Amundi

Q1 2023 Results

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Q1 2023 RESULTS

Cyril Meilland
Head of Investor Relations and Financial Communication

Good morning to all. It is my pleasure to introduce you to our Q1 results and this conference call. As usual we will start with a short presentation by Nicolas Calcoen, Deputy CEO, and Domenico Aiello, CFO, and then it will be followed by a Q&A session. You've just been explained the way to ask questions if you are connected via audio. And now I leave the floor to Nicolas.

Nicolas Calcoen
Deputy CEO

Thank you, Cyril, and good morning to all. Thank you for attending this call to present our first quarter results. Let me indeed say a few words of introduction, focusing on the highlights of this quarter before Domenico goes more into the detail of our business development and results.

Q1 2023: STRONG RESULTS IN A BUMPY, UNSTABLE ENVIRONMENT

One element of context to start, as once again in the first quarter we experienced an unstable environment and bumpy markets. The stock markets were up over the quarter, but when you look on a one year basis they were down by 5% in average compared to the first quarter of 2022, and the fixed income markets were down even more by 12%.

In this context there's clearly three elements I would like to highlight. The first one of course is the good financial performance. Our net profit was at a high level; €300 million, almost stable compared to the fourth quarter. Our diversified business profile supported the resilience of the revenues, and our operational efficiency allowed us to keep a tight control over our costs with a cost income ratio at 53.6%, remaining one of the best in the industry.

Clearly our constant productivity gains and the continued delivery of synergies coming from the acquisition of Lyxor one year ago enabled us to offset the impact on inflation while continuing to invest for development.

The second element to highlight is the healthy flows in retail and in our Asian JVs, excluding China. First, retail; we indeed posted a very strong performance in all channels with more than €4 billion of inflows. French and international networks capitalised on offering adapted to market conditions and third-party distributors enjoyed good inflows in particular in long term assets.

And our JVs in India and South Korea also maintained a very positive sales momentum with more than €4 billion in inflows for these two JVs.
However the strong Retail performance is not reflected in the total inflows because of large redemptions coming from the institutional business but in very low margin segments, in particular in our insurance mandates.

In China the market overall has still not recovered in terms of flows, in addition to specific redemptions coming from large institutions at ABC-CA and the continued maturing of term products at Amundi BOC WM.
But overall, thanks to a positive market effect, our assets under management are up by 1.6% over the quarter.

Finally, third element to highlight the continued development of our growth pillars. I would like in particular to underline three new milestones in the implementation of our development plan Ambition 2025 that were reached during the quarter. First Amundi Technology is continuing its development for new clients and in particular we just signed with HSBC Security Services in Asia an agreement for them to use the ALTO platform dedicated to asset servicers.

The second milestone, Fund Channel, our B2B fund distribution platform; as we anticipated last year Fund Channel and CACEIS confirmed the closing of the deal we announced last September. Therefore CACEIS will acquire 33% of Fund Channel's capital and this partnership will allow us to develop a fund execution service integrated in Fund Channel's offering to distributors and to expand the breadth of services and the breadth of clientele for Fund Channel.

And finally as part as part of our commitment to Net Zero we expanded our range of funds aligned with the net zero trajectory, covering now eight asset classes for various investment profiles.

I now leave the floor to Domenico who will go into more detail on our performance.

BUMPY, UNCERTAIN MARKETS

Domenico Aiello
CFO

Thank you, Nicolas. Good morning to all of you. I will start my presentation from page six, with a very brief overview of the market conditions for the first quarter of 2023, also because Nicolas gave you the essential elements; an environment that remained bumpy and uncertain.

For equities, despite the fact that the markets were up compared to the last quarter of 2022, indices were around 5% lower on average compared to the first quarter of last year. And here we took a mix of the euro stocks and the MSCI world indices because we think that that best reflects our own mix. And for bonds, as mentioned, when we look at the same period, so over 12 months, we see a decline of the average Bloomberg Aggregate Index that is even stronger at 12%; so minus 12%. And this is the result of long term rates that increased by over 200 basis points on average year on year, as well as of course short term rates, in the latter case the rise being even bigger at 300 basis points.

AUM UP FOR THE QUARTER

Against this backdrop, if we move to slide seven, Amundi's assets under management stood at €1,934 billion as of the 31st of March 2023. This represents a 4% decrease over 12 months in line with the evolution of the markets as presented, but it also represents an increase of 1.6% since the end of last year. So, again driven by market performance in the first quarter, which more than compensates total outflows of €11 billion in the quarter.

