2018 First Half Results

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Introduction on First Half Results

Yves Perrier

CEO, Amundi

So good morning everybody. I am with Nicolas Calcoen, the CFO of Amundi, Anthony Mellor, who is Head of Investor Relations, and Thomas Lapeyre who is also working with Anthony. So, before letting Nicolas presenting the results of the first half, some words to introduce them.

First half general comments

The first half is for us, I would say, satisfactory. I would even say very satisfactory, and that's for three reasons.

Profitability

The first reason is, of course, related to the level of profitability. Our accounting net income shows an increase of nearly 60%, both for the first half and the second quarter compared to the same period in 2017. And the increase in the adjusted net income at comparable perimeter is around 13% also both for the first half and the second quarter. The profitability has been driven first of all by the activity, with €42 billion of net inflows for the first half, of which €3 billion in the second quarter ; you remember that the first half was exceptionally high with €39 billion. Profitability has also been driven by the decrease in cost due to the rapid implementation of the integration of Pioneer.

All in all, we are in advance on our roadmap. You remember that we had defined four economic parameters for our three years plan.

The first was activity. The objective announced was an average net inflow of €50 billion per year. We are at €42 billion net inflows in one semester.

The second was the growth in results. We stated an increase – an average increase of 7% per year of the adjusted net income, and we are at a pace of 13%.

Third was the cost to income ratio. We stated a cost income ratio under 53%, and we are at 50% in the first half.

And finally, we announced at the time of the acquisition of Pioneer that we had an objective of accretion of 30% of the net earnings per share over three years, and in the first year the increase of earning per share was 44%.

Pioneer

The second reason of satisfaction is related to the fact that the Pioneer integration has been successfully implemented. First, the partnership with UniCredit has been successful. Italian sales during the first half amounted to nearly €7 billion, of which €2.5 billion in the second quarter and in these Italian sales – retail sales – UniCredit represent roughly 70% of inflows.

Second, cost synergies are been implemented more rapidly than anticipated, thanks to a rapid decrease of staff and successful IT migration. Of course, it remains some IT migrations to come but I would say from a managerial point of view, we are in a new phase which is the acceleration of development ; therefore, we have begun in the second quarter to recruit new teams in order to support our organic growth.

Business model resilience

And the last reason of satisfaction is a confirmation of the solidity and resilience of our business model which is based on our diversified activities by client segment, by asset class and by geography. The environment, especially in Europe in the second quarter, has been clearly more adverse than last year, but even in this kind of context the aircraft carrier Amundi keeps its trajectory of profitable growth.

So, now I hand the floor to Nicolas to detail these results.

Financial Results Presentation

Nicolas Calcoen

CFO, Amundi

Good morning to everybody. I will try to give a little bit more detail and flavour around what is said starting with the activity and with the market environment.

Market environment

So, for those following the slides, I'm on page seven. So, very shortly on the market environment, as you know, we entered, since the market correction that happened around February this year, into a more difficult market environment than the one we had known over the last two years. The equity market performances have been flattish compared to the second half of last year. The market correction at the beginning of this year, the higher volatility, some geo-political uncertainties have driven to an increase in the risk aversion from the clients in the second quarter.

Amundi performance

So, in this context, Amundi continue to perform well – I'm on page eight– our assets under management at the end of June were at €1,466 billion, an increase of 7.5% compared to June 2017. On the first half of the year, our total net inflows reached €42 billion and the market impact was slightly negative on the semester (minus €2 billion).

So, a high level of inflows at 42 billion, a sharp increase compared to last year which is driven mainly by long-term assets as you can see. Long-term assets represented €37 billion of total inflows, so more than 80%. So, good quality inflows. Overall a very high level of inflows in the first half after an exceptionally high level of inflows in the first quarter. In the second quarter, our inflows are still solid, +€2.6 billion compared to -€2.9 billion in the second quarter of 2017. Our long-term inflows on medium to long-term assets represent a bit more than 8 billion, offsetting the seasonal outflows of €6bn in the second quarter on treasury products.

