



# **Amundi**

## **Second Quarter & Half Year 2023**

28 July 2023

<b>List of MAIN speakers</b>	<b>Company</b>	<b>Job title</b>
Valérie Baudson	Amundi	CEO
Nicolas Calcoen	Amundi	Deputy CEO

### **OPERATOR**

Good morning. This is the conference operator. Welcome and thank you for joining the Amundi First Half and Second Quarter 2023 Results conference call. As a reminder, all participants are in a listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing star and zero on their telephone. At this time, I would like to turn the conference over to Cyril Meilland, head of Investor Relations. Please go ahead.

### **Q2 & H1 2023 results**

#### **Cyril Meilland**

*Head of Investor Relations*

Good morning to all and thank you for attending this conference call. So, welcome, if only by video or audio call, to Paris, where unfortunately it is rainy. We do hope that you will find the message from our top management more appealing than the weather. Today I am with Valérie Baudson, CEO of Amundi; and Nicolas Calcoen, Deputy CEO. Valérie, the floor is yours.

### **Q2 & H1 2023 results**

#### **Valérie Baudson**

*CEO*

Thank you very much, Cyril, and good morning to all of you. I'm very happy to introduce you to our results for the second quarter end of the first semester of 2023.

As usual, I will start with the highlights of the quarters that we want to emphasise and I'll let Nicolas Calcoen run you through the details of our performance and figures.

### **Highlights**

So, three points I would like to underline.

#### **Q2 2023: robust net income amid persistent risk aversion**

First, the very good profitability of Amundi in, as you know, an uncertain environment. Second, the strong commercial drive in medium long-term assets, as well as in treasury products during a period when the asset management market in Europe posted net outflows in active management and very limited inflows globally. And third point, our sustained growth in our strategic pillars.

So let me start first with our high profit level. As you know, bond markets were down by 6% and equity markets were up by only 4% and, despite this context, Amundi posted a good financial performance with a Q2 net profit up by 19% compared to Q2-22 and up by 7% compared to Q1-23. It means that it reached exactly €320 million. This performance is actually due both to our growth, the growth of our revenues and the tight control of our costs in the context, of course, where we still have strong inflation.

Speaking about revenues, they increased by close to 2% and we also benefited from a favourable client mix on our margins. And speaking about our costs, you will see that we have delivered the synergies from Lyxor ahead of the plan.

Now, let me speak about our commercial drive – point number two. During this quarter, investors remained risk adverse but Amundi has successfully adapted its product offering as we are used to, to match their needs, when we speak about retail investors, especially capital protection and yield. So, I would like in order to illustrate that point, to give you three examples of significant success during this second quarter: cash products, structured products, and buy and watch bond solutions.

In cash products, as some of you probably know, we are among the leaders in Europe. We have a very long experience, a very comprehensive offering. From day to day, overnight money market fund to ultra short-term bonds with duration less than one year. We have funds which are very large, from 2 billion to €50 billion, which provides best-in-class liquidity, of course. Globally we have close to €200 billion and we have a market share of 10%. Our net inflows during this quarter represent 20% of the net flows of the market.

In structured products, we have a very long experience as well. We spoke about it already and you know that we distribute these products in particular in France, in Spain and in Austria.

And regarding the buy and watch bond solutions which are managed by our bond investment teams, we have launched actually a record 15 funds in more than ten distribution client networks since the beginning of the year.

Maybe two last points about the commercial drive, the strong commercial drive this quarter. First, I would like to highlight the very strong momentum in our Employee Savings and Retirement scheme, which gathered record inflows at around 4 billion. And also, the very good performance of our French partner networks because they posted net inflows in medium long-term assets at around €1.5 billion.

So, all in all, our total asset management grew by 2% over one year and we have exactly €1,961 billion under management.

Now, the third and last point I wanted to stress: our sustained growth in the strategic pillars, which we presented and announced in our medium-term plan. So let me stress the nice development of Amundi Technology during the second quarter with three new clients and revenues increasing by 31% compared to the second quarter of last year. I would like to stress as well the very good momentum of our SBI FM joint venture, our Indian joint venture with SBI, which is confirming quarter after quarter the very strong dynamic inflows and profitability of this company.

And third, I also would like to stress the fact that, as usual, we continue to enhance, and develop our responsible investment range, which is, as you know, a key asset of Amundi. And this quarter in particular, we increased our net zero trajectory range of funds, as well as our ESG ETF range, which now represents 30% of our ETF range globally.

So, in a nutshell, a good profitability, a nice commercial momentum and a continued development on our strategic pillars. Now I let the floor to Nicolas.