MLT RETAIL: HEALTHY ACTIVITY

And we'll see the details if we move to page eight, we can start talking about our activity, our business for the period. And I would like to start from a very healthy level of flows in the retail segments, as Nicolas mentioned. In this case the medium to long term flows were positive by €4.2 billion excluding Amundi BOC Wealth Management and were positive in all segments. So in French networks flows were positive €0.8 billion on the back of the continued trend that we enjoyed in the second half of last year, and these flows were driven mainly by structured products.

In our international networks the flows were also positive by €1.2 billion, driven by our partner distributors in Italy in particular UniCredit, in the Czech Republic, both the local subsidiaries of Société Générale, as well as UniCredit, and in Spain with Banco Sabadell.

I would say that the adaptation of the offer to the new environment that we had already seen and experienced in the second half of last year continued to drive flows and therefore in particular Buy & Watch fixed income strategies as well as, again, structured products.

A word on the third-party distributors, as we are pleased to report net flows of €2.2 billion following some outflows in the second half of last year which were driven by the de-risking of client portfolios. Consequently we also saw positive trends in passive management, and ETFs in particular, that drove these positive flows. And in terms of geography regarding third-party distributors it is also important to note the good performance in Asia during this particular quarter.

STRUCTURED PRODUCTS: RECOGNISED KNOW-HOW DEDICATED TO RETAIL

We can now move to page nine because we have spoken about the adaptation of our offer, we've spoken a lot about structured products in the retail channel, so we thought it would be useful to provide some more details about this activity which represents a real expertise and knowhow for Amundi. We are the European leader in this area. We have a stock of AuM of €33 billion, and we have operated in this segment for around 30 years.

It's important to note that we are able to structure products in the form of funds or in the form of medium term notes. In this latter case, the notes are issued by our own issuance vehicles and are consolidated on our balance sheet. Retail net flows in this quarter were around €1.6 billion and they were mainly in the latter type of products, so the EMTNs, the notes. And we would expect this trend to continue in the coming quarters.

The strong connection with our partner networks - this is an important point - gives us the possibility to design and customise these products in terms of the most appropriate structures or formulas based on the objectives, either of the clients (for example whether they prefer more capital protection or yield or inflation protection), or of the distributors themselves (for example we have the possibility to give cash back to the distributors in case of the notes, of the EMTNs).

And finally our banking status allows us to issue and guarantee EMTNs and formula-based funds while on the other hand we work with leading banks and intermediaries to hedge the risk so that it is not kept on our balance sheet.

OUTFLOWS FROM VERY LOW-MARGIN PRODUCTS

I suggest we now move to page ten, and we can complete of course the overview of our performance in terms of flows overall. So, we already mentioned of course the positive flows, inflows in retail and also, as Nicolas said, it's important to highlight that the very good performance in our JVs in India and Korea, showing total net inflows of €2.8 billion and €1.6 billion respectively, with even higher inflows considering medium to long term products only.

However, on the other hand, as I said before, overall outflows were €11 billion, and they were driven by redemptions in low margin products. If you look at the institutional segment we had outflows of €11.7 billion and these outflows were concentrated in traditional insurance mandates - basically the euro contracts - as well as other institutional mandates, in particular index strategies where we had a large sovereign client that decided to exit the strategy following a good performance. These redemptions are therefore very concentrated in areas of the business bearing very low margins.

A word on China that represented also another part of the outflows with €7.8 billion in the quarter as we had already anticipated previously. Although the Chinese economy has reopened towards the end of last year, the asset management market has lagged behind and has shown outflows in medium and long term assets. The sharp movements in the markets last year have created a strong risk aversion for clients that are today favouring cash and deposits.

When we look at our minority held joint venture with the Agricultural Bank of China we saw outflows of around €5 billion and this was mainly due to redemptions from institutional clients at very low margins. And in our majority owned joint venture Amundi BOC Wealth Management outflows were €2.8 billion, and it is in continuation with what we described in the previous quarters: so maturing of term funds that were launched around 12 months ago.

RESILIENCE OF NET REVENUES Q1/Q1, INCREASE Q1/Q4

We can now move to the results for the first quarter. We can move to page 12 and start from there. And you can see here our net revenues; net revenues that are resilient versus the first quarter of 2022 considering the market context as we described earlier. So, markets that are lower. And we can also see a slight increase compared to the fourth quarter of 2022.

Let's start maybe more in details with the evolution of net management fees. We recorded €736 million in the first quarter. This represents an increase of 2.3% compared to the fourth quarter, and when we compare to the first quarter 2022, fees were down by 3.9%, but this is basically an outperformance compared to the evolution of our average AuM excluding joint ventures in the same period which were down by 5.9%. In other words this reflects the positive evolution of our business mix over the last 12 months.

