First Quarter 2020 Earnings

Thursday, 30th April 2020

Q1 2020 Results

Yves Perrier

CEO

Good morning everybody. First of all, I hope that you and your families are staying healthy during this time. There will be two parts in my introduction. I will present the highlights of the business activity and results for the quarter but before, I want to tell you some words about the Amundi operational environment.

The unprecedented crisis we have been facing has meant that we have had to completely overhaul the way in which we operate since the pandemic started. For us, it began in February in Asia and Italy and we have completely adapted the way we were working with two objectives. The first was to protect the health of our employees and to contribute to limit the development of the epidemic in each country where we operate. And you know that we operate in 35 countries. Second objective was to guarantee business continuity and to continue to provide our customers with high quality service. I can say that we have completely achieved these two objectives.

Relating to the operational context, I can say that Amundi today is 100% operational for its clients and this has been made possible thanks to three main reasons. The first, of course, was the exceptional commitment of our employees who have shown incredible professionalism. I will add also the support of our employee representative bodies, which have played a very positive role and co-created this new way of working together. The social cohesion of the company, which was one of the strengths of Amundi, has demonstrated to be even more a strength in this kind of situation.

The second reason is linked to the exceptionally robust IT platform that we have, I mean of course the software, and you know that 90% of our software is in-house software, and also the professionalism of our 600 employees. Nearly 70% of these employees are employees of Amundi, not contractors. They have allowed us to remain fully operational with over 95% of our staff working remotely. We have completely redeployed the workstation for all these people in record time.

We also without surprise, we benefited from the fact that we had fully integrated Pioneer at the end of June last year. That means that all the investment platforms were centralised, all the risk management tools were centralised and in this kind of crisis, it is a key point in order to manage and to make sure that all the decisions that we take are implemented very rapidly.

On this operational side, we enter now in a new phase which is to return gradually to a normal context. To do that safely, we have drawn a plan country by country that involves people gradually returning to work at our offices from now until the summer holidays.

Another point is that our organisation, which is centralised, a key point also, enables us to adapt very rapidly our investment policy to the context of the market with two objectives: one is to efficiently manage the liquidity of all our funds and to adapt allocations to the new context of the market. As a consequence, we maintain a high level of performance of our funds. 70% of our funds are ranked in Q1 or Q2 by Morningstar during this quarter and it is the case even when we look at the five-year, three-year and one-year performance.

So, Amundi is today 100% operational and looking now at the key highlights of the activity and the results, I will say that once again the robustness and solidity of Amundi have been demonstrated during this quarter and the business has been very resilient. This is due to two factors. The first is diversification of activities by expertise, by client segment and by geography. The second is the very strong operational efficiency of our organisation. Relating to the business, you can see in the figures that despite the market effect, assets under management increased by 3.5% when we are looking year on year and they only declined by 7.6% in the first quarter. Relating to the inflows, we had a very good quarter in the retail segment despite the context of the market. The total amount of inflows in retail is €12 billion of which €3 billion in Europe and the US in the entities that we fully control and €9 billion in our three joint ventures in Asia which have been all positive during this period. These inflows in the retail nearly compensate and offset the outflows that we had on the institutional and corporate side, as a result of the context of the crisis.

A word about the geography, which is very important. You remember that the strategy of Amundi, which has remained unchanged for ten years, has been on the international side to grow our position in Europe, our natural domestic market, and to build a second market for us with development in Asia. At the end of this quarter, the AUM in Asia represent nearly €300 billion and 20% of our total AUM. So in this context of crisis - and we see that the way the COVID is managed in the different regions of the world is very different -, we benefit from this orientation on Asia.

Looking at the results now, I would say that they are good and I would say even very good if we look at the operational results. The gross operating income when we exclude financial results show the difference between revenues and cost, +12% with solid increase in revenues which are at +5.1% and decrease in cost of 1.4%. The decline in cost is mainly the consequence of the full effect of the Pioneer synergies. You remember that we completed integration in June last year and so we benefit now of 100% of the synergies.

Adjusted net income totalled €206 million. That means that is a decrease of 17% compared to the first quarter of last year. But if we exclude the €60 million of marked to market effect about our portfolio in which we invest our ca. €3 billion of tangible capital, we would have had an increase compared to last year.

