saying is that what we can do is to explain that we are in a situation which is different from the other typical credit institutions under banking supervision. But I do not know what will be the approach of the authorities going forward.

Bruce Hamilton: Okay thank you.

Operator: Next question is coming from the line of Chris Turner from Berenberg. Please go ahead.

Chris Turner (Berenberg): Yes, good morning, it's Chris Turner from Berenberg. Just two questions, I think for me. Firstly, you already have an asset management joint venture with Agricultural Bank of China. So can you provide some insight into why you decided to enter into wealth management agreements, wealth management JV with Bank of China rather than with Agricultural Bank of China?

My understanding there is that the local Chinese regulation only allows you to have one of these wealth management JVs at any one time. So what the Agricultural Bank of China think of this? I can't imagine they're necessarily too happy. So is there any risk there to your existing joint venture with them?

And then secondly, as it stands about 80% of your Asian AUM comes from joint ventures in India, in South Korea and China and so on. But the economics there are not quite as attractive as they are if you manage those assets directly. So when we're thinking about this aspiration you have to add €200 billion of AUM in Asia over the next five years, can you give us an idea of how much that you think will come from your subsidiaries rather then from your JVs? Thank you.

Nicolas Calcoen: On the existing JV partnership with ABC: when we were approached by the Bank of China last year to potentially create this JV into the wealth management space, of course, we informed ABC and we discussed with ABC their intentions in that space. And they didn't have – they don't have as far I know, the intention to create another similar project, creating a wealth management subsidiary, where they would be a minority shareholder. So they were informed and there is no issue or consequence on the JV with ABC.

So that's why we went with Bank of China, which is by the way a very attractive partner in this areas.

So, going forward, we will have two partners in two different, let's say, asset management areas. And we expect to grow on both fronts.

Regarding more generally, your second questions regarding growth in JVs versus subsidiary? Well, first of all, I would like to qualify, if I may, the assertion that the economics are not as attractive. Of course, we have let's say between 30% and 37%, let's say on average one-third of the capital of the JVs, so one-third of the net results. But at the same time, the risk we take and the investment is proportionate to the shareholding in the business. That is the 1st element. These JVs are very profitable, and by the way the 3 of them have a cost-income ratio of around 50%, so very similar, in line with what we do at Amundi overall.

And second reason, I would say, to qualify this assumption is the fact that what we can do with these partners probably, we couldn't do it alone, either because historically, it was not possible to be in some market on a standalone basis, and even if it is not the case anymore, the strength of these partnerships is to access huge distribution potential that we couldn't reach on a standalone basis.

So that's why we are very pragmatic. If we find a partner of this type, a leading retail bank, that wants to work with us and allow us to access this market with them, we will go for it. In some cases, it's not possible to find such a partner, but there might be a market that is accessible directly and so we do it as well. It's not like one option is better than the other. They are just different situations, and we are again very pragmatic. And so going forward, where we should see the growth, we expect to see both approaches, I would say JVs and subsidiaries to generate business. And based on growth, it will more depend on the pace of growth of the market where we operate. Obviously, we expect to see a strong growth in China, continued growth in India. We don't expect such growth in Japan for example, as it is a very mature market. So we expect the pace of growth in China and India to be much higher than in Japan. And in India and China, we are mainly present via joint ventures, while in Japan, we are present on standalone basis.

Chris Turner: That's very clear. Thank you very much.

Operator: Next question is coming from the line of Angeliki Bairaktari from Autonomous. Please go ahead.

Angeliki Bairaktari (Autonomous Research): Good morning and thanks for taking my questions. First of all on your net flows in international networks, those were quite weak this quarter. Could you help us understand the different dynamics in the UniCredit network, especially in Italy? And also what has been the contribution of the newly added Sabadell network this quarter? And what should we expect from UniCredit and Sabadell in the fourth quarter and also next year?

And a second question, a second follow-up on discussion around excess capital and M&A. We know that you – one of the criteria is to enhance your distribution, but considering you are already Top 3 player in Italy, I just want to really understand your appetite around increasing your market share in Italy in particular. Is there any appetite to do any inorganic deal in Italy or not at all? Thank you.