Let's talk of revenues in technology, Amundi technology. They were €13 million in the quarter, up strongly - 35% - compared to the same period last year. So once again showing the significant development of this activity over 12 months. And this is demonstrated by the fact that we continue to add clients throughout the period, and in particular we added four new clients since the beginning of the year including HSBC Security Services in Asia, and we now have more than 50 clients that use Alto.

Performance fees: they were €28 million in the quarter down year on year as well as quarter on quarter as we expected but as you can see the base of comparison both in Q1 and Q4 2022 was very high compared to the other quarters of 2022.

And finally a word on net financial income that was positive for €16 million in the quarter, and this is due on the one hand to the increased short term rates applicable to our net cash positions, as well as in this quarter in particular to a positive mark to market on our investment portfolio.

COST CONTROL IN AN INFLATIONARY ENVIRONMENT

We can now move to page 13 to comment on the evolution of expenses. Operating expenses were €425 million in the first quarter, and this represents a very moderate 0.6% increase compared to the same period last year. This increase, very moderate increase in expenses, has been achieved thanks to the gradual delivery of the Lyxor synergies since the beginning of 2022, and despite on the other hand our continued development and unfavourable FX impact, and finally the impact of inflation, in particular on salaries. As a reminder inflation in Europe over one year averages between, let's say, 5% and 10% in different countries in which we operate.

This performance therefore reflects also our ability to adapt our cost base and achieve productivity gains on an ongoing basis and translates into a cost income ratio of 53.6% for the quarter, which remains amongst the best in the industry.

A HEALTHY NET INCOME: €300 M

A word on our net result, if we move to page 14. As you can see, the good level of revenues on one side and the costs which remain under control on the other side, translate into a sound and solid level of adjusted net income of €300 million.

CONCLUSION

Page 15 and we can conclude before opening to Q&A. So just to reiterate in conclusion the main points that we have made so far.

Amundi has achieved in the first quarter a strong financial performance notwithstanding a bumpy and uncertain environment, and this is due to Amundi’s diversified profile and operational efficiency. The retail segment performed well with a good level of net flows in all segments outside of China. And this success has been sustained by a product offer centred on Buy & Watch fixed income strategies and structured products.
And, finally, Amundi’s development has continued. In particular we can note that we're seeing strong commercial and financial evolution for Amundi Technology. We closed the deal between Fund Channel and CASEIS which will allow Fund Channel to develop a fund execution offer for its clients. And we've extended our range of funds aligned with the Net Zero trajectory.

Unless Nicolas, you have any other further remarks, I think we can open to questions.

Nicolas Calcoen
Deputy CEO

Thank you, Domenico. No further remarks, so let's open the Q&A session.

Cyril Meilland
Head of Investor Relations and Financial Communication

Okay, so now we can take questions.

QUESTIONS AND ANSWERS

Operator: Thank you, Sir. We are now going to proceed with our first question. Our first question comes from the line of Haley Tam from Credit Suisse. Please ask your question.

Haley Tam (Credit Suisse): Morning. Thank you for the presentation and the opportunity to ask questions. Can I have three, please? The first one just on the structured products. Thank you very much for the additional colour in the slide. Can I just check: is there any opportunity for structured product via the third-party distribution in future, or is it still going to remain very network focused because of that tailoring ability you mentioned?

And then given you said the 1.6 billion in Q1 was mostly into EMTNs, could you remind me please how that works from a flow perspective? Are these fixed term in nature? Is there no risk of redemption to maturity? What kind of conditions might change the outlook there? That would be helpful. Thank you.

And then a couple of more general questions. Firstly on the changes in SFDR regulations from the European Parliament that I think were announced about ten days ago; does that mean you will seek to reverse any of the fund downgrades from Articles 9 to 8 that you did before a few months ago? And I wonder if that would have any sort of operational cost impact if you did do that?

And then greedily, the last question was on the €1 billion surplus capital which you had at the end of last year. I just wondered if there is any further comment or update on the potential for a return of that to shareholders or any kind of timetable? Thank you.

Nicolas Calcoen (Amundi): Thank you very much for your questions. Maybe Domenico you can take the questions. I will just maybe answer the question on SFDR.

Domenico Aiello (Amundi): So, on the structured products and the opportunity to deploy them on third parties, you're right that so far these have been products that have been mainly centred on, let's say, our networks with which we have longer term distribution agreements, but in theory these are strategies that, with some adaptations, can also be sold in other networks, to be seen.