You remember that we announced at the beginning of this year or at the end of last year two main strategic initiatives, which will reinforce Amundi in its core retail business and in two regions: Europe and Asia. It was the partnership with Banco Sabadell, with the acquisition of Banco Sabadell Asset Management and the second, even more important, is the partnership that we are building with Bank of China in China. I remind you that it is the first time that a foreign asset manager will have the control of a joint venture in asset management in China. We have continued to implement these two partnerships and we are fully in line with the objectives and the timetable of these partnerships, which will become new growth drivers for the future.

So to summarise, if I had to use a word to qualify this first quarter, I would say that once again this first quarter has demonstrated the robustness of Amundi and the robustness firstly of its IT platform ALTO, which has proven its incredible capacity, able to ensure the continuity of the business. Secondly, it has demonstrated the robustness of our portfolio performances. Thirdly, the robustness in the business activity and the results and finally robustness of the financial structure.

So now I leave the floor to Nicolas who will present in detail these figures of the quarter.

2020 Figures

Nicolas Calcoen

Head of Finance, Strategy and Public Affairs

Thank you, Yves and good morning to all. So I will present in more detail the activity and the results for this quarter, maybe starting with a word about the market context. Just to remind you, we have a quarter with two phases, first in January and February markets were positively orientated and then they dropped sharply in March with the equity markets dropping by around 25 to 30% depending on the index you look at. On the fixed income side, we experienced a significant widening of the spreads and decline in liquidity on the credit market.

We saw the intervention of the central banks starting at the end of March, the FED first then the ECB, did stabilise the market. We consider that markets remain fragile and the scope and the duration of the crisis are still hard to assess.

In this context, first in terms of activity and I will move to page 11 of the presentation. In terms of AuM at the end of March, assets under management totalled €1,527 billion. It represents, as Yves indicated, an increase of 3.5% compared to last year. In this quarter, the decline in assets under management is limited to 7.6% and is due quasi exclusively to the negative market effect which on this quarter is -€123 billion. So, indeed, the outflows for the quarter were very modest, -€3.2 billion with contrasted activity across client segments. Positive activity in the retail segment and in our joint ventures, and negative flows on the institutional and corporate clients' side.

Moving on to page 12, on the retail, as I said, activity with retail clients first, excluding JVs, remained strong during the quarter with net inflows of €2.5 billion, which were relatively close to the figure we posted on the fourth quarter of 2019. Those positive inflows were driven first by a good level of activity in the French networks, €2.4 billion, which benefited from the redirection of sale inflows from traditional euro contracts to unit-linked products, and positive flows with third-party distributors. Those were mainly driven by Europe, where we formed a new partnership with a distributor, and a good level of activity in many countries.

On the other side, the international networks, particularly Italy, which was affected by the COVID crisis a bit earlier, are weaker , with some outflows. Those outflows remain moderate, -€2.5 billion overall on the quarter.

If I move now to the joint ventures in Asia, page 13, our joint ventures continued to enjoy a very strong momentum during the quarter with close to €10 billion inflows overall during the quarter. Another point worth mentioning, is that each of our three Asian JVs has positive inflows. Particularly India, which posted a very solid activity, with more than €6 billion of inflows on the quarter, but also positive inflows in China despite the COVID crisis.

If I move now to the institutional and corporate segments, page 14. We saw some negative flows of €15 billion during the quarter. The majority of those outflows, a bit more than €10 billion came from treasury fund outflows on the part of corporate clients and these outflows were related to the cash requirements many of these companies had when they were hit hard by the crisis in March.

On institutionals and sovereigns client side, they posted moderate outflows in the context of de-risking of some portfolios due to the crisis. Finally, we saw virtually no inflows on insurance mandates coming from Credit Agricole Assurance and Sogecap ; life insurance inflows were orientated to unit-linked products. So basically, we see here a reflection of the positive trends we have seen on the French network, which was positive in terms of margins for us.