If you look at the breakdown of activity by client type, you can see that our inflows have been mainly driven again by retail, that represented over the first half of the year €35 billion of total inflows. On the institutional side, we had a good level of inflows with 8 billion on the semester driven by strong inflows on long-term assets, €13billion for the first half including a bit more than €3 billion on the second quarter. This more than compensated outflow on treasury products, mainly coming from corporate clients: you can see that in the second quarter, we had outflows on treasury products of €13 billion reflecting the traditional seasonal effect with corporate client withdrawing money from their treasury funds to finance the payment of their dividend.

Retail segment

Page 11: going a little bit more into detail with the retail activity. What is also interesting is that the strong inflows were driven for the first half of the year by the partner networks distribution channel.

The French retail networks had a good level of inflows with more than 3 billion inflows confirming the change in the trend on this market that started two years ago.

The International networks also generated a good level of inflows (€5 billion) with especially a strong contribution from the networks in Italy (€4.4 billion coming from the segregated accounts and the Unit Linked). So it reflects the success of the partnership with UniCredit.

The Third party distributors posted positive inflows of 3 billion, mainly driven by France and Asia, with especially a very good momentum in Japan, Hong Kong and Taiwan.

And finally, the inflows in the Asian JVs are still very high, more than €23 billion for this first half already.

If you look a little bit more specifically on the second quarter page 12, you can see that the level of inflows is still very high, €13 billion. The inflows actually show clearly a slowdown due to the market environment that I mentioned and the rise in risk aversion in Europe but the flows remain positive. Our partner networks continue to post positive inflows of €2.7 billion in the quarter: €1.7 billion of inflows in Italy, €0.6bn in France mainly driven by long-term assets.

The Asian JVs continue to grow very strongly in particular in China but also in India and in South Korea. We saw some outflows on some party distributors but moderate outflows, in an environment marked by an increase in a risk aversion in Europe.

Institutional segment

Page 13 regarding the sales of Institutional and corporate business. As I mentioned, a good business momentum with 8 billion of net inflows over the first half of the year despite the seasonality in the treasury products. So, you can see that the Institutional and sovereign segment posted €20 billion of inflows over the first half of the year. As far as corporates are concerned, there are the usual outflows on the second quarter but the flows on long-term assets remain positive, and mainly driven by the employee savings that posted €2.5 billion inflows on the first half of the year, supported by the traditional period of payment of what is called in France "*intéressement et participation*".

By Asset class

In terms of asset class page 14, as I indicated, the net inflows were mainly driven by long-term assets and coming from all areas of expertise with, especially, a strong contribution coming from the multi-assets of €15 billion over the first half of the year and also a significant contribution coming from equity expertise in passive management but also with positive inflows on active management.

By geography

Finally by geography page 15, our net inflows were driven by the activity outside France with very strong contributions from Asia, 30 billion of inflows on the first half of the year, coming, of course, from our joint- ventures in China, in Korea and India but also with a strong activity in Japan, in Hong Kong and in Taiwan which represent inflows of 7 billion for the three countries.

So, overall there is a strong contribution from Asia as well as a strong contribution coming from Italy at €6.7 billion of inflows, so an increase compared to the first half of last year. In France, the net inflows are close to zero but with a good momentum in the long-term assets in retail and employee savings schemes, offset by treasury product outflows.

Before coming to the financial result, maybe one word simply on the fund performances, that remain resilient. You can see that based on the Morningstar fund rankings, two-third of our funds continue to be on the first or second quartile whether you look at it on a one year, three year or five year performance basis.

Growth engines

Before going to the financial result at page 17, also a word about our growth engines that have been developed in the recent years by Amundi and that continue to grow. Passive management first with, for example, as far as ETF are concerned, posted continued positive net inflows of €2.9 billion over the first half of the year. Here again, Amundi is ranked number five in terms of assets in Europe and number three in terms of inflows. The development of real assets is also a priority for Amundi and also continues to be successful with continued net inflows of €1.3 billion in real estate, but also in private debt, with around €1 billion of net inflows.

Amundi Services and Fineco

Finally, a word about Amundi Services, a new initiative developed close to two years ago. Progressively, quarter after quarter, we continue to on-board new client. Two of them were involved on the first half of the year, including Fineco. Maybe, one comment on Fineco. You may remember that Fineco at the end of last year announced their intention to create their own asset management company, and therefore to reinternalize some assets that were previously managed by Pioneer. This transfer of €6.9bn of assets took place early July. What’s important to mention is that it is not a surprise for us, and it’s something that was anticipated in our business plan, but at the time we presented the business plan the timing was still unclear.