In terms of the products, I would say that by nature they are very sticky because although in theory they can be sold by clients, i.e. a client could redeem, they are extremely sticky and long term as some of these issuances can go up to six, eight, ten years.

In terms of excess capital, of course our excess capital evolves with the evolution of our net profit unless it is consumed otherwise. However I would say that there are no news in the sense that we stick with our policy, and we'll see whether there will be other opportunities to redeploy it on M&A opportunities. Otherwise of course we will consider in due course what to do with this excess capital eventually to be returned to shareholders.

Nicolas Calcoen (Amundi): Thank you, Domenico and regarding the question on SFDR, I think you are referring to the response from the European Commission, I think ten days ago or something like that; the answer from the European Commission to the ESAs, the European Supervisory authorities' questions that were asked regarding the interpretation of SFDR. So, we are still in the process of analysing the response from the European Commission. The Commission doesn't answer always very clearly to all the questions that were raised by the ESAs so that's why we are a little bit cautious, and we take time to really try to fully understand the answer from the Commission and the possible interpretation from the supervisory authorities regarding what the European Commission said. So, it's too early to say if it will change our approach which I would say in philosophy will remain the same:

to be always very cautious to ensure that we can in all circumstances be in line with the regulation and the interpretation the authorities may have about the regulation.

Haley Tam (Credit Suisse): Thank you. That's very clear.

Operator: We are now going to proceed with our next question, and the question has come from the line of Hubert Lam from Bank of America. Please ask your question.

Hubert Lam (Bank of America): Hi. Good morning. Thanks for taking my questions I've also got three questions for you. Firstly can you discuss the fee margin of the structured products? Are the fee margins there close to that of the fixed income? Do they have any upfront fees from selling these types of products? I'm just wondering if selling them has led to any increase in retail or the group margin? That's the first question.

The second question is on institutional outflows; they've obviously been quite large this quarter or Q1. Is this the sort of market where you expect these large outflows to continue, or would you say it was pretty much a one-off situation and they tend to be quite volatile?

And the last question is on Amundi Technology. You said that you added four new customers, but the revenues fell quarter on quarter. I am just wondering why is that the case, given that you've added more customers? And in addition to that you are still quite far away from the 150 million you've targeted for 2025 run rate. I'm just wondering if you are still confident you can achieve that goal? Thank you.

Nicolas Calcoen (Amundi): Do you want to take the question on margins, Domenico?

Domenico Aiello (Amundi): Yeah, I would say the margin on structured products overall, they're not completely dissimilar from other types of products. There is a small element effectively of fees that are related to the structuring itself and then there are as usual management fees like other products.

On the institutional flows, Nicolas?

Nicolas Calcoen (Amundi): on the institutional flows, what we can say, looking at the first quarter there's something which probably will continue which is the outflows from the euro contract. It might change over time, but it will probably take time. For the rest it's really one-offs, and there's a big one-off from a sovereign we were alluding to. There was also really quite a significant one-off coming from a client, a corporate client having to finance an M&A operation and taking out money from treasury funds or similar products.

If we look at the future, what we can expect is again on the insurance mandate probably outflows to continue. Let's see at what pace. For the rest and if we look at the pipeline, clearly the outlook for the second quarter looks better.

Domenico Aiello (Amundi): Maybe if I can just complement, of course on the insurance side the outflows are an industry phenomenon, but let's say that insofar as at least partially these outflows from the euro contracts are captured in sort of unit-linked products, which reflect in our inflows on the retail side, he trade-off is in any case quite positive for us.

Sorry, there was a question on Amundi Technology. So, the four clients were signed in the first quarter but there is always a timelag between winning a new contract and then starting working on these new contracts. And you're right; the revenues were down compared to the fourth quarter, but this is mainly related to projects. As we maybe mentioned previously in the past the total revenues from Amundi Technology come from, let's say, recurrent licence fees and projects fees.

On the recurrent licence fees, as you can expect, this kept increasing also Q1 over Q4. What was down were revenues from projects which can be a bit more bumpy because it depends really on the timing of registration of these projects. Sometimes there is a project that ends because we deliver the technical solution to the client which moves into the sort of “onboarded phase” and therefore pays recurrent licencing fees, while on the other hand we've not yet started maybe working on another onboarding project. So, that can remain a little bit more bumpy but what is important for us is that the recurrent part of the fees has continued to increase.

Hubert Lam (Bank of America): Thanks. And your views on the target of €150 million by 2025; still confident on that?

Nicolas Calcoen (Amundi): Yes, and we have still three years to go. So we will see at what pace it can grow, but the good thing is that again if you exclude the non-recurring part of revenues, which can be a bit bumpy, quarter after quarter revenues increase.