### **Activity & Results in Q2 and H1 2023**

**Nicolas Calcoen**  
*Deputy CEO*

Thank you very much, Valérie, and good morning to all.

#### **Activity**

I will start with some element of context as usual, starting with the market environment in which we operated.

#### **Q2/Q2: equities on the rise, bonds on the decline**

As we all know, equities and bonds were down very significantly in 2022, quite a rare period of downward correlation of this magnitude. Since the last quarter of last year, equity is recovering and the rates have stabilised, but we still consider that the market environment remains highly uncertain. And by the way, our investment teams continue to recommend caution to our clients when it comes to risky assets.

When looking more precisely at the quarter. On the equity side, the markets continue their upward trends since the fourth quarter of last year. And on the second quarter, indices were up by, on average, 4% compared to the second quarter of last year if we look at the mix of the Euro Stoxx and the MSCI World indices, which is a good a good reflection of our business mix. As far as bonds are concerned, when we are looking at the same period, long-term rates rose by approximately 130bps due, of course, to the hikes in central bank interest rates, and this resulted in a decline on the average aggregate index by 6% in Q2. So overall, it should be noted that according to the sensitivity of revenues to market movements, both equities and fixed income, this variation has globally a neutral impact, again, when we compare this second quarter to the second quarter of 2022.

However, the rise in the equity market has not resulted in a lower risk aversion for investors, in particular in the retail segment, because the rise appears uncertain

#### **European asset management market: modest inflows in Q2 and continued risk aversion**

And it is well reflected on the following slide, with the low level of inflows we are seeing in the global asset management market, in particular in Europe, where net inflows in open-ended funds were only, as you can see, €23 billion, much less than 1% of total assets under management on an annual basis. And moreover, this was driven mainly by treasury and passive products, while active funds suffered from outflows during this quarter, like it was the case in the first quarter.

**AUM at 30 June: €1,961 bn**

Coming to Amundi, in this context, the assets we manage took advantage of the rise in equities over the last quarters and the past 12 months, with positive net inflows of €3.7 billion during this quarter, which is a good performance. And as Valérie indicated, our total AUM reached almost €2 trillion, to be precise, €1,961 billion.

**Return to positive MLT inflows despite high risk aversion**

These positive net inflows of €3.7 billion in the quarter were roughly balanced between treasury products, €2.4 billion, and long-term assets, €2.2 billion. This figure excludes JVs, whose outflows were entirely attributable to ABC-CA in China, but I will come back to their performance later on.

So again, long-term assets in positive territory. By the way, it is their best quarterly performance since the first quarter of 2022, when the market environment had only started to deteriorate following the invasion of Ukraine. And it should be noted that this was achieved despite the continued outflows from the mandates we manage for our insured partners, Crédit Agricole Assurances and Société Générale, which totalled -€2.4 billion outflows in the second quarter. And as far as the treasury products are concerned, the performance on the quarter is all the more remarkable, I would say, considering the fact that usually for this kind of expertise, the second quarter is a weaker quarter because it's the time when corporates pay their dividends and therefore cash out from their money market funds.

**Liquidity Solutions: recognized, differentiating and profitable expertise**

Good transition to make a focus on treasury products – Valérie already mentioned them. To remind that we manage close to €200 billion, €192 billion to be precise. Our assets increased by 11% over one year. In terms of size, we have a market share in Europe of around 10%. But on flows in the first half of the year, it's 20% of the inflows we managed to capture. So, we are clearly a market leader benefiting from a very large, very diversified customer base. And you can see that these solutions are, of course, favoured by corporates and insured clients, but also retail clients that come back to this expertise.

Valérie already mentioned the key feature of this business. I just wanted to outline that given the large size of assets we manage, it's clearly a very profitable business for Amundi despite the lower margins. And it's something where Amundi has key differentiating expertise given, again, the size and the breadth of the funds we manage.

**Retail: continued risk aversion**

Coming now to the retail activity, more specifically in retail. We can see that here again, the net flows this quarter were also balanced between retail and institutional. And coming to retail, the nature of the business and the evolution we have seen on this quarter obviously reflects the high level of risk aversion I already mentioned with treasury products, structured products and bond products, all posting strong inflows to the detriment, of course, of equity and multi-asset strategies.

Overall, in the period, long-term assets were flat because on the one hand we had strong performance on French networks – €1.5 billion in net inflows – the highest level since the fourth quarter of 2020, and thanks in particular to structured products. On the other hand, we saw some outflows in international networks – €0.9 billion – mostly related to the strong competition in the Italian market from the issuance of government bonds dedicated to retail investors, BTP Valore, which captured on the market globally €18 billion in June. And we can see by the way that all large asset managers seem to have suffered from this competition according to Assogestioni data, the association of Italian asset managers.