So, this happened in July. The impact on our future revenues should be limited. First reason is that despite the fact that this activity is reported in retail third party distributor activity, the nature of this activity leads to the fact that the average margins on these assets were closer to Institutional clients than those for traditional retail activity.

And the second element is Fineco continues to be an important client for Amundi. Fineco is continuing to distribute directly Amundi funds which are not affected by this decision. In addition, we expect to positively offset the decrease in revenues from Fineco by new commercial initiatives. The first one is the fact that Amundi Services has been selected by Fineco to provide a comprehensive range of management services including the portfolio management and the risk management service. And the second element is we are working with Fineco to propose new funds and new activity including launch of new segregated accounts and new delegation of funds.

Financial results

Now, we come to the financial result page 19, starting with the accounting result. As it is mentioned our accounting net income for the first half of the year is up 58%, compared to the first half of 2017. The sharp increase reflects, of course, the impact of integration of Pioneer which was consolidated early July 2017 as well as the good momentum of the group both in terms of revenue and in terms of costs. The consequences are that our accounting earnings per share for the first half of the year is increasing by 44% compared to the first half of 2017.

You can remember that at the time when we announced the deal, we said that it should have a positive accretion effect of 30%. After one year following integration, the increase in accounting EPS is already 44%.

Coming now to data comparable in terms of perimeter, so including, for the 2017 base, the result of Pioneer. Here again a significant increase on adjusted net income by 14% compared to the first half of 2017. The increase in adjusted gross operating income is the consequences of positive jaws effect with revenues flattish and cost going down.

So, first revenue page 21. You can see that our net asset management revenues, generated by the activity, are up by 5% compared to the first half of 2017. It's a positive development both for net management fees and performance fees.

Just one point to mention: as you see the net financial income are slightly negative. Not a surprise. We issued some debt to finance the acquisition of Pioneer one year ago. This negative financial income reflects the interest cost on our debt. In the first half of 2017 you can also remember that the strong financial income posted at the time included some capital gains made on the disposals of financial assets that were done to finance the acquisition of Pioneer.

Page 22, as I indicated, an increase by 3.5% for net management fees– net management revenues leading to a resilient blended margin of 18.9bps in first half 2018 compared to 19.1bps for the FY 2017. We are now at 18.9bps so a very close level reflecting the fact that the margin pressure on each individual segment is more or less offset by the favourable mix effect in terms of client type, with a good momentum in retail, whereas, as expected, the Credit Agricole and Soc Gen insurance mandate, large amount with lower margin, are more or less stable.

Costs

In terms of cost page 23, in the first half of the year, operating expenses amounted to €677 million, down by close to 5% compared to the first half of 2017. This is a consequence of the rapid implementation related to the integration of Pioneer, despite the fact that we had to absorb on our P&L the cost of external research following the implementation of MiFID. As a consequence our cost income ratio is down by 2.4 points compared to the first half of 2017 and reached 50.5% for the first half of the year.

Pioneer integration

Regarding the synergies: as already mentioned by Yves, the implementation of the integration plan is very well on track and very rapid. Already at end of June, approximately 75-70% of the workforce reductions have already been completed and the main milestones of the integration project are well underway. Most of the IT migrations have been finalised in Europe and should be completed at the beginning of next year in the US. The mergers of legal entities are now underway. As a consequence, we can clearly confirm that by the end of 2018 60% of the total cost synergy will be already visible in our P&L.

P&L

To conclude on the P&L, two elements page 25 that are worth noticing in addition to the evolution of revenue on course. First the contribution of the joint venture to our P&L is increasing significantly. As you can see, the result of the equity accounted entities is up by 62% compared to the first half of last year. The decrease in taxes is visible again in our P&L and is largely explained by the suppression of the dividend tax in France that was decided at the end of last year but was still weighting on our P&L on the first half 2017 and second, by the decrease in the tax rates, due to the tax reform implemented at the beginning of the year in the US.

Total adjusted net income

So in total, our adjusted net income was €492 million, an increase by 13.6%. The net income including the amortization of the distribution contract and the integration cost reached €454 million in H1 2018.

