Q1 2025 Results Presentation - Transcript

LIST OF MAIN SPEAKERS

NICOLAS CALCOEN (DEPUTY CEO)

AURELIA LECOURTIER (CFO)

Cyril Meilland *(Head of Investor Relations)*

Good morning to you, I'm Cyril Meilland, the Head of investor relations of Amundi, and we're here to present you the results of our first quarter 2025, in sunny Paris. I hope it's the same for you.

I'm very sorry because you must have had a very busy morning with many publications, including DWS, you probably just got off their presentation call.

So, I'm here as usual with Nicolas Calcoen, our Deputy CEO, as well as Aurelia Lecourtier, our CFO.

And as a brief reminder, we obviously start the presentation with a disclaimer, so please read it. Keep in mind that this is a legal obligation.

And as for housekeeping, we make the effort of presenting you with a video. So please, whenever you ask your question, please turn on your camera so that we can see and have a direct dialogue. Thank you very much.

And without further ado, Nicolas, the floor is yours.

HIGHLIGHTS

Nicolas Calcoen *(Deputy CEO)*

Thank you, Cyril, and good morning to all.

I am very pleased to be here to run you through our first quarter results.

I will begin by commenting on the main highlights of the quarter, and then I will make a special focus on our business in the UK, which won a major mandate and has developed well in recent years.

And then, of course, I shall leave the floor for Aurelia before we take your questions.

So after a record year in 2024, Amundi continued to enjoy a very positive momentum in this first quarter in terms of both financial results and business levels, as well as strategic progress.

First, on financial results, profit before tax in the first quarter was 458 million euros, up by 11% on a year-on-year basis.

We saw a double-digit revenue growth with a healthy contribution from whole income sources, led by net management fees, which increased almost by 8%.

And last year's acquisition of Alpha Associates and aixigo gave us an extra boost, adding around one percentage point to our revenue growth.

Our costs remain under control with a positive jaws effect and a further improvement in our cost-income ratio to 52.4%, in line with our strategic target.

Finally, a brief word about the one-off items that hit our net income this quarter. As we indicated in the fourth quarter, the French government has imposed a tax surcharge on large French companies, to be booked in 2025. The accounting of this charge is not linear and it affects in a disproportionate way our net income in the first quarter.

Aurelia will tell you more about this in a moment. But keep in mind that net income, including this tax surcharge, would have been up by +10%, in line with our profit before tax. And we think this is clearly a better reflection of our financial performance.

Turning now to our business, in the first quarter, our clients entrusted us with more than +€31 billion of net new money to manage.

This is the highest quarterly net new money figure since 2021.

And it's positive for all client segments, retail, institutional, and our joint ventures.

In particular, net new money in medium to long-term assets, excluding the joint venture, was even higher at +€37 billion, the quarterly record for long-term assets.

In the institutional segment in particular, we won a major mandate, with one of the largest pension funds in the UK. I'll say more on this shortly.

Apart from this major deal, our net inflows are still very positive and well diversified. between passive and active management, between retail and institutions, and across European and Asian countries, as well as the US and Canada.

This illustrates how the breadth of our expertise and our agility to answer various client needs are key assets in any market environment.

Finally, we saw further success in our strategic pillars.

- **Third-party distribution** first gathered 8 billion euros in this quarter in both ETF and active management, with most countries collecting net new money.

- **In Asia,** net inflows were also at 8 billion, balanced between direct distribution and joint ventures. Again, this was across many countries, in particular Hong Kong, South Korea, Singapore, and China.

- **Our ETF expertise** continues to enjoy a strong momentum with 10 million in net new money driven by commercial successes and innovations that broadens our range.
  To give you two illustrations:

  - our ETF stocks Europe 600 gathered 1.3 billion in one month and passed 10 billion in asset under management.

  - Another example: we have launched a new multi-asset ETF range called LifeCycle in partnership with a large Spanish bank. It aims to meet investors' life goals such as pension, adapting to their respective risk profile, and gradually adjusting the asset allocation as they age. So it's a very good example, I think, of innovation at the service of our clients.

- And finally, Amundi **Technology** kept its fast revenue pace with 46% growth on a year-on-year basis, driven by both healthy organic growth and the integration of aixigo.