Third party distribution segment also experienced some outflows in medium- to long- term assets, -0.4 billion, but this was more than offset by a bit more than €2 billion inflows collected in treasury products.

And finally, as far as Retail is concerned, to be noted this quarter, Amund BOC WM, our subsidiary in China, majority-owned subsidiary, posted flat inflows because on this quarter the drag of outflows from term products coming to maturity, a phenomenon we mentioned in previous quarters, was balanced by the successful launch of new products, including open-ended funds.

#### **Institutional clients: positive MLT inflows, driven by employee savings**

Moving to the institutional business. We can see that this segment also posted positive net flows – +€2.4 billion, of which €2 billion in medium- and long-term assets. And this is mainly thanks to the Employee Savings and Retirement, a business already mentioned by Valérie, which enjoyed a record quarter of €4.1 billion of inflows of which 3.4 billion in long-term assets, reflecting the leadership of Amundi on this market and the attractiveness for employers to develop this kind of incentive schemes to the benefit of their employees. So very good inflows on employee savings schemes.

It was partially offset by the outflows I mentioned coming from the mandates with insurance partners, due, like you have seen in prior quarters, to the withdrawals from euro contracts in the French market.

#### **JV: strong inflows in India**

Moving now to the joint ventures. We can observe that, like in previous quarters, they posted contrasted performances. ABC-CA in China experienced further outflows from the Channel Business, this very low-margin expertise in runoff, and the remaining outflows coming from low-margin institutional mandates. On the contrary, all the other joint ventures posted strong inflows and it is again in particular the case from SBI FM in India – +€3.6 billion – and this strong business originated from all client segments, including institutional clients, pension funds, but also retail distribution in the networks and outside SBI networks.

#### **Revenues: continued growth over the past 4 quarters**

Now we can turn to the results, starting with the second quarter to detail the high level of profit and growth that Valérie already mentioned, beginning with the revenues.

Total revenues in this quarter passed the the €800 million mark. To be precise, at €823 million. And they were up by 9% compared to the second quarter of 2022 thanks to a good performance in all

revenue items. Starting first, of course, with the main source of revenues, net management fees, which were up by 1.6% compared to the second quarter of 2022, showing a margin expansion compared to last year because the average AUM were in fact, on this period, down by 1.6%.

So this obviously provides a solid growth base which was boosted by other sources of revenue, in particular during this quarter a high level of performance fees, €51 million – so more than double the level we reached in the second quarter of 2022 – and also net financial income positive by €13 million versus a net charge of €15 million in Q2, due obviously to the change in the level of short-term interest rates during the period.

And finally, important element to mention: Amundi Technology continued its development with revenues that were up by more than 30% compared to the same quarter of last year and a gain of new clients.

### **Cost control in an inflationary environment**

Moving to the costs. They were up by only 2.1% in this quarter compared to, again, the second quarter of 2022, a pace that is obviously well below the high level of inflation rates across the different regions in which we operate, in particular the euro zone: the last numbers are still a level of inflation of 5.5%. So this good performance was achieved thanks to our ongoing operational efficiency gains, as you know, something which is ingrained in Amundi culture, and also by the synergies from the integration of Lyxor.

On that point, it's important to mention that these synergies are now almost completely delivered with approximately 80% of the initial target already completed at the end of June, so well in advance compared to the initial schedule whereby we were to reach only two thirds of the €60 million cost synergies targeted this year in 2023.

The cost growth is also, as you have seen, materially lower than the revenue growth. And as a consequence, the adjusted cost income ratio came at 52.3% in the second quarter. A material improvement from the previous quarter, which reflects the acceleration of the synergies, which are now coming to an end, as well as the high level of performance fees reached during this quarter.

### **High net income: €320M**

Revenues that are growing rapidly, costs under control: thanks to this positive scissors effect, and also coming from a strong contribution from the joint ventures, the net profit in the second quarter at €320 million is up by 19% compared to the second quarter and 7% compared to the first quarter of 2023. And concerning the whole first semester, first half of the year, adjusted net profit reached €620 million, up by 4.5% compared to the first half of 2022.

