



# **Full Year and Q4 2015 Results**

Friday, 12<sup>th</sup> February 2016

## Opening Remarks

Cyril Meilland

*Head of Investor Relations, Amundi Group*

### Welcome

Good afternoon, ladies and gentlemen and good morning to those of you who are listening in from the US. My name is Cyril Meilland, I am the Head of Investor Relations at Amundi. We are here for the presentation of Amundi's results in 2015 and the fourth quarter of 2015. This is a live presentation in London, but we also have a conference call to which many people might be connected. I will ask you to turn off your cellphones so that we have a perfect sound quality, and we will take questions from the room first, after a presentation by Mr Yves Perrier, Amundi's CEO; and Nicolas Calcoen, CFO.

First, we will take the questions from the room and then we will open the Q&A session to the conference call. Thank you.

## Results Overview

Yves Perrier

*CEO, Amundi*

### Preamble

Okay, thank you, Cyril. Good afternoon, and good morning for those of you listening in via conference call from the US. It is my pleasure to introduce you to our first full-year results published as a newly listed company, following the successful IPO of Amundi in November last year. I shall make a brief introduction, with the highlights of the last year and the key messages, and Nicolas, our CFO, will present you in detail the activity and results. Let us move to slide four, with the highlights of 2015 and the fourth quarter.

### Highlights

#### *A record year*

2015 is clearly a record year for Amundi. Our assets under management have almost reached €1 trillion one year ahead of the objective set in the medium-term plan of Crédit Agricole SA in March 2014. At this time, we announced for the end of 2016 an objective of €1 trillion, which was to be achieved two thirds by external growth and one third by organic growth. That means that we are one year in advance, and we have done this nearly exclusively by organic growth. At €985 billion, our AUM grew by 12% last year, and it is essentially the consequence of the record net inflows of €80 billion, and to a lesser extent, thanks to a positive market effect, but you know very well that the year was agitated.

#### *A diversified business model*

You know that at Amundi we have built a diversified business model, and once again, last year, this diversified business model helped us to navigate a challenging environment and to achieve a strong growth. Our net inflows are balanced between our two client segments: retail, almost half, and also 50% from institutional. They were also balanced across asset classes, with more than half of our net inflows – 56% exactly – from long-term assets. In this category, all asset classes contributed in a significant way, whether it is fixed income,

equities, diversified or non-listed assets, and both in passive and active management areas of expertise.

The rest of the inflows, 44%, were collected in treasury products, a reflection of the uncertainty of the market, but also as a consequence of our strategic development inside the eurozone. We are number one in this category of products in Europe, with a market share of 13%.

#### *Strong business momentum*

The strong business momentum was achieved thanks to a strong involvement of Amundi teams across our geographic footprint. In France, for the first time since the creation of Amundi, our partner networks collected slightly positive inflows – it was limited but it was slightly positive – in long-term assets and Amundi has gained nearly two points of market share in France. However, France remains a difficult market for asset managers, and we had a favourable first semester, and a second semester, after the turnaround of the market in June, which was less favourable. The bulk of the inflows of Amundi, 75% precisely, are coming from the international side – I mean outside France – and it has been divided in two equal parts between Europe and Asia. In Asia, I want to mention the very strong dynamic of our joint ventures in China, India and Korea, where the net inflows were more than €30 billion. In Europe, I will mention Italy. We have collected more than €5 billion in Italy last year. But Nicolas will elaborate more on the strong business momentum, a reflection of the good performances also of our investment teams.

#### *Strong development of activity*

As a consequence of the strong development of activity, we registered last year a new increase in net income by 8%. In 2014, it was also an increase of 8% against 2013. This increase was driven by revenues, which rose also by 8%, and as we maintain very strong cost control – and you know that it is one of the trademarks of Amundi – we maintain a very competitive cost to income ratio, at 52.4% for the whole financial year, at quite the same level as last year. That means that this year, as the year before, we have continued to finance our investment in new teams, mainly on the international side, by productivity gains. Thanks to the net profit, our tangible equity grew by roughly €200 million since the end of June, when we presented the IPO, and it amounted at the end of December to €3.3 billion. As a consequence of this, the free capital – I mean the capital which is available for acquisitions or will be given back at the end of the plan to the shareholders – amounts now to €1.5 billion.