I mentioned earlier our win of a major €21 billion mandate with The People's Pension (TPP), which is one of the largest pension funds in the UK, This is an equity index mandate integrating strict climate criteria set by the pension fund.

It is the largest mandate ever won in the UK by Amundi.

The UK is indeed a very important market for the group, and this mandate reflects our strong platform for both investment management and distribution.

Indeed, beyond the fact that Amundi is used to providing large institutions like TPP with advanced investment strategies and services across the world, we have also changed size in the UK in the past years.

First of all, the UK is one of Amundi's six investment management hubs, as you know.

Our team of 85 investment professionals based in London manage €49 billion euros in assets, focusing on two types of expertise. Fixed income first, mainly global fixed income, and emerging markets.

But our distribution platform in the UK is also now complete and able to address a wide range of needs for institutional clients and third-party distributors like wealth platform, asset managers, and private banks.

And we also have a local Amundi technology team focused on selling our technology to local wealth and asset managers. In particular, very recently, we won an important new client, which is AJ Bell.

These capabilities are helping us develop a strong client base, including many household names.

We have gathered more than €30 billion in net new money from UK clients over the last 12 months. And assets managed on their behalf have almost doubled in three years.

They represent now €66 billion euros, well balanced between individual clients and third-party distributors.

Back to the mandate with The People's Pension, it's clearly a new evidence of the acceleration of our business in the Defined Contribution pension market. As you know, master trusts, which are multi-employer pension schemes, are the most dynamic part of this market, and they are expected to grow assets by 20% per year in the coming years.

We have now at Amundi a strong relationship with the two largest master trusts in the UK, Nest and People's Pension, and we can cover a large range of needs for these clients.

So we are very confident that the UK market will continue to be a growth driver for Amundi in the coming years, in particular thanks to the DC market and also our penetration with the wealth platforms.

I thank you for your attention and now I leave the floor to Aurelia.

Activity & Results

Aurélia Lecourtier *(CFO)*

Thank you, Nicolas, and good morning, everyone.

I will now comment our Q1 activity and our financial results.

So, starting with our AUM. They reached €2.25 trillion at the end of March. This was up +6% year on year, thanks to a positive market and currency effect of +€53 billion, driven by the rally in equity markets.

But more importantly, by dynamic net new flows at +€70 billion over one year.

Across this first quarter, in a slightly positive market (positive for equities and neutral for bonds), our asset under management was stable. This is the result of two opposing trends.

Firstly, the forex effect was very negative at -€26 billion, because both the Indian rupee and the US dollar were down -4%.

And second, our net inflows were at a very good level with +€31 billion, more than offsetting the Forex effect.

Turning back to the first quarter and the European open-ended fund market, it posted net inflows of +€221 billion in Q1. Passive management contributed +€91 billion and active accelerated to +€70 billion. However, this apparent acceleration is due to lower outflows in equities and multi-asset funds, while fixed income remained flattish.

In summary, MLT flows are trending up, but risk aversion remains high. Q1 MLT inflows were at a record level of €37 billion, and we can now move to our slide 8. So as Nicolas said, Amundi's net inflows amounted €31 billion overall in Q1, which is the strongest quarter since 21, with, as I said, an all-time high medium to long-term assets of €37 billion, more than the whole of 2024.

The MLT net inflows were positive in active management at €6 billion, driven mainly by bonds, which gathered €11 billion over the quarter, 33 for passive management, thanks to the gain, as Nicolas said, of the people's pension mandate, but also to positive net inflows in ETFs for €10 billion.

Treasury products recorded outflows of €8.7 billion with large seasonal redemptions from corporates and despite positive inflows in retail.

A good performance for open-ended fund, like in previous quarter, this good business level was supported by our sustained investment management performance. As you can see in the slide, approximately 70% of our open-ended fund AUM, were in the first and second quartile with remarkable stability over time. 244 Amundi funds are now rated four or five stars in Morningstar, while 82% of our AUM outperformed their benchmarks over five years. Again, I would like to highlight that these KPIs have been consistently strong quarter after quarter and year on year as we strive to maintain a sustainably high level of investment performance to keep our client trust, which is a true Amundi trademark.