### **A very solid financial structure**

Before I finish, a quick word about our financial structure. As you can see, our tangible net equity reached €3.7 billion at the end of June. It's slightly down compared to the end of 2022 because, for the most part, of the net effect on the one hand, the net profit for the first half of the year, around €600 million; on the other hand, of course, the dividend for 2022 that was paid in May, for around

€800 million. Combined with the evolution of our risk-weighted assets over the period, our Common Equity Tier one ratio reached around 20% – 20.2% to be precise – well above our regulatory requirement and even well above our managerial target of at least 10%.

So, this concludes my presentation. Maybe Valérie, you want to say a few words of conclusion before we take questions?

### **Conclusion**

**Valérie Baudson**

*CEO*

Thank you, Nicolas. Maybe just a few words I would like to say to conclude. But first of all, I think that our agility and depth of offering are obviously outstanding assets in such uncertain markets when investors remain risk averse. They allowed us to keep a strong commercial momentum.

Second, I would like to stress that our long-term growth pillars continue to deliver the expected benefits.

And last but not least, I would like to stress our strong profit thanks to increasing revenues, which is not so common, and also a very tight control of costs despite, of course, the inflationary conditions that you know.

Thank you very much for attending this presentation. I think we can now open the Q&A session.



## QUESTIONS AND ANSWERS

**Cyril Meilland:** Thank you, Valérie. Thank you, Nicolas. Yes, we can open the question-and-answer session.

**Operator:** Thank you. This is the conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. To remove yourself from the question queue, please press star and two. Please pick up the receiver when asking questions. Anyone who has a question may press star and one at this time. The first question is from Hubert Lam with Bank of America. Please go ahead.

**Hubert Lam (Bank of America):** Hi, Good morning. Thank you for taking my questions. I've got three of them. Firstly, on Italy, can you discuss the dynamics in Italy? Do you see more risk of outflows as investors potentially roll over to more BTPs just given historically the higher portion of BTPs in retail asset allocation? And also tied to that, can you just generally talk about how the UniCredit channel has developed in the quarter? That's the first question.

The second question is on cash. You talked about the opportunity that you see in cash and your market leadership position there. Can you tell us what the fee margin you get for the cash products are, and whether or not you can take a higher margin as rates go up? And lastly, on passive flows, I think based on what I see, you've seen only modest inflows into passive flows in the quarter where some of your peers, what we're seeing so far, are getting much stronger flows in passives. Are you losing market share in passives? I was just wondering if you can talk about what's happening in the passive side as well. Thank you.

**Valérie Baudson:** Well, thank you very much, Hubert. I'm going to take the question on Italy and Nicolas will take the other two.

On Italy, we've seen something very specific during the second quarter and Nicolas explained it during the presentation, where we had very strong competition, but when I say we, it's not Amundi, it's really the whole asset management industry, from the BTP issuance, and especially this very specific product which was launched as a BTP, including a tax advantage for retail Italian investors. So it was a very strong success, €18 billion inflows, but of course a great competitor to all of us during this period. As of now, we have no information about further insurance. So we've just seen, I would say, this quite exceptional trend during the second quarter. Nicolas, on cash margins?

**Nicolas Calcoen:** On cash margins, indeed, the average margins are lower than in average medium-long-term products. But let's say depending on products between five and eight, nine bps, so lower than the average level of margins for Amundi as a whole, but not that far from the average level of margins in the institutional business, to be noted. And what is important also is that continuing the size of the business, we manage to develop it with relatively limited costs, and the profitability of this business is obviously quite strong.

And I think the last question was regarding the development in passive management. To be noted, on the quarter the net flows on passive as a whole was zero, in fact, because it was positive in ETF €2.5 billion. But we had some outflows from big passive, index, mandates, not due to performance issues or any issue, but just due to reallocation and profit-taking from the clients. So, if you exclude this phenomenon, we continue to develop according to our plan and we are convinced that it's very important to be in this business and to continue to grow significantly in Europe. And we are confident that now that Lyxor integration is done, that we have the size, a very large breadth of expertise, we

have all the necessary setup, I would say, from an operational investment and sales dimension, to develop and to gain market share.

**Hubert Lam (Bank of America):** Thanks. Just a follow-up on the passive side. Do you see more competition? Do you see competition picking up on either that or on the fee side within passives?

**Valérie Baudson:** Not so much. Honestly, not so much. Some new entrants, but very far away. The ETF business is really a question of size of the range, size of the funds and also habits of the buyers. When you're used to having this specific ETF in this specific asset class, you're always buying the same. So, I think we have a very, very strong advantage with our very large range now and very big size now so honestly, no worries at all for Amundi on the ETF business. On the contrary.

**Hubert Lam (Bank of America):** Great. Thank you.

**Operator:** The next question is from Bruce Hamilton, with Morgan Stanley. Please go ahead.

**Bruce Hamilton (Morgan Stanley):** Hi. Good morning, and thanks for taking my questions. I think I've got three as well.