Moving to page 15, we could also mention that these general figures for institutionals and corporates client should not overshadow the fact that activity remained intense with institutional clients ; and our brand awareness was strengthened during this period. We can particularly mention the fact that we continue to develop new innovative solutions, ESG solutions for those clients. I would like to mention in particular two elements. The fact that we closed the first vintage of our GRECO offer, which aimed to develop green markets in Europe in partnership with the European Investment Bank and, second element, the launch by our subsidiary CPR of a fund called Social Impact, which is the first fund in the world focused on social inequality. So these two new initiatives reflect well on our priorities in terms of ESG, energy transition on one side and social dimension on the other side. In the meantime, business development continued and in particular, we acquired during this quarter some significant new clients and in particular new mandates from large German clients, as well as two new central banks. Finally, I would say that the profile and recognition of Amundi continues. We can mention the fact that we were awarded for 2019 the prize of asset manager of the year for central banks, due in particular to our recognition in terms of ESG expertise.

Page 16, in terms of expertise on asset classes, I can mention that overall all our asset classes demonstrated solid resilience. Some outflows were posted on some asset classes but they remain moderate, 1-2% compared to total AuM and on the other side, we continue to see development in certain areas of expertise, like real assets where we posted around €1 billion of net inflows, and for equities in particular in passive management.

Finally, in terms of activity, page 17, the diversification of business in terms of geographic presence continued with Asia taking a growing share as indicated ; now our activity in Asia represents nearly 20% of our assets under management compared to a bit less than 15% just one year ago.

If I move now to the results. I want to mention that the resilience of the activity was reflected in financial terms by a strong operating result. If you exclude financial income, our gross operating income increased by 12% compared to the first quarter of 2019, thanks to higher asset management revenue and lower expenses. I will come back to that. On the other hand, we saw some negative financial income as a result of the mark to market valuation of our portfolio of voluntary placements and seed money. As a consequence, the cost income ratio is still among the best in the industry. Our net income excluding financial income was up around 5% compared to last year and our net accounting results is still high at €193 million for the quarter.

So going a little bit more in detail, page 21, the increasing gross operating income I mentioned was primarily driven by revenues, with asset management revenues up by more than 5% compared to the first quarter of 2019. First of all, net management fees are up by close to 2%, 1.7%, compared to last year, despite the fact that on the first quarter of 2019 we had, I would say, a high amount of revenues coming from some guaranteed products, which were partly exceptional. So net management revenues were up and performance fees as well at €42 million, more than double compared to the first quarter of 2019, benefiting from the increase in markets over the last 12 months until February, as well as the strong performance of our investment teams. You should of course note that the slump in the markets affected our asset management revenues only in March. As such, it has only for the moment a partial effect on our management fees. So first element, as I said, a significant increase in revenues, 5% for asset management revenues.

Second element, page 22, the increase in gross operating income was also further driven by a favorable jaw effect, with expenses that were down by 1.4% compared to 2019, thanks in particular to the synergies related to the acquisition of Pioneer. As Yves mentioned, the integration of Pioneer was finalised in the first half of 2019, so we still benefited from some synergies coming in particular from the IT integration that was finalised last year.

Increasing revenues, cost under control. Therefore, our cost income ratio is still among the best in the industry at 49% in this quarter if you exclude financial income and 54% including financial income.

So significant increase in the operating result of the company, partially offset by a negative financial income, which is due to, I would say, a one-off effect related to the fact our portfolio of seed money and investment is valued on a marked to market basis. The market significant drop that we had in March resulted logically in a decrease of value of about 2% of this portfolio, which represents around €3 billion.

To conclude on the P&L, page 23, last element which is worth noting is that the contribution of our joint ventures to our earnings continue to increase, it represented €14 million on the first quarter, up by 8% compared to the first quarter of 2019. So good reflection of the continued development of our joint ventures.

So overall, our net income excluding financial income increased by 5% compared to last year and our net income stood at €193 million compared to €235 million on the first quarter of 2019.

One word, on page 24, on our financial structure: to confirm that our financial position is again very solid. At the end of March, our tangible equity represent €2.9 billion, mostly invested in liquid assets. Our capital ratios are well above regulatory requirements since common equity tier 1 ratio is around 20% and our total capital ratio is around 22%. Also, to remind that Amundi is rated A+ by Fitch, which is the best rating in the industry.

In terms of dividends, as you know, in compliance with the recommendation from ECB, Amundi will not propose a dividend at our next general assembly but during the second half of the year we will offer new guidance on dividend payments going forward.