Looking now at our client segments and starting with retail, as you can see, retail flows are positive. They reached +€6 billion in the quarter, and they remained driven by third-party distributors, as in previous quarters, where net inflows were very dynamic with +€8.3 billion, of which 5 in passive and 2 in active management.

In Asia, our fully owned entities, which means excluding JVs, posted also record net inflows of +€1.7 billion, mainly in Hong Kong and Singapore.

Partner networks continue to suffer from risk aversion. First, the French networks recorded slightly positive net flows at +€0.2 billion, with, on the one hand, net inflows into active management, namely equity and multi-assets, and treasury products, and on the other hand, net outflows that continue in real estate funds and in structured products in the absence of new marketing campaigns.

International networks, excluding Amundi BOC, posted outflows of -€3 billion, mainly coming from multi-assets.

And finally, Amundi BOC was positive at +€0.3 billion, thanks to the good momentum in new bond fund ranges, which raised +€1.2 billion.

Moving now to institutional segments, So net inflows in these segments were high at +€22 billion euros in Q1, with a sharp contrast between MLT assets and treasury products.

In MLT assets, net inflows amounted +€33 billion, Institutional and sovereign investors contributed for 27 billion, of which 21 related to the people's pension mandate we already mentioned. Group insurers were positive also at +€5 billion.

And on the other side, Treasury product posted outflows of +€10 billion, mainly due to 12 billion seasonal redemption from our large corporates. and, to a lesser extent, to arbitrages away from Treasury products into short-duration bond funds in search for better yields.

Finally, looking at our Asian joint ventures, they posted net inflows of €3 billion, driven by South Korea at €3 billion, mostly in MLT assets, and China, reaching €1 billion inflow, mainly in treasury products and MLT assets, excluding the discontinued channel business.

Our Indian JV, SBI MF, posted -€1 billion of net outflows due to two elements. First, the seasonal redemption in treasury products at fiscal year-end in India, and some outflows in the institutional segment in a context of market consolidation.

Let's move now to our financial results, starting with revenues. So, our total revenues amounted to 912 million, up 11% year-on-year. The integration of Alpha and aixigo contributed to this year-on-year growth. At constant scope, our revenues were up 9% and all sources of revenue grew in Q1.

First, net management fees were up 8%. Then, performance fees reached 23 million, up over 30% compared to Q1 2024, and with 2 million coming from Alpha Associates. Technology revenues also continued their strong momentum, up 46% to 26 million. Half of this increase is from aixigo, which was, as you know, successfully integrated last November.

And finally, our net financial income reached 40 million, of which nearly half are exceptional revenues from our seed money portfolios.

Moving to the next slide, this revenue growth was complemented by our operating efficiency, resulting, as you can see, in a positive jaws effect. Cost increased by 9% year-on-year versus a revenue growth of 11%, a two-point difference. And at constant scope, which means excluding alpha and aixigo, this positive effect is even more substantial, close to three points, between 6% for our costs and 9% for our revenues.

In line with the previous quarters and excluding the scope effect from our acquisitions, the cost increased mainly for two main reasons. First, our investment in the growth drivers, Technology, Asia and ETFs. And second, the adjustment of our bonus accrual to our pre-bonus operating income growth.

Finally, the adjusted cost income ratio reached 52.4% below our 2025 target, which is an improvement of 1 percentage point compared to Q1 2024.

This leads us to our adjusted net income for Q1.

As you can see, our gross operating income increased by 13%, driven mainly by the top line growth. This contribution from our JVs was slightly down this quarter to 28 million compared to 29 in Q1-24. This is due to a slower momentum in our Indian JV in the context of equity market consolidation in India. The JV's financial income was then hit by a negative mark-to-market effect, but management fees continue to grow at a very healthy pace, with more than 20% increase year-on-year. Coming back to Amundi's result, the profit before tax was up 11% to 458 million.