Hubert Lam (Bank of America): Great, thank you very much.

Operator: We are now going to proceed with our next question. And the question has come from the line of Arnaud Giblat from Exane BNP Paribas. Please ask your question.

Arnaud Giblat (Exane BNP Paribas): Good morning. I've got three questions please. Firstly on Alto, I was wondering –

Cyril Meilland (Amundi): Arnaud, I’m sorry, we can barely hear you. Can you maybe speak closer to your mic because the line is not very good? It's very muted actually.

Arnaud Giblat (Exane BNP Paribas): Okay, hopefully that's better.

Cyril Meilland (Amundi): Yeah, that's better. Thank you.

Arnaud Giblat (Exane BNP Paribas): Okay, great. So firstly, if I can ask you three questions. So on Alto, some of your competitors like Aladdin are adding private market capabilities, wealth capabilities. Yesterday we saw the acquisition of Simcorp by Deutsche Boerse to integrate up and down the value chain. So there's a clear trend I think amongst your competitors to offer more to clients. Is there an opportunity for Alto to try and emulate that to do something similar? And if so how would you go about doing that?

My second question is on M&A. I know you don't comment on any active situations, but I was just wondering if you were engaged in any active dialogues, if the market is open for M&A right now, and what your priorities are at the moment?

And thirdly on Amundi Bank of China I think you've got about €4 billion of AuM left. Your 2025 targets talk about 60 billion of AuM and about a €25 million contribution I think after the minorities in terms of the net income for 2025. Are you still confident in these targets? Thank you.

Nicolas Calcoen (Amundi): Thank you, Arnaud. So, first question was on Alto and the opportunity to add new capabilities. Basically that's what we are doing now over time. We started with Alto Investment, which is our PMS offer and we developed an offer for distributors and wealth managers.

And we developed an offer for asset servicers; the one on which we won the mandate from HSBC. We developed Alto sustainability. So that's what we are doing, I would say, year after year and we will continue to do that. We do it organically and so far we have done it exclusively, I would say, on an organic basis but if there is an opportunity to do it, through an acquisition or partnership or whatever, we may do it, we could if we find an opportunity that makes sense and we can integrate. It is clearly something that was not envisageable at the very start, but now that we are gaining some maturity I would say in this business, this is something we can envisage. Another illustration of a new development is for example our robo-advisor capabilities.

In terms of M&A as you would expect I will not comment on any specific target we could be looking at. In terms of priorities they have not changed, and we are looking to whatever would allow us to reinforce and accelerate our development. In terms of distribution, clearly new partnerships, reinforcement in key countries, key markets. In terms of expertise but clearly considering the breadth of our expertise, it’s maybe not the first thing we could be looking at but it's possible for example in the area of private markets or in line with what I just said regarding Alto, in terms of services or technologies.

And the last question was about Amundi BOC. The target of €60 billion. It was indeed the target we announced for 2025. Just we need to step back a little bit. The first year of the development we had €10 or €11 billion of inflows; a very good start. The second year clearly was difficult; we had significant outflows. We are confident that the situation should stabilize, I would say, in the rest of the year and we are also very confident in the growth opportunity of this market, considering the size of the market, the amount of money in deposits, the strength and the quality, I would say, of the partner, BOC, one of the four leading banks and probably one of the more, I would say, more high level with the very wealthy clientele.

So, things can move fast. I would say the target remains the same. Clearly the trend over the last year was not in the right direction but it's still possible. And really what's important is that in the long term we are very confident in the capacity of this market and this activity to bring us growth.

Arnaud Giblat (Exane BNP Paribas): Okay, thank you.

Operator: We're now going to proceed with our next question. And the question has come from the line of Nicholas Herman from Citi. Please ask your question.

Nicholas Herman (Citi): Yes, good morning. Thanks for taking my questions. Just one quick follow up please on the previous question on structured products. First of all you mentioned that after the upfront fee there's a normal commission like other products. So should I infer from that that you're - the structured products’ ongoing margin, fee margin, is similar to the other retail margin? That was the follow up.

In terms of my other questions; just three from me please. On costs, I know you've guided for inflation to become harder to compensate for this year but if we take out IFRIC charge this quarter, costs are down year on year. So at what point does cost inflation start to accelerate and outweigh productivity gains and synergies?

And secondly on the inducement ban it appears that the authorities are going to be implementing only a partial inducement ban, so a softened set of rules versus what was previously proposed. I guess how would you see these revised rules impacting Amundi?

And then finally my understanding is that your passive AuM in retail is limited to third-party distributors. Just can I ask conceptually how come there isn't passive products to customers within the retail networks? Thank you.