Conclusion

So to conclude, we can clearly say that Amundi is clearly ahead of its road map both in terms of activity and profitability. The Pioneer integration is well on track and is successful. Overall this is a good set of result in a less favourable environment. The strength of Amundi's business model relies on a strong diversification by client segment, by investment expertise and by regions.

As a consequence Amundi has still a significant growth potential based on its reinforced expertise and its powerful international footprint.

Q&A

Jacques-Henri Gaulard (Kepler Chevreux): Yes, good morning, gentlemen. I had a very generic question which is the asset management industry is experiencing a lot of problems with regards to either merger or integration process; we've seen a couple of names and now more worryingly, reputation problem with a couple of names as well. What can make you confident that in control and everything, you won't be prone to any type of accidents such as the one we've seen recently? Thank you.

Yves Perrier: Firstly, we have to be in life humble, and so nobody can say that you could not face problem. But there are two distinct questions. One is about the operational conduct of the business. And I say operational is a question of IT, about back office, and so on.

As you know, we have permanently invested a lot in this area because I have always considered there were four parameters of competitiveness in our industry. The first is capacity to be innovative, meaning to be able to permanently adapt the savings solution or the investment solution to the need of the customers or clients in a certain context of the market and I think it's one of the points of the competitiveness.

The second is to deliver performance which is talent or luck of our investment managers.

The third is quality of services, because we consider that we don't sell fund, we sell savings solution and even more we sell a global advice. For example, in Retail we develop the management of segregated account, which is a key point.

And the last is IT. Among all the reason why we have developed these services, this new business line, there is a reason which is linked, of course, to deliver additional revenue but before it was to be at the top level, in our IT software, and we needed our own software, and a good way to improve is to be able to sell these services to external clients, a way to put it.

On the second question which is reputation, I would say that, you know, of course, we have the compliance teams, the culture of our company, and we permanently try to have a strong culture which is based on the three main values. The first value is courage because, as Aristotle said, courage is a guarantee of all the other values. Second is entrepreneurship, and the third is a creative spirit and, you know, that's something which has to be implemented day by day, the brand, the confidence because we consider that to create value is permanently to respect the client, the customers. Sometimes, people are saying that, you know, in Amundi we don't take care enough with the, you know, financial investment, we often say Amundi is the only star; we have to cultivate these values every day.

Haley Tam (Citi): Morning, gentlemen. Two questions, please. First of all, thank you for slide 24 showing that the Pioneer integration has gone so well. With those main milestones underway, we might say, perhaps, that senior management now has time to think a little bit more about further M&A and I just wondered with this in mind if there are any particular areas of interest you might want to highlight for us, you know, whether in distribution, certain regions, capabilities, etc.

Second question just on third party distribution. I wondered has there been any change that you have seen in your partner's models due to Mifid2? So, are you seeing any increased pressure on your fee margins, for example? Or any evidence the distributors reducing the number of partners that they are working with? Thank you.

Yves Perrier: What I said is that regarding integration, there remains a technical job to do, that the integration phase was behind, and we enter in the phase where we will do everything that we consider necessary to accelerate the development. But as you know, the DNA of Amundi is organic growth and, you know, we doubled the size of the AUM since the creation of Amundi, and more than 75% was done by organic growth. And so for the way to do organic growth is to recruit talents in all areas of the company's investment side, but also commercial side, but also IT side, in order to both these development.

At the same time, we permanently look at potential acquisition, but I would say only if they reinforce our business model. Our objective is not to buy the AUM, you know, we have the critical size; that's not a problem. It's permanently to reinforce our business model. For example, indeed, through additional capacity of distribution.

But most of the growth that we anticipate is thanks to the time of the senior management which is at 100% dedicated to accelerate the organic growth and the remaining part, the additional 50% because we work at 150%, is dedicated to the rest.

Concerning MiFID, MiFID itself does not change things for us. As you know, it means more transparency. Nicolas has said we absorbed the cost of research directly in the accounts of the company but what would remain for the future is the pressure on fees due to another parameter, which is the level of interest rate. So we have said that in the past and we continue to say that for the future; we are confident in our capacity to maintain satisfactory level of margin because of this capacity to advise and sell services and not only to sell funds.

Haley Tam: Thank you. Please do keep delivering 150%. Thank you.