So in terms of the risk aversion challenges which are clearly out there, any sort of green shoots, or how are you thinking about the evolution of risk appetite and perhaps when we might see a bit more demand for medium-, long-term assets either based on— There's normally a bit of a lag, but what's your thought there?

Secondly, in terms of the China business, which was I think flat in the quarter, you said, do you think that that's now moved to a position where it should be heading—?

**Valérie Baudson:** Bruce, sorry to interrupt you. The line is very bad. We can't hear you very well. Could you please speak a bit slower so that we make sure we understand your question?

**Bruce Hamilton (Morgan Stanley):** Okay, sorry. Can you hear me slightly better now?

**Valérie Baudson:** Yes, it's much better. Thank you.

**Bruce Hamilton (Morgan Stanley):** Maybe to repeat the first question, that was more on any signs of green shoots in terms of risk appetite and what the path is to maybe move to more risk-on products. How do you view that? The second was on the China business within your international networks, flat in the quarter. Do you think that that's now moving into positive territory or is there still quite a lot of drag from maturities from here?

And then finally, given the performance fee beat in the quarter, how should we be thinking about performance fees on an ongoing basis? Does your previous guidance, given the regulatory changes still stand or how should we think about that as we move looking at a full-year basis into next year? Thank you.

**Valérie Baudson:** Thank you very much for your questions. I will take the question on risk, the first question, and I will let Nicolas answer to China and to performances.

What we saw from our clients, as of today, honestly, I don't see any reason for any worsening of the situation today, but I don't see either any strong and very fast recovery to more risky products, from what I get. So I think that we might see, at least for the following quarter, a sort of equivalent situation in terms of client demand on the retail side. On the institutional side, it's always a bit more complicated to answer because the reason for inflows and outflows depends a lot about what they have in their

portfolio. We can always have surprises on the institutional side, but on the retail side, I would stick to this vision. Nicolas, on China?

**Nicolas Calcoen:** On China, what we have seen during this quarter is what we expected, a stabilisation of the situation after – I remind you – after the first year when we created the business and very, very strong, rapid development. The second year was obviously much more difficult and due to the market environment, in China, both in terms of demands and in terms of evolution of the markets and the performance of the product. So, this is slowly getting out, I would say, of the picture. So, what we expect, we are in the phase of stabilisation and, yes, we should go back to positive territory. The potential remains huge due to, of course the size of the market, I would say the quality of the partner, BOC, and due to the amount of money that remains. The share of money that has been invested only in cash, in deposit, is huge and increased over the recent period. So the potential is huge. What is difficult to assess, of course, is the pace at which we can go back to what we saw two years ago.

And the last question was about performance fees. Obviously, the level we reached this quarter is high and is not necessarily something we can achieve every quarter. It's above the average that we had in the past and I think the average we had in the past was around €160–170 million per year in average. It's a good reference. Taking into account the fact that with the new ESMA guidelines enacted two years ago, I think, the capacity to reach this level is a bit more difficult. So, I think it's a reference, but probably we, in average, could be, as far as performance fees are concerned, a bit lower than that in the future. And then the level, quarter after quarter, of course, is something very difficult to predict.

**Bruce Hamilton (Morgan Stanley):** Very helpful. Thank you.

**Operator:** The next question is from Arnaud Giblat with BNP Paribas Exane. Please go ahead.

**Arnaud Giblat (BNP Paribas Exane):** Yes. Good morning. I've got three questions, please.

If I could come back to the ETF business. Compared to some of your larger competitors, it does seem that they've had a larger inflow rate than you over the past few quarters. So I'm just wondering again if you could come back to that? And is there a gap in terms of products that you need to fill or is it a geographic position? Your interpretation there would be helpful.

My second question is on M&A. How active are you there? And I'm just wondering, given where your shares are and your equity yield is, is there any change to the return threshold you might be looking for in the eventuality that a deal should materialise?

And my last question is on JVs. The profitability seems to have increased this quarter. Could you outline what's going on there? The AM level hasn't changed much. Thank you.

**Valérie Baudson:** I'm going to take the first two questions. Nicolas, I'll let you do the other two.

Well, once again, Arnaud, on the ETF business, honestly, no worries at all. There is one maybe point that we were missing and where we missed one or two very, very big tickets over the past few months and quarters, if I remember well, was the Middle East. There are actually a few very large clients who are surprisingly sometimes investing very widely through ETFs. Of course, we're covering very well the region, but not so much in the ETF space especially, and we filled that gap recently so I'm very confident that this difference is now over. Honestly, for the rest, no worries at all, as I was mentioning.