#### **Dividend policy**

The very solid results, coupled with this very solid financial structure, allows us to have an attractive dividend policy. The Board of Directors has decided to propose to the shareholders of Amundi a dividend of €2.05 per share. That means a global amount of €343 million. That represents a distribution rate of 65% of the net income, before IPO costs. You remember that when we presented the IPO, we announced that the pay-out ratio will be, at the minimum, 60%, and so we do 65%. For the future, you can consider this €2.05 and the 65% pay-out ratio as a minimum.

**Strategy**

Our strategy remains to foster our development in our two business lines – retail and institutional – by giving priority to organic growth, and we will accelerate our development in the coming years. If acquisition opportunities arise, we shall be looking at them, because we have the financial means, and we have demonstrated our capacity to integrate and to deliver synergies. Of course, we will always remain very selective; Amundi's track record of fast development delivering revenue and net profit growth is thanks, also, to our very high operating efficiency.

Now, I leave the floor to Nicolas, who will take you through the details of our activity and the results for 2015.

**2015 Financial Results in Detail**

Nicolas Calcoen

*CFO, Amundi*

**Market context**

Thank you, Yves. Hello to everybody. I will elaborate a little bit more on the key numbers, starting, of course, with the activity and the market context. Just to remind you that, in 2015, we worked in quite uneven market trends, with a very favourable first half of the year, thanks to the ECB quantitative easing, with both strong growth in the stock markets and a drop in the interest rates in Europe, then, during spring, the rate correction and then stabilisation on the interest rate side, whereas the second half was much more difficult, especially on the stock market side.

**Record net inflows**

In that context, Amundi achieved record net inflows throughout the year, so €80 billion of inflows over the year, which is more than twice the level achieved in 2014, and with positive inflows in all four quarters of 2015, with only a slight slow-down at the end of the year, especially on the retail side. As Yves indicated, these inflows were quite well balanced among our client segments, with 52% coming from the retail side and 48% from the institutional side. All client segments showed positive inflows, save for the French retails, and as far as French retail was concerned, for the first time since the creation of Amundi, the French networks had balanced inflows and outflows on medium- and long-term assets; we only recorded some outflows on treasury funds at the end of the year. You can also notice the very favourable trend regarding the joint ventures: net inflows of over €30 billion over the year.

Three quarters of the inflows came from clients outside France, so the international business remains the main driver of Amundi's growth, with inflows quite well balanced between our two priority growth areas: Europe, excluding France, with inflows amounting to €22 billion; and Asia, with inflows amounting to €37 billion, including the €30 billion in our Asian JVs. Today, at the end of 2015, our international business represents €246 billion in assets under management, which is 25% of our assets under management, if you exclude the insurance mandate.

**Balanced activity**

And now, in terms of asset classes, here also was a very balanced activity, with 66% of the inflows from medium- to long-term assets, and 44% from treasury products. We can see that all areas of expertise contributed to the strong net inflows, if you except the structured product, and we continue to see strong inflows on bonds and diversified funds, but also a very positive momentum on illiquid assets and on equities, with €6 billion of inflows on equities. As far as the treasury products are concerned, we benefited from the strength of our expertise, number one in Europe, as Yves said, in the context of increased risk aversion of investors, considering the market environment.