And as mentioned by Nicolas earlier, the quarter is characterized by an exceptionally high level of corporate tax. 155 million for the sole quarter due to an exceptional tax surcharge for large companies in France that was introduced by the 2025 French budget law. So this surcharge is calculated on the average taxable profit for 2024 and 2025 and is payable in fiscal year 2025. For Amundi, it is estimated at roughly a bit more than 70 million euros for the full year, but it will not be booked in a linear way. That is why we had to book 46 million in Q1. And the rest of the surcharge will be spread over the year with approximately 9 billion of surcharge per quarter. Excluding this surcharge, the effective tax rate would have been similar to that in Q1 2024, and our net income would have been close to 350 million, up 10% versus Q1 2024.

So to conclude, let me summarize the key takeaways for the quarter.

- So first, our business activity was very strong, with net inflows of €31 billion and record net inflows in medium to long-term assets that reached €37 billion, thanks to the win of the People's Pension Mandate, but also strong ETF inflows and positive active management.

- Looking now at our financial results, we delivered a very healthy growth, +11% of our top line, a cost-income ratio of 52.4%, and an +11% growth of our profits before tax.

- Last, I will add one word about the strength of our balance sheet with two figures.

    - First, our tangible net equity now stands at €4.8 billion.

    - And second, our surplus capital reached now €1.2 billion at the end of March.

I will now hand back to Nicolas for concluding remarks before we take your questions.

And I thank you very much for your attention.

CONCLUSION

Nicolas Calcoen *(Deputy CEO)*

Thank you very much, Aurelia.

As you can see, Amundi continued its strong momentum during the first quarter.

Our sales and marketing drive confirms the value of our diversified business model and our long-term growth drivers.

And our agility allows us to accompany our client in any market environment, thanks to our capability to innovate and create high-performing solutions, as well as to provide services covering an ever-larger share of the savings value chain.

In particular, as the win of the People's Pension mandate, we offer a full range of responsible investment solutions in order to adapt to all our client requests.

In the months to come, we shall keep investing in our strategic growth and optimizing our cost base to adapt our platforms to the evolution of our client needs.

That's why we set ourselves the target of a cost optimization program by 30 to 40 million euros, to be achieved in 2026, in order to continue to finance future investments and to accelerate the reallocation of our resources towards our growth drivers.

Looking in advance, we look forward to sharing a deeper deep dive on our high-performing third-party distribution business at an investor workshop, which is planned on the 19th of June in London. I hope you all have it in your agenda.

And looking further ahead, as we reach the end of the Strategic Ambitions 2025 planned cycle, we plan to share with you our new medium-term plan in the fourth quarter with further details to follow when it's confirmed.

We are now at your disposal to answer any questions you might have.

Thank you very much.

Q&A SESSION

Cyril Meilland *(Head of Investor relations)*

Thank you, Nicolas. Thank you, Aurelia. So it's time we turn to the Q&A session.

As usual, we will ask you to raise your hand, as some of you already have.

And I will prompt you to open your mic so that you can ask your question and get the answer.

We start with Nicholas Hermann from Citi.

Nicholas Hermann *(Citi)*

Yes, good morning. Thanks for the presentation and for taking my questions.

Three questions from me, please.

Firstly, on the interest from Europe, we've had a few managers now mentioning a structural shift in interest into European assets. Presumably, you've seen this too. So just curious, which products in particular do you see yourself winning assets from other managers in response to this kind of pickup in interest?

Secondly, or somewhat a similar-ish question but on ESG, so the people's pension mandate win was great to see. There have also been recent reports that New York pension funds could also drop managers without strong net zero commitments. And I guess it's conceivable that there could be further funds that could make similar moves as well. So I guess, given your very strong climate and ESG credentials, could this be the start of a few potential wins for you?

And the final question on profitability efficiency, the 30 to 40 million is about one percentage point of cost income. Is there any reason why we should not expect you to target less than 52% cost income going forward, please?

Nicolas Calcoen *(Deputy CEO)*

Thank you. Thank you very much for your questions.

So your first question was around the potential shift of interest from US to Europe. Indeed, that's something we are seeing, starting by the way in March mainly and continuing in April. In particular in the ETF space and particular equity ETF, some outflows in ETF investing in US equities and more inflows going to European equities in ETF and by the way a little bit as well in active management.