On the M&A space, as usual, I will not comment. Just confirming that it is one of our four strategic priorities and of course we will look at any interesting file coming on the market. And Nicolas, I'll let you the floor for the other two.

**Nicolas Calcoen:** And we are to continue on M&A. I understand the question was about the expected return on investment. We are not changing the target. We believe it's ambitious concerning the time frame in particular over which we look at it: three years to reach at least 10% and I think in the past we have been able to deliver that and to deliver better than that.

And as far as the question on the profitability on the JVs. It's first the reflection of the continued development of the joint ventures and in particular the Indian one that contributes approximately 70% of the total contribution of all our JVs. So, strong contribution from India. And during this quarter there were a few exceptional elements and it was pointed out in the communication we made. So yes, the level of profitability on the quarter is not entirely, I would say recurrent, but the direction of travel remains the same: it's a continued increase of the contribution of these joint ventures and again, in particular the Indian one.

**Operator:** The next question is from Jacques-Henri Gaulard with Kepler Cheuvreux. Please go ahead.

**Jacques-Henri Gaulard (Kepler Cheuvreux):** Yes. Good morning, everyone. I have two questions.

I'm going to rephrase the M&A question because I think it's interesting. One of your competitors mentioned that it was really, really difficult to buy anything because insurance companies are now in love with asset managers. Captive asset managers are not for sale and independent asset managers believe that they're worth much more than they are in reality, and because markets are constructive, I guess. So do you confirm it's tough? And would you be ready to give money back to shareholders if that wasn't the case? I think it was more or less implicit in your target, but if you could reconfirm that.

And then the second question is on the increase in profitability, which now over the last five quarters has really recovered nicely. But are you comfortable you can continue to actually show this quarter-on-quarter improvement, keeping in mind what you said on the performance fees and keeping in mind the fact that your cost base remains really phenomenally flat? Thank you.

**Valérie Baudson:** I'll let you the second one; I'll take the first one.

**Nicolas Calcoen:** So as always, I won't give any indication on short-term quarter by quarter results. In this specific quarter there are obviously some elements that are not necessarily recurrent every quarter. I have in mind the level of performance fees, obviously. But even if you take that out, I think it's a good performance, continued development. And in the long run, we will continue to do what we do, develop, attract inflows and attract new clients, develop new businesses and manage the cost most efficiently as we can. But of course, also doing the investments that are needed to make these developments.

**Valérie Baudson:** On the M&A side, Jacques-Henri, we stick to the plan. The fact that the conditions, the global overall economic conditions make things a bit more difficult for all financial players, whoever and whatever they are, is potentially a very good opportunity to see deals that we wouldn't have seen one or two years ago. So, by 2025, we're absolutely convinced that if an interesting operation arises we would be probably the best candidate to do it considering our track records and our capacity to deliver synergies. And that would create a lot of value for shareholders. So we absolutely go on betting on that. And let's see.

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

**Operator:** The next question is from Angeliki Bairaktari with JP Morgan. Please go ahead.

**Angeliki Bairaktari (JP Morgan):** Good morning. Thanks for taking my questions. I have three questions please, as well.

First of all, with most of the Lyxor synergies now achieved, what is the outlook for cost growth in the second half of the year and 2024? And also considering that the costs in the second half of 2022 were actually lower than in the first half.

Second question, what are your thoughts about the European Commission's Retail Investment Strategy package? What do you expect the impact to be on your bank distribution networks from the Best Interest of the clients and the Value for Money proposals? And what is, in your view, the timeline for implementation?

And third, last year you had indicated you were considering an IPO of the Indian asset management business. Is this still on the table?

**Valérie Baudson:** Thank you very much for your question. I will speak about India and let Nicolas answer the Retail Investment Strategy and the cost question.

On India, you give me the opportunity to recall everyone that we have a fantastic joint venture with SBI there. We have €200 billion of assets now there. It's a very a long-standing partnership – 20 years actually. And as Nicolas was mentioning, it's both growing significantly in terms of flows and in terms of profitability. So, it's actually our partner, SBI, who had, I would say, a sort of habit to list their main subsidiaries and who had proposed us to list this company. We had accepted the principle, but considering the market evolution, we decided together that it was not good timing. So there is nothing planned in the very short term in this domain.