Before concluding, I want to say a few words on the two major partnerships that Yves reminded and that we announced at the start of the year. First the one with Sabadell and then the one with Bank of China. To repeat that these two initiatives are moving on target and on schedule.

First, page 26 regarding Sabadell, to remind that what we announced at the beginning of the year is the acquisition of Sabadell AM, the asset management arm of Sabadell, associated with a ten year distribution partnership with Sabadell, which will allow us to strengthen our position in Spain and making us the fourth player in asset management in this key European market and so strengthening our global European position. On this project the preparations for the integration are well underway, and the work is ongoing with both the Sabadell teams and Sabadell Asset Management teams despite the crisis. We can confirm that the deal should close either on the third quarter or even possibly at the end of the second quarter. It depends on the timing of approval from the regulators, on which we don't expect any issues.

The second partnership with Bank of China Wealth Management in China, page 27. As you know, the project involves the creation with Bank of China, China's fourth largest bank, of a new joint venture where Amundi will have a majority control, which is a first time. Here again the project is on track despite the crisis. The agreement with Bank of China has been finalised. The operating model and the governance framework were also defined. The future leadership team, as well as 50% of the staff, has already been identified. The project is well underway. We are about to file the application to the regulator in a few weeks, and we expect the joint venture to be created during the summer for full operational launch during the second half of the year.

To conclude, I would say that this quarter demonstrated again the strong resilience of Amundi, which is fully operational despite the crisis. It also confirms the strength of our business model both in terms of activity and results. Strength which is built on two main elements – a strong and growing diversification in terms of expertise, in terms of clients, in terms of geography; and best-in-class operating efficiency.

If you also take into account the new opportunities and growth drivers that will come from our projects, such as the two we mentioned, the one with Sabadell and the one with Bank of China, we can say that despite the crisis, which at this point is difficult to assess in terms of duration and magnitude, we can rely on our strong business model. We consider we are well-equipped to face the challenges brought by this exceptional situation.

Q&A

Haley Tam (Credit Suisse): Morning everyone, just some slightly detailed questions from me if I may. Firstly, congratulations on the strong inflows into your Indian joint venture. I just wondered if you could tell us a little bit more about the mix of those flows, are they all mutual funds and what the split by asset class might be? Secondly, just in terms of the third-party distributor flow, I think you mentioned there was a new distributor in Europe, and I just wondered how much this might have contributed? The final question just on costs. Do you think it is now reasonable to use Q1 cost as a run rate for the future given perhaps there's limited scope for further efficiencies from here? Thank you.

Yves Perrier: I will take the question of cost, and Nicolas, you take the two questions about joint ventures and third-party distributors. This question of cost for me is related to the industrial model that we have built. This model is built on three or four main elements. It's a combination firstly on the organisation, which is at the same time global and local. Amundi is an organisation that is global for its investment platform, risk management platform, and of course IT platform. At the same time, it's local on the commercial side. This model which is very powerful is able to be at the same time centralised and decentralised.

The second component of the industrial model is our very robust IT platform. It proved its power when we integrated Pioneer. You remember that we integrated Pioneer very rapidly in 18 months – transferred all of the operation from Aladdin to Alto, our proprietary system with a dedicated team of internal employees, not subcontractors, and that's a key factor of competitiveness.

The third is a managerial question. I mentioned in my introduction that there was a strong social cohesion in Amundi, including the support of trade unions. The way we manage Amundi has been based, for ten years now, on three values. The first is courage, the second is solidarity and the third is entrepreneurial spirit.

I am a bit long in the introduction to answer the question of cost, because for me activities, profits and costs are not an objective. They are the consequence of an organisation which is efficient, is a consequence of people who have the good values when it comes to work. So in the future, about this question of costs, I think that we have the potential to continue to optimise our costs and at the same time to reinvest. Frankly speaking, the way we have been able to work the last two months show that there is a strong potential of optimising. That's what I was telling to our team managers, in fact. We will enter a normal phase of working, but if there is one point that we continue to maintain it is this efficiency – to take the decision, to implement the decision, to limit the number of unuseful meetings with too many people, and so on.