On your second question, which was around ESG and potential renewed interest, indeed, I think the fact that some of our competitors, in particular US competitors, are going backwards in terms of dedication to a responsible investment solution, I clearly think that for a player as Amundi, it can be an opportunity. The TPP is a perfect example of that, but indeed there could be other opportunities. The most important reason is the fact that, at least in Europe, I'm not talking about the US, but in Europe and to a growing extent in Asia, the interest for, I would say, ESG solutions that can take different forms and different kinds of involvement, but globally, the interest from clients is still there, in particular in the digital space.

To give an illustration, when we look at the RFPs we receive from insured clients, I would say in Europe, probably more than 90% of them do include an ESG dimension, either on climate or on other issues. The form can be different, but more than 90% of them do include ESG considerations. In Asia, it's not the same extent, but it's probably around 35% of the RFPs that we receive that do include ESG dimension. So it's clearly an opportunity for a player like Amundi.

And your third question was on the optimisation programme and the efficiency. Just to re-state, what we are trying to do is to have the means to continue to invest and to accelerate our investment in our growth drivers. And so we are not targeting, it's true that 30 to 40 million euros does represent the equivalent on 1 percentage point of cost-income ratio, but we are not targeting to decrease by one percentage point the cost-income ratio.

Cyril Meilland *(Head of Investor relations)*

Thank you, Nick. The next question will come from Hubert from Bank of America.

Hubert Lam *(BofA)*

Great. Thanks for taking my questions. I've got three of them.

Firstly, on M&A, Can you talk about how the M&A environment is today, from your perspective? You have €1.2 billion of surplus capital. Do you see more opportunities now, just given the stressed environment, where maybe targets are more willing to sell?

Second question is, have you seen any change in sentiment from investors since early April? Any worsening of trend, or is it pretty much the same as the first quarter?

And lastly, on the Amundi technology, you're targeting €150 million for this year. So even if you annualize the quarter, you're still below the target. How confident are you to still get to this target, or would you require more M&A to kind of get there? Thanks.

Nicolas Calcoen *(Deputy CEO)*

Thank you, thank you very much. First question on M&A. Our approach hasn't changed. We clearly are looking at any opportunities that could help us accelerate our growth trajectory, which remains organic. So nothing specific to announce today. I think on the market, as you know, there's a trend around consolidation and we expect it to continue and we'll continue to look at any opportunities as long as it makes sense, as long as it helps us to accelerate our growth trajectory. As long as it makes sense from a financial standpoint, with a satisfactory return on investment, both 10%, and as long as we are confident that we can execute any deal. And indeed, the fact that we have 1.2 billion euros of excess capital at the end of March gives us clearly some capabilities, not a limit, but it's clearly a strength to consider any operation.

Sorry, your second question was? yes, if there is a change in sentiment since April. No, we are not seeing that for the moment. In fact, the first weeks of the month of April, basically in terms of inflows, see the continuation of the trends that we have been seeing over the last quarter. No, no alert at all and in term of asset under management, we have provided some indication in the press release at on the 8th of April, so it was the point of the month where the after the strongest decreasing in equity markets or asset under management were only done by a bit less than 3% compared to end of March and since then we recovered a large part of it and on the last week we were in terms of total asset under management at this length at 2% below the level of March. So no significant impact of the markets due to the diversity of the business model on our AUM so far. and again continued inflows in the business coming both from retail and individual clients.

And sorry, that was the third question. Regarding Amundi technology, that shows that we are not completely in line with the objectives that were set for 2025, 150 million euros. But clearly, we are making good progress, up 46% compared to last year. Half of it being organic, half of it coming from aixigo. So clearly, we are still a bit far for this year compared to the objective we set, but I think the direction of travel is clearly a continued growth trajectory.

Cyril Meilland *(Head of Investor relations)*

Thank you, Hubert. The next question will come from Arnaud, Arnaud Giblat from BNP Paribas-Exane.

Arnaud Giblat *(BNPP - Exane)*

Yes, good morning, everybody. I've got three questions, please.

First, could I start with Société Générale? If I remember back to 2020, I think you renegotiated that contract a quarter or two ahead of time. So I suppose we're getting there. Any visibility on the ongoing discussions and what outcomes we could expect?

My second question is on the alternatives. Are there any, could you talk a bit about the product launches you have in the pipeline, specifically around Alpha Associates? Anything on the ELTIF side? Yes, if you could discuss what's happening there.