Hubert Lam (Bank of America Merrill Lynch): Hi. Good morning. I have three questions from my side. Firstly, on your cost income ratio, it has improved quarter on quarter and is now trending toward 50%. Just wondering if it is reasonable to assume that a cost income of below 50% is possible in the medium term just as you increase leverage and scale. That is the first question.

The second question is on Pioneer. The synergies, as you said, it feels like the integration of synergies has been going on pretty quickly. I was just wondering if it is possible to see upside in terms of your cost synergy target of 150 million, whether or not that can be improved.

The third question is on your passive. Just wondering if you intend to let us know what your average passive fees are and what your thoughts are on the news from Fidelity yesterday of introducing zero cost index funds and whether or not you think that will have impact on your business and on fee margins. Thank you.

Yves Perrier: Thank you. For the question of cost to income ratio, we are at 50%. I would say that we do not change our guidance, our three years guidance. Of course, we are in advance but this guidance, we considered that it was demanding, it was ambitious at the time it was announced. Some of you considered that it was not so ambitious but just to tell you during the first half, we delivered a net income, adjusted net income nearly €500 million. It is nearly equivalent to the net income at the time of the IPO for 2015. That means that in one semester, we posted a net income which is equivalent of the net income for the full year of 2015 at the time of the IPO. Also, you know, about this 50% figure, the guidance was in fact under 53% and whatever the growth is, we want to be permanently at the highest level of efficiency. That means that we can be during one quarter or during one semester under 50%, slightly above 50% but the global message keep in mind is that at the same time, I mentioned that we reinvest, we recruit new teams and to be simple, I would say that there is a lag of one year between the time you recruit new time and the time they produce. And just the same for the synergies, the core synergies that we announced were €150 million. We are in advance in the delivering these synergies: we announced at the acquisition time that these should be 40% in 2018 and we will be probably at 60% but I do not want to increase the total amount number.

About the question of passive, we saw that Fidelity mentioned this but firstly, Fidelity is not a very big player of passive to the best of my knowledge. this news is only on two funds. However, all in all, what we see, especially in Europe, there is a very aggressive, more aggressive policy from our American competitors. We anticipated that, we are prepared to this and as we have a competitive edge in terms of cost, we consider not only that we would be able to resist but eventually to be a bit more offensive on that area. Remember the way we launched our ETF business line: it was "smarter and cheaper" but the two words are important. When I was speaking of cost at the beginning, at the creation of Amundi, it appeared non-relevant… now everybody is speaking of cost. I think that it is not only cost, there is also the quality of the service, quality of the savings solutions that we offer.

Hubert Lam: So what is your average margin for the passive or indexed funds currently, if you can say?

Yves Perrier: I do not have this in mind, and we have to look at this but it depends between, you know, type of clients, there are not the same, and finally, we do not disclose them because it is also a competition matter.

Hubert Lam: Great. Thank you.

Mike Werner (UBS): Thank you. I have two questions. One on passive flows. In your Q1 presentation, I believe you indicated 7 billion of inflows into passives, whereas for the total of first half it was 2.9 billion so that would imply about 4 billion of outflows in passive in Q2. So I was just wondering what you saw in terms of landscape in Q2 which drove those outflows.

Then secondly, kind of going back to those Amundi services, can you provide any indication as to what the revenues from the Amundi Services to the other asset manager clients were in the first half? If I recall, I think you indicated the potential of up to about 50 million of annual revenues. I believe that was mentioned during an earnings call two years back, and I was just wondering if that is a target that you are still looking to achieve with that business. Thank you.

Yves Perrier: I will take the second question and Nicolas will answer to the first. First, why the development of Amundi Services? First reason was to create a permanent incentive to improve the quality of the service in terms of IT, middle office, risk management to the people of Amundi. The second is to be adding additional revenues. As stated at the very beginning, we are still presently expecting roughly an annual run rate of revenues of €15 million, and the indication that I gave to you and also to the people inside is that we should target, let's say, in the next two, three, four years exactly something like €50 million of revenues. We have just appointed a new head of this activity, who has joined Amundi coming from a consulting firm at the beginning of July.