Nicolas Calcoen (Amundi): Maybe Domenico on structured products and passive, but maybe we'll need clarification on the question because it was a bit difficult to understand, and I will answer on the ban on inducements.

Domenico Aiello (Amundi): On the structured products, I think the question - because it wasn't very easy to hear you - was basically whether their margin is on an ongoing basis similar to the other retail products. And I would say here, as you also mentioned, there is a part that is an upfront fee, and then an ongoing commission, so I would say that - let's say the total commission is comparable, then the ongoing commission could be a little bit lower sometimes than the average of the retail margin. But again it's a little bit of a generic explanation because of course we have a number of different types of products with different margins that are sold in the networks. But we're not talking about any big impacts individually.

And what's the next question? Regarding cost inflation. So, the cost inflation is already in our cost base because as we mentioned we already experienced inflation and the salary increases that were granted considering the inflation levels compared to previous years, meaning that there has been more pressure, but this has already happened in 2022 and at the beginning of 2023. It doesn't mean however, as we have said previously, that of course when you take sort of an inflation level, you reflect that in our cost base because we do not necessarily reflect that in every line item of our cost base. So that's the most important thing.

And then the other thing is that we have had of course synergies and operational efficiencies coming in 2022 and still continuing in 2023, but it doesn't mean that inflation has not been there. So we don't expect any inflection anytime soon in terms of any particular additional impact, so to say.

Nicolas Calcoen (Amundi): Just on the ban on inducement, so I think you were referring to the speech given by Mrs McGuinness yesterday, saying that what she would propose is a very partial ban on inducement, on execution-only transactions, but clearly the fact that the full ban of inducement is not on the table is in our view good news and good news for the end client, to guarantee that there will be advice and advice will be remunerated.

What I can just add is that it's just the intention, the proposal that Mrs McGuinness will propose. The next step will be for the Commission, the college to decide, and we will see what if they follow the recommendation of Mrs McGuinness when we will have the official position from the Commission at the end of May. Then there will be the debate with the member States and the European Parliament, and we know that many important member States are opposed to any restriction on inducements and change on all things in that regard, except transparency. So it's, I would say, a good move compared to what we could have heard a few months ago, and it's not necessarily the end of the story.

And I think there was a question on passive management, but I'm not sure we completely get your question.

Nicholas Herman (Citi): So, first of all, thank you very much for those answers. Those were very helpful. My last question, and I appreciate there were a few, my understanding is that within retail the passive products are concentrated within the third-party distributors. So, I was just trying to understand if that is correct, how come there aren't any passive products to customers in the retail networks?

Nicolas Calcoen (Amundi): It's true, it's mainly with third-party distributors. That said, we think it can also be an interesting I would say brick of allocation of portfolios for retail clients and we are, to illustrate that, working with some of our partner networks to build offers such as mandates or fund of funds with ETF underlyings. So, we don't expect to have a very quick development of passive management ETF in retail, but we expect it to grow, and we would welcome it and we are working on it with some of our partner networks.

Nicholas Herman (Citi): Got it. Thank you very much.

Operator: We are now going to proceed with our next question. And the question has come from the line of Bruce Hamilton from Morgan Stanley. Please ask your question.

Bruce Hamilton (Morgan Stanley): Yes, good morning and thanks for taking my questions. Three sort of quick ones. Just firstly on the management fees and margins, just to confirm there's no sort of one-off or distorting effect. I think you said there is some impact of higher upfront fees on structured products but presumably not too meaningful. I just wanted to confirm that.

And secondly on the costs and the Lyxor synergies, can you just remind us how much more is still to come? So how much longer that's going to be a help against the inflationary pressures.

And then the third and final question is on Fund Channel. Could you tell us where the contribution from that source - does that hit the management fee revenues? And how sort of sizable is it today and what are the ambitions for that over a five year period? Thank you.

Domenico Aiello (Amundi): Good morning, Bruce. So, on the management fees I would say that there is always some level of upfront fees, and of course the bulk of our fees is recurring fees. So I would say that although yes there are some of these fees that are still recorded in the first quarter, that is always the case then I would say that it's a totally negligible impact and we could consider our fee margin as being recurrent at this stage.

On the cost and the Lyxor synergies we would confirm what we said. The total expectation is for around €60 million of cost synergies, about one third already achieved last year, and then the other two thirds to be achieved in more or less equal parts this year and next year.

And then on Fund Channel revenues, yes they are recorded within our overall commission income. For the time being the contribution being quite small, I would say.

Bruce Hamilton (Morgan Stanley): Great. And the ambitions there? How much can you scale that?