And my third question is on the investments you're planning on making. So I think you're going to 30, 40 million of incremental investments to come. In which areas are you planning to do that?

Nicolas Calcoen *(Deputy CEO)*

So first of all on Société Générale's existing agreements that were renewed twice in 2015 and 2020, so the current ones are going until the end of this year. We are not yet at a moment where we can disclose anything around the renewal, but we remain very confident that we will do so in the coming months. Because, first of all, the relationship with Societe Generale is really excellent and the satisfaction from the network is very high. And also, considering the fact that we have a mutual relationship, we are also the clients of some services from Société Générale, and we always discuss all the dimensions of our relationship at the same time.

Regarding alternative and private assets, one point to remind is that our alternative and real asset business is diversifying but real estate still represent around half of the business, and as you know, as for all the industry the real estate business is suffering so we're continuing to see some outflows, but at a slower pace. In the meantime, we are developing on the rest of the business and with Alpha Associates, there's a good, I would say, a good momentum. We are talking about real estate, sorry, real assets, so new expertise. It sometimes takes time to materialize, but there's a very healthy pipeline. with their existing client base and with our historic Amundi client base.

And regarding your last question regarding investments, it will be areas of investments. It will be in all areas of development of growth. So clearly a continuation of what we have been doing over the recent period, in particular in technology, in Asia, in passive management, in real assets and maybe also new areas that will be identified in our medium-term plan, but we'll be in a position to tell you more by the end of the year.

Cyril Meilland *(Head of Investor relations)*

Okay, thank you Arnaud. The next question comes from Michael, Michael Werner from UBS.

Michael Werner *(UBS)*

Thank you for the presentation. Just a couple of quick questions from me, please.

When it comes to the savings or the cost optimization, the €30M to €40M, are you providing any insight? That's a gross number. Are you providing any insight as to what the net number should be, i.e., how much you plan to allocate to investments?

Number two, just going back to the US to Europe rotation, Can you give us an idea of what you're seeing or hearing from investors, particularly institutional investors, about how they're thinking about this, the timing of potential reallocations, and whether you're seeing any retail investors also reallocating out of the U.S. and into Europe?

Nicolas Calcoen *(Deputy CEO)*

So on the first question, I will reiterate what I said. It's a real number for optimization measures that we are working on and will be implemented mainly next year but the purpose of it is to reinforce our capacity to reinvest in growth areas, in priorities of development, priorities in terms of growth.

Regarding the allocation decision from our clients, again, sorry, not much I can say. We are definitely seeing some investors going away partially from US assets to European assets, clearly visible from institutional clients. In retail, I would say it's a movement which is not mainly driven by, I would say, individual decisions taken by the end customer end retail clients, but mainly by those who manage their money on their behalf, allocators, fund managers, fund allocator that changed their allocation. And we expect it to continue. But clearly, something that has been visible since basically since the month of March, mainly.

Michael Werner *(UBS)*

Thank you, Nicolas. And just one maybe quick follow up. How do you see the pipeline today versus where it was maybe three months ago? The institutional pipeline I'm referring to

Nicolas Calcoen *(Deputy CEO)*

Overall, the level of pipeline is very healthy and with particular strong opportunities coming from the space of retirement, TPP has been a recent example, and coming from what you can see also in terms of reallocation, as mentioned earlier, European or even Asian investors, individual investors, committed to either climate or responsible as a whole, and reconsidering their investment and the managers of their investments to take into account the commitment of the asset managers to responsible investment, which is clearly an opportunity for us.

Cyril Meilland *(Head of Investor relations)*

Thank you, Mike. Next question from Angeliki from JP Morgan.

Angeliki Bairaktari *(JP Morgan)*

Hi, good morning, and thank you for taking my questions. Just three for me, please.

So first of all, just to come back to the discussion about excess capital and M&A, as I think back in 2022, when you presented your business plan, you had indicated that by the end of 2025, if you had not done any material M&A or if there was any excess capital you would actually consider distributing that back to shareholders. So I just wanted to get an update on that and whether you still intend to distribute something extra if there is no deal. announced by the end of the year.