So I am very confident in our capacity to continue to optimise the cost but at the same time to reinvest. The fact that on the operational side we were at around 50% in terms of cost-to-income ratio this quarter is a good demonstration of this capacity. Nicolas, now about JVs.

Nicolas Calcoen: So in terms of activity in the Indian joint venture, overall there is a good mix of business and it reflects, in fact, the fact that all these three joint ventures are a little bit like small Amundis in their geography. So inflows came both from mutual funds but also from mandates. In terms of expertise, it was also quite diversified. It was primarily long-term assets, both equities and fixed income; India is a little bit more geared to equity, and China and Korea are a little bit more geared to fixed income. But overall are quite diversified.

Sorry, on the third-party distributor, I didn't quite get completely your question. If you can repeat it?

Haley Tam: Sure. I thought you said in your remarks that you had formed a new relationship with a new distributor in the quarter. I just wondered how significant that had been for the flows?

Nicolas Calcoen: it's positive. It's already positive. I don't have the exact number, but significantly positive.

Haley Tam: Okay, thank you. And just to confirm on the Indian joint venture flows, I guess I was particularly interested in whether there had been any change in demand following the recent bond fund closures, I think by one of your key competitors there. So, presumably, that's not an impact.

Yves Perrier: You see, that one of our competitors, if I remember right, it's Templeton in India, which has closed some funds. In our joint ventures in India, we have not closed any funds, and in Amundi in general neither. If I believe what our people locally are saying, the fact that they have closed this fund should benefit our joint venture.

Haley Tam: That's very clear, thank you.

Arnaud Giblat (Exane): Good morning, I've got three questions please. Firstly, if I can start with joint ventures: activity contribution from the JVs today in Q1 is 2.4 basis points. This compared to 3 basis points in 2019, and 2.8 basis points in Q4. So I was wondering if you could give a bit more colour there? I know you said that the JVs is only starting in H2. Is it a case where you are consolidating some costs or is there anything happening on the profitability front?

My second question is on M&A. I suppose what's happening with the crisis out there might highlight that there's a need for further consolidation. I'm wondering if you are seeing – if you are having perhaps more conversations? Do you think that consolidation will accelerate? And where does your level of surplus capital stand today? Is it around €1.2 billion minus €400 million for Sabadell, around €800 million of firepower to do deals?

Finally, on the cost-to-income front. You are talking about cost-to-income, excluding finance income. Is there no cost associated to finance income and do you think that that 49% ratio is sustainable from here?

Yves Perrier: Maybe on joint ventures Nicolas, and then I will answer the two other questions.

Nicolas Calcoen: the joint venture contribution to the result is increasing by 8%, it's less than the increase in terms of AuM for logical reasons. You remember last year the Indian JV won 2 very big mandates in the pension fund space, overall they represented €80billion. They contribute positively to the result of the JV and to our results. But, obviously, they have a negative impact on the margin which is something we see as a consequence of the activity. So it's just a consequence of these two big mandates.

Yves Perrier: On the cost-to-income ratio on the 49%, to be simple 50%, of our operational side, and your question if I understand correctly to say – how you project this in the future. The cost-to-income ratio is the result of a numerator, which is costs and the denominator, which is revenues. Have in mind that there is always an impact of the market effect, because if the market is still at the same level as it was at the end of March, it will have a negative impact on revenue, so the market effect can be important for us mainly on the equity side.

But I would say that we have built an organisation able to run at around this level of 50% cost income on the medium and long-term with this mind set of permanently optimising the way in which we are organised, the way in which we work and so on, and benefiting from the IT, and permanently investing to support new drivers of development by hiring people. I remind you that last year we have recruited 100 people in order to reinforce some expertise like, let's say, real assets, passive asset management or some IT team. But let's say the way we manage the company is to have this target of 50%. But, of course, this ratio can be volatile depending on the level of revenues which themselves depend on the overall market level.