Nicolas Calcoen: Regarding your question about passive management, the number I mentioned, 2.9 billion for the first half of the year is only for ETF. Overall, passive management grew by close to 9 billion over the first half of the year, so ETF is just one part of the passive and smart beta business. So the flows were very strong in the first quarter, slower on the second quarter and it was, I guess, generally speaking the case for all the business in Europe, especially for ETF. That is still positive.

Yves Perrier: Yes, what we see more globally on the market in the second quarter, we do not have all the figures of the market but the kind of indication that the flows were fairly lower for two reasons. One, which is more aversion to risk. That has been explained by Nicolas. There is also a second reason, which is some flows coming back from Europe to the US, probably related to the American tax effect but also probably the fact that the economic growth in US is stronger than it is in Europe.

Mike Werner: Thank you very much.

Arnaud Giblat (Exane): Yes, good morning. Three questions, please. First, you seem to have indicated that the lower tax rate in Q2 was something that is sustainable. I am wondering if you could, perhaps, give us some guidance in terms of what tax rates we should be expecting for 2018 and 2019.

Secondly, you have mentioned that you are investing in the business, while the costs have come down, that is clearly due to the synergies. So perhaps could you give us a bit of a split in terms of growth step up in investment spend we have seen in the first half or the second quarter. That could be helpful.

Thirdly, on the flow performance from your various networks, it seems as though the flows were a lot more resilient in the second quarter coming from the French and Italian networks than versus third party. Is it something you general observe that captive clients tend to be less prone to risk aversion?

Finally, sorry, if I could add a fourth one, JV contribution was four basis points of PBT, you highlighted that. That used to be three basis points in 2017. Is the higher profitability of JV something you see as sustainable? Thank you.

Nicolas Calcoen: On the first question on tax rates. So overall, as you have noticed, our average tax rate for the first half of the year is close to 29%. This is something that is sustainable as there is no significant, I would say, exceptional factor so this is something sustainable going forward. But we still have, for the years to come, to see what will be the effective tax rates and potential trends in tax basis in France. You know that there has been a decrease in the tax rate announced for the years to come in France. It has to be confirmed. At the same time, there is some thinking around possible change in the tax basis, so let us see in the autumn where it goes.

Yves Perrier: About the question of cost and impact of reinvestment: in the accounts of the first half 99% of the impact of staff reduction are included in the synergies; as I mentioned we have also reported during the 2nd quarter about +15 people in what we call the bucket of reinvestment, so the impact, the related cost is very small.

On the question of flow performance in the second quarter, what we have seen is it kept maintaining good momentum in the retail network in France and Italy, and in the other countries. Some outflows in third party distributors, especially, not in France but in some countries in Europe. It is not completely clear why there is this discrepancy. I think that there is probably one reason. The fact that with the retail networks, most of the customers are mass affluent people. In France, a lot of flows are related to unit-linked for life insurance. On the contrary, third party distributors, who are mainly private banks and so on, generally more wealthy people and we know that these kind of people make more arbitrage than can do mass affluent people where the AUM are more sticky. It is probably the reason.

Last question is about the profitability of JVs. In the past you asked the question that the growth in results of the JVs was under the growth in AUM and we told you that our strategy was to progressively try to align the two parameters; it is the case in the first half and especially with China and India, which are the two most important JVs, both in terms of AUM inflows and profits. For the future, probably there will be always a lag between the AuM growth and the profitability but more and more it will be in line.

Jonathan Richards (KBW): Good morning everyone. A couple of questions from me if I can. Firstly, on the 6.9 billion out that you guys referred to from the redemption from Fineco, can you just give us an indication of how that would impact your overall retail margins going forward?

Secondly, can you give us an idea of what your research spend was in Q1 and Q2 and how you see that either growing or shrinking going forward.

Thirdly, your organic growth seems to hold up very well in Italy in the second quarter. I was wondering if you could give us more colour in Italy between what came from the UniCredit side and what came from non UniCredit and perhaps a bit more colour as to why you think your flows held up so well in Italy over that time period. Thank you.

Nicolas Calcoen: On the first question of Fineco, as I said, the impact on our revenues should be minimal thanks to the new initiative I mentioned (Amundi Services), other development with Fineco which will progressively compensate the immediate impact related to internalisation of the mandate.