**Diversified sources of growth**

Overall, at the end of 2015, our assets reached €985 billion, so very close to the target that was set for 2015, as Yves already indicated. This growth was driven by very diversified sources: here we have some examples of a few successes, in terms of expertise. For example, in equities we can mention the CPR Silver Age fund or Amundi Actions France fund, which achieved much higher returns than their respective benchmarks. You can consider also, in the fixed income space, Amundi Funds Bond Global Aggregate, our flagship, that continued to benefit from a strong development: around €3 billion of inflows in 2016. I would say, in the illiquid space, the real estate business, which continues to grow very rapidly, had more than €3 billion of inflows in 2015. We kept our first position at the front end of this market, and there is especially one product, OPC Immo, which is a retail open-ended fund that had inflows of €1.4 billion in 2015. At the same time, we continue to develop our passive management platforms, for example with ETFs, €4 billion of inflows in 2015, and we remain in the top five ETF providers in Europe.

These new growth engines are also significant in terms of geographies. For example, with the JVs, strong inflows both in China, in India and in Korea, or Italy, as Yves mentioned, €5.7 billion inflows, gaining market share, and in all our client segments, both with the Cariparma network but also with third-party distributors, or international clients.

This performance also resulted from very good performance in most areas of expertise. You see here that whatever the kind of indicator you select, our performance was good in most areas of expertise. On the left side of the slide, as far as open-ended funds were concerned, more than three-quarters of our funds were either in the first or second quartile. For internal clients, 80% of our weighted strategies were on the buy-rated list by consultants. And the range of products for French networks won the first, the second and the third positions in the Corbeille d'Or, which is the most-known reward for the retail market in France, and more than 60% of our fixed income expertise and more than 80% of our equity expertise outperformed their benchmark. You can see overall that there was especially good performance on the equity side.

**Strong results across financial indicators**

The consequences of this activity on our financial results: you can see here that it is illustrated by all the main indicators, with an increase of 8% of our total revenues, a continued high level of operational efficiency, with a cost-income ratio of 52.4% adjusted for the IPO expenses in 2015, so it is stable compared to 2014, which itself was lower than the previous years. Pre-tax income rose by 10% and net income Group share by 8%, excluding

IPO expenses. At the end of the day, the net income, excluding IPO expenses, reached €528 million, perfectly in line with the guidance we provided at the time of the IPO, which was between €515 million to €535 million. After IPO expenses, the net profit was €519 million. You can see also that, as far as the fourth quarter is concerned, results continued to be good, with an increase by 13% of our revenues and by 5% of our net profit.

### **Margins**

In terms of margins, our margins were still under pressure but kept their resilience. Management fees, excluding performance fees, represented in 2015 16.1bps of the average assets under management, slightly lower than in 2014, which stood at 16.4bps. This shows that our margins are still under pressure due to the same elements: the context of very low interest rates, increased competition in the market, but the improvement of our business mix, with the increased share of the retail business, enabled us to keep very resilient margins. You can see the contribution of all our business lines, and you can see that all our business lines improved their revenues and contributed to the increase of our business, with a notable contribution of retail, an increase of their revenues by 14%, in line with the development of the business in this segment. You can also see that there was a slight decrease of margins for the various client segments, due to the same elements, and competition in the context of low interest rates.

### **Performance fees**

As far as performance fees are concerned, performance fees amounted to €138 million in 2015, so down by 19% compared to 2014, and they represented 9% of our total revenues. In the last quarter of 2015, they amounted to €51 million, an increase by 30% compared to 2014, and you can also see that they are much more diversified than the previous years, with more than 50% coming from expertise other than fixed income. You have a decrease on the fixed income side. In a sluggish market environment, low interest rates and low spreads made it more difficult to deliver performance fees, but at the same time, you have a very good level on other asset classes, especially like equity, in line with the good performances of the products.

### **Cost control**

Our cost control culture remained strong. Our total operating expenses, excluding IPO, amounted to €869 million in 2015, an increase by close to 8% but at constant scope, meaning excluding the integration of Bawag, and at constant exchange rate, this increase was limited to 4.3%, reflecting the investments we continue to make for our development, especially by recruiting talent in all our geographies outside France. The headcount in France remains stable but has increased outside France due, of course, to the integration of Bawag, but also to recruitment meant to reinforce our capabilities. To conclude on this point, you can see that in 2015 we continued to benefit from the productivity gains from the economies of scale, with total operating expenses compared to average assets under management coming down from 10bps in 2014 to 9.6bps in 2015.