Secondly, on the M&A context. Well, frankly speaking, for us, for the time being, we are concentrating on managing efficiently the business and for our portfolio management team to be very efficient for our clients, and integrating Sabadell AM and the JV with BOC, and these are implementing well. I am more optimistic than Nicolas. I would not be surprised if the partnership with Banco Sabadell will be closed before the end of June, but I know that he is less optimistic than me. The BOC project, we will present you probably when we release the H1 results in July, the business plan for this entity, and you will see that it will be a huge creation of value with this opportunity. Remember that the position that we have in China is unique. We have two partnerships with two of the four main banks of China – ABC, and we are reinforcing it, and then BOC. That means that we will be in China in an equivalent position as the one we have in France with the networks of Credit Agricole and Société Générale. The only difference is that the size of China is 20 times the size of France. A bank like BOC has around 400 million customers and 100,000 employees.

At the same time, you know my view, I think that all the banking industry, due to the low interest rate, has to consolidate. But that's not our priority. At the same time, we have made the demonstration in the past that we are always ready to seize a good opportunity but with an objective which is never the size. We have already a critical size. When we look at an acquisition it's because it reinforces the business model in its key elements which are: expertise, distribution, capacity, and talents in the case of Pioneer. Above all, we have indeed the financial means with this €3 billion of tangible capital, and in this total capital there is a very significant excess capital. Voila.

Arnaud Giblat: That's helpful, thank you.

Mike Warner (UBS): Thank you very much, just two questions, both related to flows. You noted that the ESG assets under management grew 7% year-on-year. I was just wondering if you had information you could provide as to what your ESG flows would have been this quarter? Similarly, I was just also wondering if you had any data as to what the passive flows, particularly on the retail side, were in Q1? Thank you.

Yves Perrier: I will answer about the question of ESG, and Nicolas will answer about the question of passive.

Firstly, ESG for us is not and has never been, I would say, a marketing approach. I explain myself. When we created Amundi in 2010, we defined four pillars for Amundi. Three were traditional – performance of products, quality of service to clients, and so on. The last was to be committed to the society as a whole, and especially ESG, the word we use now. We have done this because we consider that a company has a responsibility not only to its shareholders but to the society as a whole. We were pioneers of this.

In the recent period, all investors have come to this but sometimes, I would qualify this, an opportunistic view. So when we say that ESG is increasing, we had announced a plan 18 months ago which was firstly an objective that in 2021 all our funds integrate an ESG process in addition of the traditional financial approach. The second is to raise money to finance the energy transition. I am speaking of the €1 trillion in 2021, and the evolution is there. We want to be fully-ESG in all the ways in which we invest. We have been selected by the Japanese government to participate to the project team that implements ESG for them. Nicolas mentioned the GRECO fund that we launched in Europe. We have in France and Italy a fund that is Amundi Solidarity who finance, for example, different initiatives for people, and so on, and so on.

So this question of ESG, I would say it's for us a question which is fully integrated in the way our investment teams are working. It's not a marketing approach.

Nicolas Calcoen: On the question of passive amount, we posted positive inflows of close to €4 billion over the quarter. Really positive in indexed funds and mandate, and slightly negative on ETFs, -€1 billion on the quarter, due to the outflows on the month of March, but in a market that has been also down on the quarter.

Mike Warner: Thank you very much.

Bruce Hamilton (Morgan Stanley): Hi, good morning guys, and thanks for the information – two questions for me. Firstly, just on dividends. I guess for some investors they really like your story, resilience with a great strategy, but, I guess, struggle with the dividend visibility, because you are one of the few asset managers that aren't going to pay dividends this year. So how should we think about that going forward given you are owned by a bank? If Cred. Ag. is unable to pay dividends because of the ECB next year, does it therefore mean that you cannot pay dividends or would there be a commitment to resume dividend regardless?

And then secondly, just in terms of the kind of client demand dynamics since quarter end. Can you give us any colour on, you know, from conversations with clients and with flows what you have seen in terms of any changing appetite in terms of asset classes, etcetera? Thank you.

Yves Perrier: About this question of dividend, firstly. So, we implemented a decision, the recommendation of the ECB. Generally, the recommendation of the ECB is considered an instruction, and it was applied by our Credit Agricole Group. And we applied the same decision as that of Credit Agricole Group. I have remarked that another competitor in Germany seems to have not the same understanding on recommendations from the ECB. What I can only say on this: firstly that we will look at this in September to see if this position is confirmed. Frankly speaking, at this stage, I can't have a very clear view. But at the same time, I would say that on this decision, let's say it is a temporary decision of the ECB, and for the midterm, after this crisis, we can confirm that our general policy of distributing 65% of the net income will continue.

