

Philippe Oddo (ODDO BHF): "In Europe, investor exposure to fixed income is too large."

- *"Banking union is important, so that the savings of one country end up invested in another."*
- *"Being an independent group allows us to make decisions faster and more agile."*



Philippe Oddo, CEO of ODDO BHF

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Philippe Oddo is an exception in the business world. He is the fifth generation to manage a family business, ODDO BHF, which was founded in 1849, more than 170 years of history to consolidate the largest independent bank in Europe in terms of assets.

Oddo gives his vision on the future of the financial industry in Europe, and also on the future of the Union itself, at a critical moment for the Old Continent. He defends the collaboration between different European cultures and gives as an example his own experience in Germany, which has ended up making the bank a Franco-German entity. As for the market, he believes that European investors are overexposed to fixed income and should be more inclined towards equities.

How has the pandemic affected ODDO BHF and how do you assess the latest results?

Last year's results were good, with a 25% increase in revenues, with 780 million euros, and 158 million euros of net profit. We now have capital in excess of €1 billion. It was a year in which we had an increase in new assets under management, mainly on the *asset management side*, in France, Germany and Switzerland, and it was a great support for the business. But we also developed a new asset class on the asset management side, in private equity and private debt, we are going to increase our *venture capital* business, and we raised money for a debt fund, more than EUR 200 million. In addition, we have developed our *equity* platform in Spain, the Netherlands and Germany, and with it we have managed to close more than 50 deals, IPOs..., placing us in the top 3 of platforms of this type in Europe. In general, we have improved revenues in all areas.

What are your goals for the future?

We want to continue to develop our *equity* platform, maybe with another partner, and what we want to do is to further integrate the two Franco-German teams, to work more together. We have finalized our technology services platform, a Franco-German platform, which is unique, and this is something we want to develop further. We have formalized our Europe Now project, where we want to simplify the structure, unify it, and amplify it. And to do that, one of our main projects is going to be to merge the two biggest entities we have, the French bank and the German bank, and we want to build a “société européenne”, to be able to formalise one of the few Franco-German banks, with this legal status.

The majority of ODDO BHF's capital is held by employees and the founding family.

Yes, and we also have two other shareholders, the Betancourt family, the owners of L'Oréal, and the Lombard family of Lombard Odier. Last year we invited all our employees to buy shares in the group, and between them they have acquired 5% of the capital, a large amount. It was very successful. More than half of our colleagues have decided to buy shares in the group, a very strong sign of the involvement of the teams. We want to attract the best talent and keep it. A good way to do that is to invite them to become shareholders in the group.

Why is it important for ODDO BHF to remain an independent group?

This is key. It is a very important competitive advantage to be able to show that the group is privately owned. It is a great advantage to be able to have the best

people in our teams and to have them as shareholders, first of all, and secondly, because we are very different from other big banks. So, we can make decisions quickly, together, as a team, and we have the freedom to operate in an agile way, to take advantage of any opportunities that come our way.

ODDO BHF, and other European banks that have opted for a similar format, such as Renta 4 in Spain, maintain ROEs of 20%, compared to 10% for large banks such as Santander or BBVA. Can we continue to grow without damaging this return on capital, or is it inevitable that it will end up approaching that of traditional banks?

We are very long-term oriented. If there are years in which we do not reach that 20% ROE, there is no problem. It is true that our business is closely related to the health of the financial markets. If the health of the financial markets is not very good, and the trend of the stock markets goes down, we are not going to get as much income. But we don't care. We are focused on the long term, with long-term plans with our partners, shareholders, and employees. What is important is the long-term strategy. Within a bank there are many different types of business. We believe the future is to scale these businesses with other banks, and to have a consolidation at the European level. That is the future we see for the banking industry, which should be a very dynamic and active industry.

What is your assessment of financial education in Europe, and is it necessary?

We must do everything we can, because it is a key issue for people to understand what the key factors for the success of a country are. And to be able to do a proper asset allocation in their long-term investments. In Europe there is a lot of

savings, but when we look at the asset allocation, it is too strong in fixed income and too weak in equities. We miss out on a huge competitive advantage. First of all, to invest in our own companies. And then because, in the long run, you get much more money investing in equity assets than in fixed income.

Do you believe that European banking union will be consolidated in the coming years and is it necessary?

I think it is very important to have the Union, in order to ensure that, for example, German savings end up invested in Spain. Right now, the system of guarantees for savings in Germany is very specific, and it is a system that protects German savings, but prevents these savings from going outside the country. If this issue is resolved, banking union will probably happen very quickly. In any case, I don't expect big mergers between European banks. There will always be consolidation, as we have seen with Amundi, but what I think will happen is that banks will merge their own activities, creating big European champions in each business, making partnerships with fintechs, and creating champions in each sector. B2B platforms, custody businesses, payment businesses... that kind of thing.

Your company is 170 years old and is still run by your family. It's not the norm - do you think it will stay that way?

In my family we were agents of change and we ended up developing a bank. When I think about the future and ask myself what's next, what I tell my children is that one day they are going to have to take responsibility, and this is not necessarily to manage the company. It is a possibility, but the first thing they have to do is to assume their responsibility as shareholders. And in this case, their

responsibility is to choose the management team. It is one of the most difficult tasks, choosing a good management team, and it is something I always remind them of. In ten years, they will have to decide whether they want to take responsibility or not. My wish is that in the long term there will be, on the one hand, a very stable shareholder, represented by the Oddo family, and on the other hand to have more and more partners and the ability to attract the best employees.