### **Capital structure and dividend policy**

Just to finish with our capital structure, we kept, of course, and reinforced our very solid financial structure, with €3.3 billion of tangible assets, no net financial debt, and we maintained a rating by Fitch at A+, with a stable outlook, so at the upper end of our peers,

and with €1.5 billion of free capital, available after capital allocation to regulatory requirements, and capital allocation to investments in seed money and participations, so €1.5 billion, compared to €1.3 billion at end of June. This allowed us to propose an attractive dividend, as Yves mentioned. This was a dividend of €2.05 per share, corresponding to €343 million. It equates to 65% of our net income, excluding IPO expenses, which is higher than what we indicated at the time of the IPO, which was at least 60%, and it represents, based on recent share price, a 6% yield.

### Closing remarks

Overall, what we can say is that, in 2015, we had record net inflows in all our countries, driven by all client segments and across a diversified range of products. We had also strong income growth, driven by these positive strong sales trends and continued high operating efficiency. All of this allows us to propose an attractive dividend distribution, thanks to these solid earnings and our continued robust financial structure. Thank you very much.

### Q&A

**Hubert Lam (Bank of America Merrill Lynch):** I have three questions for you. Firstly, can you give us a sense of how Q1 started this year in terms of flows, activity levels, what products are people buying and how French Retail is doing year-to-date?

The second question is on money markets. I was wondering, just given the low interest rates in Europe, are you still able to charge clients for money market funds? What happens if these rates go negative? How are you planning to absorb the cost to make sure clients do not have a low yield?

The third question is again, sorry, on French Retail. Q4 had a significant outflow in French Retail. I was just wondering what drove that, and when do expect to start seeing recovery in French Retail?

**Yves Perrier:** We do not give targets for Q1, but I will answer to your question a bit differently. Your question is what are the trends. At the time of the IPO, we indicated that we had an objective over the period of the three-year plan of €120 billion of net inflows. That means that it is an average of €40 billion per year. We have also indicated that we anticipated an increase in results of 5% per year on average. With the context of the market, we chose to be simple without market effects, with a slight increase for equity offset by the negative increase of rates for fixed income.

I consider that these objectives are still the objectives of Amundi. Of course, quarter by quarter, it will depend on the conditions of the market, which have a direct effect. We indicated during the IPO that a decrease of 10% of the CAC40 represents for us a lack of revenues of between €35 million and €50 million, and in terms of net income that represents between €20 million and €30 million. At the same time, the market has also an effect on the appetite for risk for investors, either individuals or long-term investors. I do not know if there are many people in this room who, at the present time, are in the mood to buy equities, and all individual investors are like you.

What has happened during the second semester? It is a momentum of net inflows in the French market, which was below what it was during the first semester, but if we look at only

the long-term products, we were stable. Bear in mind that in 2013, the net outflows of the French market were €10 billion, so it is highly probable that in the first quarter, in the context of the market, it is just the same. We do want to see a strong momentum in the French market, but there is something which is very structural in the French market. I explained this during the IPO. The two products which were most popular in the French market were tax-exempt products in the balance sheet of the bank, Livret A; and the Euro life insurance contract. These two products are less and less attractive. Also, with the implementation of Solvency II, insurance companies have to manage more and more strictly their capital. You know that a Euro life contract requires five times the capital required by a fund sold in the wrapper of unit linked life policies. The trend of shift from Euro life to unit linked contracts will come, then the pace at which it will come depends on the condition of the market.

However, keep in mind that the direction is this one. Keep in mind also that our objective of net inflows is €40 billion in average, and last year we achieved €80 billion. Of course, maybe it was an exceptional year, but we did this. We are well diversified. The French market is important, but presently in Retail, it represents less than 40% of the total retail AUM of Amundi. We are in Italy. We are in Austria. We are in Asia. You see the strong development of our joint ventures in Asia.