On client demand, for the time being, for me, when I look at the trend of individual customers, they are still sticky. It's not a surprise. When I look at all the context of crisis that I have seen in this industry, individual customers are really more sticky than institutional investors. If I take, for example, our French network, most of the funds are distributed through the life insurance products. These funds are very defensive, like a real estate fund that we have, and we have a very strong position, that explains the increase in real estate that Nicolas mentioned. We have also traditional funds that are very defensive, and these funds have not been very affected by the context of the crisis. We are preparing the launch of new guaranteed funds. So we have this capacity to adapt the risk profile of a fund to the context of the market and the risk appetite of the customer.

So, frankly, there is a lot of fog in the present atmosphere so we need to have the humility to say there is incertitude, but at the same time my certitude is that we have the capacity permanently to adapt our range of product to the context.

Bruce Hamilton (Morgan Stanley): Thank you.

Hubert Lam (Bank of America Merrill Lynch): Hi, good morning. I have just got a couple of questions. Firstly, on the Bank of China venture how much cost do you expect to incur to set that up later on this year? The second question is on Sabadell. At the start of the year when you announced it, you announced Sabadell AM managed about €22 billion of assets and had about €34 million of earnings. How has that changed now, just given the market moves? Lastly, on the dividend. If you are unable to pay the dividend or paying the dividend becomes more difficult to do, would this reprioritise your views around M&A; will you do more M&A instead, just to utilise that excess capital that you now have? Thank you.

Yves Perrier: I will answer the third and then Nicolas will answer the question about Sabadell and Bank of China. You know, very often I say every problem is an opportunity. When we were listed we had about €3 billion of capital, tangible equity, and I remember that, at this time, many people were saying "you have too much capital, excess capital and so on". With this excess capital we have been able to do the Pioneer deal, and today everybody recognise that the Pioneer deal was a tremendous value creation. Today, the dividend decision creates additional excess capital; it could appear a problem but we do not know, it could appear an opportunity. As an investor, you know I have always considered that to have capital is not a problem because capital protects you in some situation when you have a strong financial structure, and secondly it gives you the flexibility to seize opportunities. That is the reason, for example, why in our investment policy, in our voting policy we are against the share buyback. When you are a company and you do share buyback, in fact either you have no ideas to develop or you do not care sufficiently on your financial structure.

About BOC, we will present to you prospects in July at the time of the first semester results. The amount of costs is not so important and the initial cost, of course, the first year, first semester of activity will not be profitable the first day, but very rapidly it will be. It is also an opportunity for us, for example, because BOC, our joint venture, will use the ALTO platform that means that it will be a client for Amundi Services.

Nicolas Calcoen: Regarding Sabadell, as you know we have not done yet the acquisition of Sabadell. Sabadell is a listed company, so for Sabadell AM, I cannot disclose any numbers. What I can remind is, first, the fact that Sabadell AM is working for Sabadell network, which is a very solid network and resilient network in Spain. Second, the mix, in term of product, is relatively conservative, so not very much exposed to equity. So, of course, sensible to market but not as much, let's say, as some other players. Third, it is very efficient because the cost income ratio is low, around 35%. So the net result is less sensitive, relatively not very sensitive to the evolution of the markets.

Hubert Lam: Great, thank you.

Angeliki Bairaktari (Autonomous Research): Good morning, thanks for taking my questions. I have three questions, please. Firstly, on the costs. Considering the lower end-March level of AUM I suspect your revenues in the second quarter might be lower. So I guess I am wondering can you stay below your 53% cost/income ratio target for this year? I would expect some lower admin costs because of lower travel expenses and, sort of, a freeze on hiring because I suspect it is difficult to do interviews in this environment. So could you give us some guidance; would there be some scope for, effectively, lower absolute level of cost in the second quarter? Then, second question, could you give us a bit of colour on the interaction of the salesforce with retail customers in March and April, and do you, effectively, need customers to go physically into the bank branches in France and in Italy in order to see inflows or can you, effectively, utilise the online channel of the banks to do that? Third question, could you give us an update with regards to liquidity? You mentioned in the beginning of the call that the fixed-income market has seen some pressure on liquidity, and we have seen some commodity ETFs in the US effectively also being under pressure. Do you have any concerns about liquidity, in particular with your fixed-income or commodity ETF products?