And second question with regards to the international network flows, and this is, we had once again a quite big outflow there and net of the BOC joint venture. Can you let us know what are the drivers behind sort of the weakness we have seen in recent quarters? And also, what is your outlook with regards to the international network flows, excluding BOC, for the rest of the year, please?

And lastly, with regards to the very strong Asia flows that we saw this quarter, 7.8 billion, are those reflecting domestic focused funds, i.e. assets in Asia, or do they reflect clients who are investing a bit more globally, perhaps in Europe and in the US as well.

Nicolas Calcoen *(Deputy CEO)*

So on the use of the excess capital, no change in the intention, and we still continue to believe that there could be opportunities that would make a lot of sense and would be the most efficient ways to use our capital, our excess capital, but if it's not the case, we would distribute the excess capital.

Regarding the international networks outflows, I would say, which are, I would say, unfortunately, in the continuation of what we have been seeing over the recent quarters, I think the reasons remain the same, risk aversion, competition from other products. In particular, in Italy, we are still seeing some issuance of BTP products. And we are seeing, I would say, traditional retail networks being challenged in the same space. But we are also seeing emerging new distributors and for example, again talking about Italy, we have positive flows in third-party distributions. And going forward, probably I would say we would hope to have a recovery, a progressive recovery. But the impact of the market evolution that we have been seeing recently would lead us to remain a bit cautious. We will see.

Regarding Asia, and the question was around the type of funds, whether domestic or international, I would say in the joint ventures, it's mainly domestic assets. And it is domestic funds or domestic mandates mostly invested in domestic assets. When you are talking about our development, for example, in Hong Kong and Singapore, which has been very strong, I would say it's more geared towards international diversified kind of products, investing globally, including in US assets or global products.

Cyril Meilland *(Head of Investor relations)*

Thank you Angeliki. Next question is coming from Bruce Hamilton from Morgan Stanley.

Bruce Hamilton (*Morgan Stanley)*

Hi there. Can you hear me? Yes. Yes. Perfect. Cool. Thanks. So just a couple of questions for me.

Firstly, on the kind of cost efficiencies, can you just talk a little bit about how important AI, Gen AI is to all of this and where you're finding the most productive use cases in terms of driving improvements?

And then secondly, your European peer we just heard from sounded pretty upbeat about opportunities in active ETFs. And I just wanted to get a sense of if you could remind us how you're thinking about that, the size you are currently and what maybe products in the pipeline you have. I think defense ETF, whether that's active or not, I don't know, but that would be helpful.

Nicolas Calcoen *(Deputy CEO)*

So regarding your first question regarding artificial intelligence, it is clearly one of the areas we are investigating and we launched quite a comprehensive program to, first of all, to establish our own secured capabilities and second to, I would say, mobilise all our business lines to identify use cases and, I would say, efficient, cost-efficient use case. We are seeing several initiatives launched in many business lines, a lot around, I would say, complementing human intervention to automate part of the value chain, so we are seeing opportunities in, I would say, not that much for the moment in the investment space, to be honest, but more on operations, document marketing, middle office, control functions where we have several initiatives and that are progressively coming to maturity, I would say, and being completely deployed.

Your second question was around Active ETFs, which is clearly something we are looking at and we clearly have the capabilities to do so. We, by the way, started last year with a range of Active ETFs product for the French market for, with an ESG dimension and the ESG dimension was actively managed and has been quite successful to meet the criteria of the PEA in France, “Plan d'Epargne Action” sorry, and we are looking at any very pragmatically, when it makes sense, to develop new offers. Not specifically in defense, we indeed, we are in the process of, we are about to launch progressively this summer some funds, but it will be both probably in passive ETF and active management.

Cyril Meilland *(Head of Investor relations)*

Thank you, Bruce. I don't think we have any other questions. So if you want to ask a question again, please raise your hand and I will open your mic. No? I think we've been very efficient then. So back to you, Nicolas and Aurelia, for concluding remarks.

Nicolas Calcoen *(Deputy CEO)*

Well, I just have to thank you for your participation at this call and again on a quite busy day, I understand. And we hope to see you all on the 19th of June for a workshop on third-party distribution. Thank you very much.