The second point was relating to the money market. We are in a peculiar situation with negative interest rates due to ECB policy, and so on. The money market is growing to a yield which is nearly zero. It depends on the maturity, on the short-term or long-term treasury funds, and so on. However, at the same time, what we see is that more and more banks in Europe are charging a negative remuneration to deposit because they do not want these deposits anymore. Because for banks, if they have higher deposits, with the context of the demand for loans, that means more money put at the ECB at a negative rate of 30 basis points. I will say that the monetary funds are becoming sort of a safe haven to avoid the negative rate of ECB, but it is something that we clearly manage very precisely.

**Benoit Petrarque (Kepler Cheuvreux):** Just to jump back on the unit-linked contract on the French market, you have a €1.4 billion negative outflow in 2015, in Q4. How will you split that between what is kind of traditional mutual funds, which I guess is very negative, and the inflows in the unit-linked products in France? That will be the first question.

The second question will be on the cost side, which, I guess, will be the big focus in 2016. How viable is your cost base? I think during the IPO, you talked about a bonus pool range of 12% to 18% of your pre-bonus operating results. How do you think about this now in the current market? I think you said, at that time, that in bad years, you will be more at the high end of the range, but I would suggest, probably, the bonus pool will remain more or less stable. How do you think about costs going forward, especially in 2016?

Then, the third question will be on the free capital. How do you think about M&A currently? Valuations went down a lot year-to-date. Do you see opportunities? Could you update us on what is going on also in Italy and what you see presently in the market? Thanks.

**Nicolas Calcoen:** On the first question regarding inflows or outflows in the French Retail market, the trend is positive in inflows on unit-linked and negative outflows on other products, basically for obvious tax reasons. Unit-linked has a very favourable tax regime,



whereas if you hold asset funds outside these, it is heavily taxed. It has remained positive on unit-linked.

**Benoit Petrarque:** How much is that, roughly?

**Nicolas Calcoen:** I do not have the precise number in mind. It is slightly positive. At the end of the year, it is slightly positive.

**Yves Perrier:** Just a point, on the French market, we are coming to the end of many guaranteed funds which were launched in 2007, 2008, but the gross inflows are good; they increased by 50% during the year. That is the reason why I am, and you can be, very confident in the trend. During the life of the plan – three years – you can have one uncertain quarter or another, but over the period, the French market will become a favourable market for us. Of course, yes, our bonus policy does not really change, between 12% and 18% of pre-bonus gross operating income. I am very confident in our capacity to adapt the costs, to a certain extent, to the evolution of revenues.

**Nicolas Calcoen:** You can notice that in the past, our cost-income ratio remained roughly between 52% and 54%, whatever the market conditions, to demonstrate our ability to adapt the cost structure to the context and to the revenues.

**Yves Perrier:** Concerning M&A, I can give you only our general position, which is to say that people in the newspapers are speaking about files in Italy. Generally, now, every time there is a file, Amundi is quoted as a potential buyer, even if there is nothing. We will look at them, but as I have always said, it will depend on the synergies, value creation, fitting with our industrial model and with limited risk of execution.

**Arnaud Gibrat (Exane BNP Paribas):** Three questions, please. First, on structured products. As you mentioned, the maturities are coming through, but I understand, as well, that that creates some volatility in terms of the revenue margins in Retail. I am wondering, what is the level of volatility coming from that? What is the maturity profile of structured products looking like in terms of new issuance? Are you able to issue guaranteed products at the level of the maturities?

Secondly, maybe you could give us a bit of an update in terms of what you are doing in developing distribution in Europe? I understand that you have reached several agreements over the past few years. Is there more in the pipeline there?

Finally, perhaps a word on MiFID II. The fact that MiFID will ban the retrocessions back to the independent advisors, how is that likely to affect you going forward? How much of your business goes through independent advisors in Europe and is likely to be affected by that? Perhaps it might be an opportunity as well. If you could elaborate?