Yves Perrier: The question of costs. To be clear, I have said that on the mid and long term we organised the business to target something about 50%, but of course, there will be a relativity, depending on the level of the market, the impact on the market, on revenues. For me, when I look at the strategy of Amundi I would say, this crisis does not change this strategy that we have implemented since the creation of Amundi. It confirms the validity of this strategy. At the same time, when we are looking at the year, at the second quarter, of course there is uncertainty, yes; given the market effect on revenues in April, in May and June and so on. Clearly, on the first quarter we had a favourable market effect in January and February, and very negative market effect in March. Then, you are right, we will continue to optimise the costs, we have less travel and so on, but, more importantly, we have been obliged to manage the company, to run the company, with 95% of people at home. So I am not able to tell you the cost to income ratio for the next quarter and certainly not for April, but what I am saying is that we are in this direction.

So on the question of the salesforce and the clients relationship, a word about this. The traditional banks have demonstrated that they were the most digitalised banks, and because the business has continued in the banks, in the networks, the relationship with the customers of Group Crédit Agricole or Société Générale, when most of the people are at home, and branches partially closed. So in this area also there will be an impulsion for the development of this internet banking.

On the question of liquidity, liquidity has always been – I am often speaking of a big concern for Amundi because we know that we have, at the same time, huge amount of liquidity that has been implemented by central banks. At the same time the real liquidity on the market is not that much and it was the case in the second part of March. At the same time, we are prepared to manage this and we have managed this. Relating specifically to ETF, but we are not a big actor in ETF – our ETF have done well during this period. So with that, we will continue to manage this very prudently. Also, on the revenues, there can be some effect, and if you take, for example, our discretionary mandates or diversified funds, we take clearly the opportunity to increase the liquidity of all these funds and mandates, and limiting the impact of risk.

Angeliki Bairaktari: Thank you very much. If I may just follow up on the cost/income ratio. Could you please confirm that you are still operating with a below 53% target for this year, or is that, effectively, now subject to the evolution of revenues for the rest of the year, on which we have no visibility at the moment?

Yves Perrier: In the cost to income ratio, there is a numerator, the costs and a denominator, the revenues. I am sure that, this year, our costs will be under the costs of last year, sure. I have a good confidence in our capacity to maintain a good level of activity, inflows and AUM, especially in retail and so on. Then it will depend on the level of the market and so you can have a view, I can have a view. Then it can be 53%, 54%, 55%, but 50% is the target I assume with a normal level of markets.

Angeliki Bairaktari: That is clear, thank you very much.

Gurjit Kambo (J.P. Morgan): Hi, good morning. Yeah, most of my questions you have actually answered, just got one question remaining. Just on the performance fees, it is obviously a good number during Q1. Was there any particular fund or strategy that came from, and just the skew in terms of the performance fee period ends between, sort of, the first half and second half, please?

Nicolas Calcoen: No. As always, you know that the potential basis for performance fees is quite large at Amundi, between €200 and €300 billion of funds or mandates that are subject to performance fees, so the base for performance fees is quite diversified. During this quarter I know that some thematic funds did perform well and recorded performance fees, but if you look for the quarter, in general at Amundi it is quite diversified.

Gurjit Kambo: Okay, that is great. Thanks.

Yves Perrier: Okay. Any other question? No other question? So I thank you again.

Haley Tam (Credit Suisse): Hi there. It was just a quick question, please. I just wondered whether there was any update on the negotiations to extend your distribution agreement with Société Générale? Thank you.

Yves Perrier: I will give the same answer that I have given at the time of the presentation of the 2019 results. I am highly confident in the continuing of this relationship with Société Générale, but frankly, in the recent period, both Société Générale and us have been occupied with other priorities. Okay?

Haley Tam: Thank you.

Yves Perrier: Thank you. So thank you again to participate to this conference call. I wish you, again, to be safe, you and your families, and I propose to share with you this word of a famous Italian philosopher of the last century: in this kind of period, we need to have the intelligence of pessimism and the optimism of will. Good day.

END OF TRANSCRIPT