Nicolas Calcoen: Okay, thank you. So regarding the international networks, so yes, it's slightly negative on the third quarter. The main partner being UniCredit, distribution has been impacted by the context of increased risk aversion which has been really significant. . But that's also where I would think that, putting apart the potential consequence of the crisis, the prospect are positive and we're gaining momentum.

Regarding Sabadell networks, the inflows were positive by close to €100 million on the quarter, so a good start for the cooperation and the partnership with the networks. And by the way, I take this opportunity to say a word, on the integration of Sabadell AM which is going well. We are starting to reinternalize some expertises that were outsourced by Sabadell AM due to the lack of internal expertise.

And we should in the weeks to come migrate the Sabadell AM investment management platform to our IT platform ALTO. So I just can remind you that we expect 20 million of synergies pre-tax coming from the deal, and we expect to have approximately half of these synergies already realised next year and the rest mostly in 2022.

Regarding M&A opportunities, again, our approach is the same. It's a pragmatic one, an opportunistic one with no restriction specifically to Italy. Yes, we're already strong, but again, if we see opportunity that reinforces the model potentially, the distribution capabilities, that create value with limited execution risk, we could look at them. Next question?

Operator: Next question is coming from the line of Nicholas Herman from Citigroup. Please go ahead.

Nicholas Herman (Citigroup): Yes, good morning, thank you. Most of my questions have been asked at this point. I just wanted to ask [inaudible] –

Operator: Your line is very bad. I need to remove you. Your line is very bad. Apologies. The next question is coming from the line of Pierre Chedeville from CIC. Please go ahead.

Pierre Chedeville (CIC): Yes, good morning. I have one last question. Regarding slide nine of your presentation, we can see that if you look at the quarter and not only the eight first month, we can see that medium term and long term assets are in terms of proportion much higher than treasury products, particularly in July and August 2020.

And I was wondering why Amundi in this third quarter did not benefit from this high proportion in the market of medium- and long-term assets? That's my question. Thank you.

Nicolas Calcoen: We did benefit, and we had positive inflows in the third quarter on long term assets. The fact that we had very –

Pierre Chedeville: In the same proportion?

Nicolas Calcoen: We don't have such market share here in Europe that allow us to capture most of these inflows. So we did have inflow, I think in long term I said pretty much in line with the market. But on treasury funds, we had a stronger recovery, stronger than the one on the market during this quarter, but we did benefited also from positive inflows in long term assets.

Pierre Chedeville: And regarding the treasury assets, do you think that confinement could lead the companies to take back their money once again?

Nicolas Calcoen: That was one of the previous questions. It is difficult to say, but I would not expect something like what happened in March or April because again , probably companies are more prepared, and the intensity of the shock, if any, should be milder. What is going on now is not what happened in March or April.

Pierre Chedeville: Okay, thank you.

Operator: Next question is coming from the line of Adam Terelak from Mediobanca. Please go ahead.

Adam Terelak (Mediobanca): Yes, good morning. Sorry to return to Italy in distribution. I want to ask the question from a different direction. Just clearly, a lot of chatter in the market around potential bank deals, different mergers, CariParma and Banco BPM mentioned as potential tie-ups.

I just want to think how you view your distribution agreements in the context of the merger, and how you think about distributing on a single network alongside another partner? Clearly, Banco BPM already has a strong tie to Anima. And what your thoughts on that would be the potential solutions out of that? Thank you.

Nicolas Calcoen: So our existing partnerships on distribution agreements are very strong. Main partner in Italy is UniCredit. We have a 10-year agreement, so going until 2027, and this commitment stands whatever happens, there are no change of control clauses or whatever. So with just a strong commitment in term of market share, so these agreements are well protected.

And our second main distribution partner in Italy is Credit Agricole Italy. Credit Agricole is our majority shareholder. I wouldn't see the interest of the Credit Agricole Group to challenge the positioning of Amundi in the networks. So we are overall well protected and right, that's it.

Adam Terelak: Okay, thank you.

Operator: Once again, if you wish to ask a question, just press star and then one on your telephone.

Nicolas Calcoen: Okay, it seems, we don't have anyone else, so thank you to all of you and next event will be on 10th February next year with a full year 2020 results. Thank you. Bye-bye.

Operator: That does conclude our conference for today. Thank you for participating. You may all disconnect.

[END OF TRANSCRIPT]