**Nicolas Calcoen:** On MiFID, for us, it is not an issue. Understand that the majority of our business in Europe is with captive networks. They will not qualify as independent. Typically, the networks we are working with are in France, but there are a lot of other partners in Europe. We will continue to work with them on a rebate basis. For the rest of the business, we will see what they decide or they adapt. Do they go to independent positions? In that case, there will not be rebates, but we will just adapt our fee structure and work with them on that basis. On the other hand, it could be an opportunity, because some of the distributors we are working with may choose to qualify as non-independent. In that case, they will have

to provide a service in the long run to adapt what they are offering to that position, and that is typically, I would say, our business model or capacity to work in the long run with the distributors. It is no major issue, and it could be an opportunity.

On structured products, the maturity profile is typically seven to eight years. A lot of these funds were launched, I would say, in the mid-2000s. They came to maturity in the last two to three years. That is what is explained; in the years to come, the amount of funds that come to maturity should decrease. At the same time, our new production is increasing. That is why we are quite confident, in the long run, about our recovery in the French market. In terms of volatility of the revenues, we explained at the time of the IPO that this kind of commission does depend on the time a fund comes to maturity. We had a lot of these funds coming to maturity in the second quarter, much less in the third quarter. That is the reason why we should not focus too much on the average margins quarter after quarter, but look at it, I would say, on yearly average.

The third question, I do not remember, sorry.

**Arnaud Gibat:** The distribution expansion.

**Yves Perrier:** The expansion of distribution in Europe?

**Arnaud Gibat:** Yes.

**Yves Perrier:** Now that you have the good figures in mind, roughly speaking, we have about €250 billion in Retail. In this €250 billion, you have €100 billion, which are the nearly captive French networks. You have about €80 billion in the joint ventures and €70 billion in the international networks and our third-party distributors. It has been one of the channels of distribution where the growth has been the strongest since the creation of Amundi. In Europe, we are present in all continental markets: Spain, Benelux, Scandinavia, Austria, Italy. In Italy we are not only present with our bank, Cariparma, but also, we distribute our products, for example, through PosteItaliane, and so on. We are working to enter the German market for a different reason, we have not been present significantly in the German market. One of our objectives during the next three years is to enter significantly in this market; we have recently hired a new CEO for Germany, and so on. The beauty of the context for Amundi is, I would say that there is not a lot of these markets where we have a market share corresponding to what is Amundi, in terms of expertise or notability.

We grew also in Asia. We have opened in Thailand. For example, we have a budget, to give you a figure, in Thailand for €200 million inflows. We have opened also in Taiwan. We are signing an agreement with a significant platform of Taiwan. Year by year, we will benefit from all these efforts that we have made to sign agreements with distributors and to promote our funds.

**Arnaud Gibat:** Just to follow up on the margin question, should we consider Q4 an average level of maturity of structured products, and 49 basis points a sustainable level of margins, notwithstanding mixed shift in business?

**Nicolas Calcoen:** Yes, more or less.

**Anil Sharma (Morgan Stanley):** Just three questions, please. The first one is, given ESMA's consultation into closed trackers, I was just wondering what proportion of your AUM do you think might fall under scope in terms of that investigation there?

I guess the second question, really, is just around, in the insurance book, there was an outflow. I understand that that is the people switching out of the Euro contract. I am just wondering, could you tell us how much of that outflow was switching? What proportion was into Amundi and what was outside Amundi?

The final question is just really around what is kind of going on in terms of the tax rate. There was obviously quite a big increase in Q4. It was not quite clear to me what was behind that. If you could perhaps explain on that, it would be helpful.

**Yves Perrier:** I did not understand the first question. Can you repeat?

**Anil Sharma:** Yes, sure. My understanding is ESMA is undertaking a bit of an investigation in terms of closed trackers, in terms of mutual funds in Europe.