**Nicolas Calcoen:** Regarding the evolution of costs, I would say the second quarter in terms of costs is a clean quarter, meaning there's no specific element in one sense or the other. So it's a good base to evaluate what will be the costs in the future, taking into account the fact that we will continue to invest, to support our development, and we'll continue to work as efficiently as possible, considering the fact that there will be much limited synergies linked to Lyxor to add in the coming quarters.

Your second question was about the Retail Investment Strategy that indeed was published a few weeks ago by the European Commission. Several elements to comment on that because I think you asked about our views on the strategy. You asked about the timing and you asked about the impact for us. So, first element, our views on the Retail Strategy. We obviously welcome the fact that, contrary to what was expected some months or quarters ago, the Commission did not propose a full ban of inducement. We are convinced that it's not a good idea in the interests of the clients because it will be detrimental to the right advice to the client. So we welcome this element.

For the rest, we believe that there is still some elements regarding the framing of inducement that need to be clarified. And we also believe that the Best Interest, the Value for Money principle and the Value test for the clients are, in principle, obviously positive elements. But again, several elements need to be clarified and in particular, I would say, an automatic and administrative dimension to the Value for Money, which we think would not operate adequately.

In terms of timing, we can recall that this is a proposal from the Commission. It has to be examined by the Parliament, by the Council. So this obviously takes time. So at the earliest it could be adopted next year and come into force beginning of 2026. But it's obviously the earliest possible calendar and you have to take into consideration that next year there will be parliamentary elections. So if it's not adopted at that time, then it will be delayed.

And last element in terms of impact: obviously, one dimension of this proposal would put more attention on the issues of the cost of products that are proposed to clients and the importance to have the right advice to the clients. And on these dimensions, we think that we are very well prepared and

probably among the best prepared to face this potential challenge considering, first, the fact that we have a very strong ETF business and we are the European leader in ETF. Second, that we are obviously very efficient. And the third element, that we developed through various services, advisory solutions, a lot of solutions that can help our distributors or partners to face the potential challenge coming from the Retail Investment Strategy.

**Valérie Baudson:** If I may add just one point. I fully agree with what Nicolas said. Obviously, the main impact is not for asset managers. The main impact will be— Not the current option, which remains the most likely even if we have to wait for the vote of the European Parliament. But when distributors and banks are thinking about the Retail Investment Strategy, they imagine the worst-case scenario of no rebates at all. And the impact is actually much more important as you know very well, for the banks than for the asset managers. But this gives us a fantastic opportunity to help them build what they need to prepare themselves to this Retail Investment Strategy, especially advisory solutions. It can be technology solutions, it can be training, it can be tools to prepare the networks or to adjust and improve their digital offer to their clients. And this is a fantastic opportunity for Amundi in the services and technology space that we are discussing with a number of distributors. And I reinforce what Nicolas is saying: even if we absolutely don't think it would be the good solution for retail investors at the end of the day, if ever in several years things were happening, Amundi would obviously be, with the position we have in the ETF space, a winner in that case.

**Angeliki Bairaktari (JP Morgan):** Thank you.

**Operator:** The next question is from Haley Tam, with Credit Suisse. Please go ahead.

**Haley Tam (Credit Suisse):** Morning. Thank you for taking my questions. Three from me as well, please.

Firstly, just on the buy and watch and structured products flows which were very impressive in the quarter, could you tell us, are you getting any indications from your distributors that this momentum can continue through the rest of 2023? And can you also just confirm that those structured products are indeed open-ended and not fixed maturity in any way?

Second question, just to follow up on the Lyxor synergies. Can I just confirm: reaching 80%, that is due to getting more synergies from the actions you've taken than you expected or simply just from swifter execution? Obviously, I'm just trying to understand if there's any potential for the total target to be upsized.

And then the third question is a quick one just on the joint ventures profit contribution. Could you clarify for us how much in Q2 was actually due to one-offs such as the revaluation of the SBI MF portfolio? Thank you.

**Valérie Baudson:** On your question on the buy and watch and structured products. Structured products are most of the time fixed term strategies, and buy and watch – to answer your question about can we continue to launch and develop them – the answer is yes. There is absolutely no reason, considering the markets, the level of rates today, et cetera, that would prevent us, on the contrary, to go on developing this offer to our clients. And when we speak fixed term, coming back to this, it's most of the time three – I'm looking at my colleagues – but I would say between three and five years. Maybe the average is closer to five years. So, it's long fixed term.

Second, regarding the strategies on Lyxor, it's about swift execution. And third, on the JV profit contribution, Nicolas?

**Nicolas Calcoen:** So, I think the increase you have on the quarter, let's say half is recurrent and half is due to some specific elements that are more exceptional and not recurring. But still, it's a good increase in the profitability, even if you exclude this element.