Domenico Aiello (Amundi): I don't think that we have disclosed that specifically. We're giving some growth ambition for the business of Fund Channel in terms of assets under administration to grow to about €600 billion. We haven't disclosed the overall profitability of financial targets for Fund Channel.

Bruce Hamilton (Morgan Stanley): Thank you.

Operator: We're now going to proceed with our next question. And the question comes from the line of Angeliki Bairaktari from JP Morgan. Please ask your question.

Angeliki Bairaktari (JP Morgan): Good morning. Thanks for taking my questions. Firstly with regards to retail flows, how much competition do you actually see at the moment from bank deposit offers?

And do you expect that to intensify in the coming months as perhaps in some European markets banks offer higher rates for time deposits?

And the second question on China. Given that the markets have now reopened how long do you think it's going to take for those customers to actually re-subscribe to the products that you sell that have a specific one-year or two-year maturity? And I was wondering: have the outflows anything to do with perhaps a weak performance in those products relative to what has been advertised in the past. And do you have any plans to turn this around?

And then a third question on Fund Channel and the CACEIS partnership. In which market do you see the biggest growth potential with customers in order to achieve this target of more than €600 billion assets under administration by 2025? Thank you.

Nicolas Calcoen (Amundi): Thank you. The first question was on the competition from bank deposits. Clearly there is competition from bank deposits. By the way there's also in France competition from Livret A very clearly. It will probably continue but the thing is that we have the right answer to this competition and the elements that made the success of our retail business over the last six months, the Buy & Watch products, the structured product and in particular the EMTN offer Domenico presented, which has the advantage to give to the end client an attractive yield in line or above the competition, I would say, from a bank deposit. And when we are talking to our partner networks it also gives us the ability, again as Domenico mentioned, to give back the liquidity to the bank.

Regarding China and the business, particularly the wealth management business, clearly the situation we have been seeing over the last few quarters has been linked to the overall sanitary situation but also, very clearly, to the market conditions. Market conditions in China last year were very difficult with the bond and equity markets down very significantly affecting the performance; so, the performance overall on the market of wealth management products has been disappointing for clients. But I would say as we are sometimes used to in Europe, before the risk aversion which is created by a sort of situation I would say vanish and clients are ready to go back to market products, long term products, it takes time. So what we expect is to have a stabilisation of the market, of the situation of the flows in the coming quarters, and then a recovery, because clearly as I mentioned earlier the potential for these markets remains huge.

The last question was on Fund Channel and in what markets we see opportunities. I would say we see opportunities in all the key markets of continental Europe and to some extent as well in Asia because for example Fund Channel has a subsidiary in Singapore. So, growth could - even if clearly the core of the activity is and will remain coming from Europe there's also potential diversification from Asia.

Operator: We are now going to proceed with our next question. And the question has come from the line of Jacques-Henri Gaulard from Kepler Cheuvreux. Please ask your question.

Jacques-Henri Gaulard (Kepler Cheuvreux): Yes, good morning everyone. Since there have been some questions about targets, I might as well ask you one about the earnings targets. It's 5% from the level of €1158 million in 2021. If I'm looking halfway through that would be basically mid-2022. That would get us in theory to €1277 million, if I annualise what you've reported this quarter you're slightly tight so are you confident you can actually still get to this level of annual net earnings? And would you consider - because it's a difficult market, being on the brokerage side we all know that - would you consider using the share buyback to basically offset that lack of earnings to compensate at the EPS level? Thank you very much.

Nicolas Calcoen (Amundi): Thank you, Jacques-Henri. I will just remind what are our targets ; it is indeed an average growth by 5% compared to the normalised level of 2021, assuming market conditions that are globally neutral. For the moment we are clearly not in this situation. The markets have been down and are still down on this first quarter compared to 2021. So, we clearly stick to our targets and the objectives we gave, but the objectives include the market level conditions.

And we can notice that if you adjust the net result both of 2022 and this quarter of the market conditions we are clearly in line and even a bit better than the targets we announced.
So, we are again very confident in the target we gave, and we don't consider a share buyback. As far as the capital management policy is concerned, it hasn’t changed: we have an excess capital that should continue to grow. The priority, if there are opportunities, would be to use this excess capital to finance M&A, and if not we will consider returning the excess capital by 2025. And we'll see if the question arises what will be the right way to do it.

Jacques-Henri Gaulard (Kepler Cheuvreux): Thank you.

Operator: We are now going to proceed with our next question. And the question has come from the line of Isobel Hettrick, from Autonomous. Please ask your question.