Regarding research cost, I mean, we already said that for the concerned AuM, mainly active equity funds, it is around less than one basis point, we do not disclose detail but as you can see in our P&L, it is marginal so not an issue, to me : around o €10 million for this first half of the year.

Yves Perrier: About Italy, the third question, how much did the sales from UniCredit represented, Nicolas, over the 7 billion sales?

Nicolas Calcoen: UniCredit: around 50%.

Yves Perrier: UniCredit 50%. What is interesting is the fact that, you know, between all the reasons explaining why UniCredit has chosen us for the acquisition of Pioneer, the main one is they wanted to have a company which would be a strong support to boost the development of their network in savings products. You know that presently in the retail banking, the only lever that the retail banking has to boost its revenues is its savings products. UniCredit had in the past a market share in savings products which was under its global market share in retail. During the first half 2018, UniCredit has increased its market share in savings and if I am correct, the market share in UniCredit in the net inflows was equivalent to the market share of Eurizon which was quite new because of its stronger capacity and distribution than UniCredit in Italy. If you look at the global market, I would say, in Italy globally the sales were less favourable for the global market in the second quarter than it was before, but not more than in the other countries of Europe. That means that the political context in Italy has not created, I would say, significant additional risk aversion compared to what it was in the other countries of Europe.

Jonathan Richards: Great, thank you.

Pierre Chedeville (CM-CIC Securities): Yes. Good morning. I have a question regarding the slide 25 because I am not sure of my understanding, because we are talking here about combined results, so it may be tricky. However, when I look at H1 2017 and H1 2018, I could consider, when I look at figures, that actually the revenues from the cash you had in 2017 was replaced in 2018 by management fees actually. I could say that actually, revenues from your treasury are equivalent to the revenues from activities in asset management. If I am right, if I am correctly reading this year, I could say that, I am a little bit caricaturing but what was the interest to invest in asset management if actually it contributed the same as the placement of your investment, the revenues from the investment of your treasury.

My second question is, when you talk about the less favourable environment, is it less favourable as you thought it might be when you established your business plan, or is it better/worse? What exactly is your view on this less favourable environment in terms of less, I would say, and do you think that, for instance, the decrease in the management fees is something which will continue particularly in the retail segment?

Yves Perrier: Well your first question is amazing. In H1 2017, we generated capital gains by selling the investment placement we had. You know, it was our excess of capital of €1.5 billion which was disclosed as the time of IPO. It was used to finance partially the acquisition of Pioneer, as the remaining part was financed by capital increase and by some additional debt. So the amount of financial revenues in the H1 2017 were exceptionally high due to this capital gains. On the contrary on this first half, we have less cash and the marked to market on the investment placement was negative. So I think we have done a good use of this excess of capital because the key parameter of this was the acquisition of Pioneer, which led to an increase in the earnings per share of 44%.

The second question about the environment, what I am saying is, if I take an image of cycling, I would say that last year in 2017 we were cycling, we were racing with the wind pushing us. Now we have the wind which is in front of us. Last year, the equity market increased by 10% since the beginning of the year. I would say it is 0% today to be simple. You know, like us, it is not obvious to find asset classes with a strong increase. What I mentioned, the way we have done our strategic plan, was to integrate that the market could be more difficult during the period. At the same time, we are in advance. I do not say, we do not say, that because we are in advance, we change our guidance: when we have a guidance, you know, we take the normal situation of the sea, which is not "no waves at all" but "some waves but not a storm".

Anil Sharma (Morgan Stanley): Hello, yes, it is Anil Sharma from Morgan Stanley. Just two questions, please. Just wondered if BlackRock was successful in negotiating a deal with Eurizon, what impact do you think that might have on your business in Italy and how would Pioneer potentially react in that scenario?

Then second question, could you just remind us the distribution contract arrangement you have with Soc Gen, does that come up for renewal in 2020 and if so, when will you start negotiations on that contract and is your base case the kind of existing terms or would you expect them to sort of enjoy slightly better economics on the distribution of product? Thank you.

Yves Perrier: Well, of course, BlackRock seems to have ambition to reinforce its position in Italy. There is not only BlackRock, there are American competitors who try to reinforce their positions. They have a big advantage. They have a domestic market which is the most important in the world, 50% of the total, with high revenues and so they have the capacity to expand. We are prepared to this. We have some strength. We are confident in our business model and we like the competition, so we will adapt.