**Yves Perrier:** The funds that are qualified by the managers as active funds? Yes, I see the point. That is a point I discussed with the Chairman of AMF very recently, as I am the Chairman of the Association of the French Asset Managers. I realised that the French counterparts were not really significantly concerned. Also, it is a very difficult point, because the idea behind it is to say that we should have a sort of standard price for an active fund, or let us say a passive fund or a semi-passive fund, and so on. There is nothing in the regulation about this. I do not anticipate significant things for the French market on this.

On insurance, I said that insurance, life insurance, products are still very popular in France. Traditionally, until 2014, it was mainly, let us say, 90% or 95% Euro contract. If I take the French market – and it is not different for Crédit Agricole networks– we are now at a new projection, which is about 20% unit-linked and 80% Euro contracts, so a significant increase on the part of unit-linked. It is also the consequence of some companies, for example, in France, saying that if you take a Euro contract with, let us say, 30% of unit-linked, I give you a premium to the remuneration of the Euro contract, which is a way to push the clients to diversify.

Tax rate, I let Nicolas answer.

**Nicolas Calcoen:** The part on tax rate is just the point that we are present in 30 countries with very different tax rates from one jurisdiction to another. We worked in the first half of the year and then predicted the average tax rate. At the end of the year, we adjust to the reality of where the business was made across all the jurisdictions, with just the technical adjustment.

**Yves Perrier:** For the future, we could anticipate some decrease of the effective tax rate due to a better location of results. In France, it is at 34%, in the UK, at 20%, in Luxembourg around 15%. We are working also to a better location of our results versus tax rate. When you look at Amundi – I take the opportunity to mention the point – keep in mind that we are working with a tax rate of 34%, that the net income we generate is with 34% compared to many of our peers which are at 20% to 25%. If you anticipate some advantage, we can anticipate that France will not increase this tax rate at the minimum. There is some leverage in valuation with this.

**Haley Tam (Citi Group):** Two questions, please. First, on the joint ventures, we obviously saw a lot of inflows. However it is obviously still quite a small contributor to the bottom line at the moment. Is there anything we should be thinking about in the future as that business

gets bigger? In terms of operational leverage, when should your profit margin on that business improve as time goes by?

The second question actually is on your free capital. Is there any expectation that the regulatory capital requirement at 10% of discretionary assets might change in the future? Any thoughts there, please?

**Yves Perrier:** On the joint ventures, they increased their share in net income by 50%. We have an increase in AUM, but we have also a strong increase in profitability, which will continue, because these joint ventures, they are benefiting from the scale effect. Have always in mind that the asset management industry is mainly an industry of fixed costs, so every time you are able to grow the AUM, you grow more the gross operating income and the result.

Relating to the question of capital, we know that there is a lot of discussion and debate which is about the question of the systemic risk and so on. Do asset managers need a regulation in capital, and so on? For just the time to come, I do not anticipate anything. For us, it is not a worry because with the level of capital we have – more than €3 billion – in case the regulation will be stricter, I would say it will be an opportunity for us, because it will put pressure on some of our competitors. Have in mind that I know some big competitors in the world – maybe some which are famous – which have negative tangible equity. I am not sure that it will last for a long time, to be honest, but for us, it is clearly not a concern.

**Anna Adamo (Autonomous Research) (by phone):** I have a question on performance fees. Can you just clarify what drove the 30% increase year-on-year in the fourth quarter? In other words, what percentage of AUM is now eligible for performance fees, both in fixed income and equities?

The second question is regarding French Retail. I am afraid I have no clue. Could you perhaps give more colour regarding SocGen? Because if I look at the mutual funds data disclosed in the fourth quarter, there has been a drop of 12% in mutual funds outstanding. Can you just say a few words around this? Is SocGen pushing their clients out of mutual funds?

Finally, the third question is on your Institutional business which was very resilient in Q4. Can you tell us which percentage is represented by sovereign wealth funds? Do you expect potential redemptions from these investors as they are shrinking their assets as the oil price revenues are falling? What kind of revenue margins are you making from this business? Thank you.