Isobel Hettrick: Good morning. Thank you for taking my questions. I have three please. So firstly on the third-party distribution segment, we saw a return to net inflows for this quarter. However coming into results, consensus was estimating AuM about 10% lower than your 2025 target or €400 billion. So how confident are you on reaching that target? What are the main levers that will help you achieve this? And can you give some colour on how investor sentiment and flows have developed this quarter please?

And then secondly on your positive net financial income for the quarter, can you provide a rough breakdown into the impact from yields and mark to market?

And then finally on the Fund Channel and CACEIS deal, to clarify, because it closed now, does this mean that there was no impact from the deal in 1Q results? And will there be any capital impact from the closing of the transaction? Thank you.

Domenico Aiello (Amundi): Yeah, on the third-party question, regarding the target in terms of AuM, I would give the same answer that Nicolas just gave as regards the net profit growth target: all the different targets were effectively based and predicated upon a certain level of markets that would be globally neutral in terms of average levels compared to 2021, which is currently not the case. So of course the targets have to be read this way. Having said that, these flows and this momentum in the first quarter remained positive and that makes us confident in terms of the evolution that we could experience for the rest of the year.

Regarding the financial income, I'm not sure I have a specific breakdown to give but, as we said, there is an element that is structural, that comes from the investment. The availability of our liquidity of course can be different on a quarterly basis, but which is expected to remain positive. And then there was a good part of this positive result of €16 million that was related to mark-to-market of our portfolio.

And then as far as the capital impact of the Fund Channel transaction. Let's say, two elements: first of all that the transaction was closed as such in the second quarter. So that was not in the first quarter. There will be a positive capital impact that will be reflected in our accounts in the second quarter, it will not impact our P&L, but it will just impact our net equity.

Isobel Hettrick: Okay, brilliant, thank you.

Operator: We are now going to proceed with our next question. And the question has come from the line of Michael Werner from UBS. Please ask your question.

Michael Werner (UBS): Thank you very much. Just one remaining question. Have you seen any opportunity on the fixed income, particularly more on the treasury side and liquidity side, to increase pricing, do the higher yields give you a little bit of latitude to do that? And is that something you're implementing in your own funds or is that something you're seeing in most competitors? Thank you.

Nicolas Calcoen (Amundi): Thank you. We work clearly on monitoring very regularly the performance of our funds and our competitive positioning. Indeed clearly more on treasury products, money market funds, the new market conditions allow us to adjust the level of our fees.

Michael Werner (UBS): Thank you.

Operator: We are now going to take our last question. And the question has come from the line of Sharath Kumar from Deutsche Bank. Please ask your question.

Sharath Kumar (Deutsche Bank): Hi, good morning. Thank you for taking my questions.

Cyril Meilland (Amundi): Sorry, we cannot hear you at all. So can you speak closer to your mic?

Sharath Kumar (Deutsche Bank): Yes, am I audible now?

Cyril Meilland (Amundi): It's a bit better. Go ahead.

Sharath Kumar (Deutsche Bank): Okay, sorry about that. So thank you for taking my questions. I just have a couple more pending. So first one is on your alternative product offering to retail clients. So I just wanted to get your updated stance especially in light of recent opportunities and steps taken by a few of your competitors. And considering the fact that you have a very strong retail distribution network. So, any update on that strategy would be helpful.

And lastly on your 2025 targets, I heard you on the market performance, but just taking a step back, can you update us on which strategies you are maybe tracking ahead and which ones you are lagging behind your initial assessment? Thank you.

Nicolas Calcoen (Amundi): So as I understand on the first question on the alternative business, so indeed it's an add-on I would say to our breadth of expertise that was brought by the acquisition of Lyxor. And there's positive development and a healthy pipeline I would say in retail, but when I'm talking retail of course we are talking about the private banking/wealth managers clients.

Second question, 2025 targets. So, I'm not sure to have gotten completely the question. I think globally we are in line with of course the caveat that we already mentioned regarding the market conditions and many of these targets are also conditional to these market conditions.

Maybe the only exception, but maybe a temporary exception is what we already discussed specifically with Amundi BOC WM, for the moment with the difficult 2022 year due to the market conditions, we are lagging on that regard, but considering the importance of the potential it doesn't mean that the target is not achievable.

Sharath Kumar (Deutsche Bank): Thank you for that.

Operator: We have no further questions at this time. I would now like to hand back the conference to Cyril Meilland for closing remarks.

Cyril Meilland (Amundi): Thank you very much for attending this call and I hope you have a nice long weekend apparently. It's been a busy week with many results so spend the weekend in the most restful way. Thank you and talk to you.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect your lines.