Concerning the Société Générale distribution agreement, the end is in 2020 and I do not know exactly when we will discuss this with our partners but we are confident in the fact that we will continue to be a main provider for Société Générale for two reasons. The first reason, because the retail network of Société Générale is very happy with what we are doing. So it is the interest of Société Générale to have a strong provider like Amundi because, as I mentioned for UniCredit, the key lever for revenues in the retail network, it is the savings. However, have in mind also that (it was on the figures of 2015), the revenues coming from Société Générale represent now something like 8% of the total revenues of Amundi, so we are less and less dependent on it. All the strategy, when creating Amundi, was to build a platform open to many distributors and we have been successful to do this ; when I look at the growth in Amundi since its creation, the course has been really higher, about 15% per year outside the parent networks; of course, Crédit Agricole but in the past Société Générale.

Anil Sharma: That is so helpful. Thank you.

Chris Turner (Berenberg): Yes, good morning. Two questions and one small clarification if I may. Firstly, if I look at your three year performance figures, 66% of your funds are now above benchmark, a year ago that was 76%. So I ask: A) how problematic is that; and B) are some of your channels more sensitive to performance than others?

Secondly, if I look at France, your flows there, which are still very strong, but they are being driven still by unit linked, sales in mutual funds still fairly anaemic despite the substantial tax changes that we saw at the start of this year, is that just a time lag issue and it takes a while for these tax cuts to come through or is it a structural issue that it is not going to impact sales and mutual funds, the tax cuts just were not long enough?

Then finally, the clarification. In terms of the €1,5 million or so in revenues that you are getting from Amundi Services, are you booking that in your management fee line or some other line? Thank you.

Nicolas Calcoen: Yes, they are booked in management fees.

Chris Turner: Thank you.

Nicolas Calcoen: Maybe at some point when it is bigger, it will be reported elsewhere but today, in management fees.

Yves Perrier: Now about performance, 60%, 75%, it is not such a distinction and you can have also a question of a perimeter calculation, so nothing significant. About the inflows in France, it is usually done through the life insurance unit link wrappers. At the time of the

IPO, you do remember that the French market was negative and I mentioned it was to become positive and that is what happened. If I take the example of the life insurance company of Crédit Agricole, in 2015, the percentage of unit link represented less than 20% and now we are at 28%. It should continue. There is also in France something which will be a positive which will be a new reform implemented by the French Government ("Pacte law") about retirement savings solution with the creation equivalent to pension funds for individuals. It will be implemented in 2019. It is still to be adopted by the French parliament, but it is something that should come in the second semester of 2019 and more importantly in 2020 the amount of sales of funds in the French market.

Chris Turner: That is a fascinating answer, thank you.

Jean Sassus (Oddo): Yes, good morning. First question about what has been happening in banks' balance sheet for the past year, as we have seen a huge amount of cash deposit piled up by investors there, more than the economic trend would justify. How do you intend or how could you grab that? Second on this, could you benefit from a transfer from this cash amount? Could it lead to more asset management products?

Yves Perrier: Well that is a very important, very big question, but it is difficult to have clear fact, a total clear answer. I think that it will be very linked to the level of interest rate. When you have very low interest rate, the fact is that first it is difficult to deliver satisfactory return after fees because even if you deliver a decent performance, the interest rate is very low, it is quite difficult. So in this case, you have most of the savers will say 'I leave my money in deposit because the alternative remuneration is low'. So an increase in interest rate will be favourable. At the same time, I do not see a major change in the 18 months to come because we all know that the central bank policy will manage very prudently, very smoothly the increase in interest rate.

Jean Sassus (Oddo): No way to do some structured product or some capital gain guaranteed product or anything like that that could help to unlock value.

Yves Perrier: Yeah, we do this. We have specific products; for example, we have a product that is protect 90, which has been not only a very successful product in France and Europe but in Japan it was one of the best seller during the first half. However, all in all, it is more challenging to do this in the present period.

Okay. So thank you very much to all of you, and we wish you an excellent time for vacation if you are not working in August and ourselves, we will try to have a good vacation in order to be at the offensive in September. Thank you again.

Nicolas Calcoen: Thank you very much.

[END OF TRANSCRIPT]