**Nicolas Calcoen:** Maybe the first question on performance fees which was about the increase in Q4 by 30%. You have to bear in mind that performance fees are booked at the yearly closing of the accounts of each fund, and all the funds that we manage do not have the same closing date. That is why you have performance fees continuing all over the year. However, at the same time, from one year to another, these are not the same funds that generate performance fees. You can have funds that generate high performance fees this year in the first quarter, and the next year, it will be other funds that will be generating performance fees in another quarter. It makes sense to compare performance fees from one year to another year. Quarter to quarter should be taken with cautiousness. The amount of the assets under

management subject to performance fees has remained around €200 billion. No significant change.

Regarding SocGen, I think the reference was to the fact that there was a decrease in what they published of the share of the funds that are held by the retail client of SocGen, but I think probably the numbers you are mentioning are for mutual funds, excluding those that are held in life insurance and unit-linked, so you cannot compare. It does not give you an idea of how the funds were sold in the SocGen networks, because unit-linked are included in their life insurance business.

The third question about sovereign wealth funds...

**Yves Perrier:** 10%.

**Nicolas Calcoen:** they are 10% of the Institutional business. We have not seen, so far, any outflows linked to the oil price situation.

**Anna Adamo:** Okay, thank you.

**Benoit Petrarque:** Just a follow-up on the performance fees. How can we think about performance fees in 2016 on the fixed income side? Okay, rates are falling, but spreads are going up again. Do you see that as an opportunity, potentially, for your performance fees? Is there a turnaround here or is it still too early to say?

**Yves Perrier:** We have, in the room, the Deputy Head of Fixed Income. I know what is the budget for the year, and he explained to me that in bad years and good years, he was able to deliver performance, and I am confident in him. Frankly speaking, it is very difficult because some performance fees are absolute, some compared to a benchmark, and so on. It is something which is very difficult to predict, but the higher the base, €200 billion, the higher the number of expertise areas subject to perf fees, and the higher the probability that we will be booking perf fees. Clearly it is a bad market; it is more difficult to generate performance fees than in a good market. It is not a scoop.

**Anil Sharma:** Sorry, just one quick follow-up on the capital. I just want to make sure I have understood this. As it builds over the next two and a half years, should I take the distribution as what it is at the end of 2018, or is there some sort of cap as to what you might distribute? Is there some sort of threshold where you will not distribute anything over and above that, or is it that it could be anything? Let us say by the end of 2018, the free capital is €3 billion, would you distribute €3 billion?

**Yves Perrier:** Our commitment is to do the following. The dividend will be at the minimum €2.05 per share, even, for example, if the results, which is not my assumption for the next year, are lower. It will be at the minimum 65%. At the end of the plan, the excess capital, in case of no acquisition, will be given back to the shareholders, but when we say at the minimum, we say at the minimum.

[BREAK IN AUDIO]

Now we can also use the free capital for acquisitions. The objective is to generate synergies and to fit with our industrial model. We can take the two examples of what we have done in the past. Bawag PSK, we have distribution capacity. With Austria, it is a country of 10 million inhabitants, equivalent to Switzerland by the GDP per capita. Bawag networks enjoy a

global market share of 8%, and the market share in the mutual funds is only 4%. For us, it means entering a wealthy market, with a potential of development in some other channels of the bank. When we bought Smith Breeden, we bought expertise in fixed income not to be a player in the US fundamentally, but to be able to provide our institutional clients in Asia, in the Middle East or in Europe with USD fixed income. It was expertise with this. When we had done the deal with Société Générale AM, it was distribution – we bought distribution, we bought the channels of Société Générale, Crédit du Nord, Société Générale and Komerčni Banca – but also, the opportunity of strong cross-synergies due to our industrial business model.

Okay, so thank you. Of course, Nicolas and moreover, Cyril, are at your disposal to answer to any question in detail that you could have in the future. Thank you.

**Nicolas Calcoen:** Thank you.

[END OF TRANSCRIPT]