**Haley Tam (Credit Suisse):** That's great. Thank you very much.

**Operator:** The next question is from Nicholas Herman, with Citi. Please go ahead.

**Nicholas Herman (Citi):** Good morning. Thank you for the presentation and for taking my questions. Most of mine have actually been asked, but I do still have three outstanding, so I'll go with those.

Firstly, on UniCredit and the strategic partnership, earlier this year, there were reports about UniCredit considering not to extend the strategic agreement that expires in 2027. More recently, there have been reports about it incurring penalties due to not meeting minimum sales targets. I guess given that strategic partnerships and captive distribution is a core part of the Amundi model, are there any key learnings for Amundi in terms of this and in terms of what partners you approach, how you develop partnerships? Or do you see this as pretty idiosyncratic or business as usual and no need to change approach? So that's the first one.

The second one on real assets. The third consecutive quarter of negative performance, I presume this is driven by real estate on the back of valuation marks on the back of higher interest rates. Could you talk about the performance of the different buckets within real assets and how you see the outlook for performance there, particularly as we now approach peak rates?

And then finally, on passive and crypto, we are seeing increasing momentum in the crypto ETF space, including in Europe. Can I just ask your thoughts on these developments, if you see any nascent demand from your clients and if you have any ambitions in the digital asset space? Thank you.

**Valérie Baudson:** Thank you very much for your question.

On the partnerships, I would like to stress again, the fact, and even if it's considered – as you were mentioning – core business for Amundi, everybody always forgets that it's not the only core business in Retail anymore, that actually, and I think we tried to present that several times but think we should do it again, that when we look at our retail business today, more than half of it is coming from open architecture, the wholesale distribution business with a lot of, exactly 600 distributors in the world, in 35 countries, from the US to Japan with a very, very large range of clients, banks, insurers, IFA platforms, digital platforms. So it's actually a very, very diversified business which has absolutely no relationship with our retail partner networks, original business. And it's actually, for a long time growing faster than our retail partner business. So I just wanted to stress that again to make sure you have that in mind.

Second, on our retail partner business, we actually loved it because it's a strong asset of Amundi, even if it's only at the end something like four or five clients, but of course large and important clients for us. The only thing I would like to tell you is that for the time being, we have always managed to renew our distribution agreements with them, sometimes in a bit different way, because we have very strong relationships and most of the time an excellent relationship. It was the case with Société Générale, we actually renewed it twice already. And we feel very comfortable considering the added value we're bringing to our partners to go on this way.

On the crypto space – and then I will let you the floor on the real assets, Nicolas. On the crypto space: we don't want to be in it. We did not want to be in it just because we felt it was not safe enough for our clients and it proved to be true recently. So I always said, and I'm repeating, that unless we can

invest in central banks' digital money, for the time being, we're not investing in the crypto space. Nicolas?

**Nicolas Calcoen:** Regarding real assets, we had some positive flows this quarter, mainly on private debt and private equity. And yes, we had negative impact of the evolution of the market in terms of performance in the real estate part, which obviously, following the very strong increase in interest rates over the last 12 months, this has an impact on valuations of real estate.

**Nicholas Herman (Citi):** Thank you very much. That's helpful.

**Operator:** The next question is from Isobel Hettrick with Autonomous Research. Please go ahead.

**Isobel Hettrick (Autonomous Research):** Good morning. Thank you for taking my questions; I have two, please.

The first is on the employee capital increase. So the average €15,000 investment per participating employee seems quite high. Was this the level of engagement you expected and do you expect to repeat the scheme going forward? And if so, although the dilution impact this year was very limited as it accumulates over the years, would you plan to do share buybacks to offset this impact?

And then my second question is on net financial income. Could you give us some detail on the duration of your treasury portfolio and whether we should expect to see any further benefits from maturing back-book investments rolling into higher front-book rates? Thank you.

**Nicolas Calcoen:** The capital increase for the employees is something that we now do every year, and I think we have done it almost every year since the IPO. Maybe not every year at the beginning, but over the recent years, every year. We think it's a very positive element and to motivate all of our employees and ensure that it is a good additional element to have an alignment of interests between the employees and the shareholders. So, yes, it's something we intend to continue.

**Valérie Baudson:** We're very happy to see that our employees are participating very actively. It's one out of two in France and one out of three in the world.

**Nicolas Calcoen:** Absolutely. And so, we don't intend to offset it by a share buyback. I think it's not something we will consider. €30 million is something important, but at the scale of Amundi's shareholding structure, it's not that big yet.

And regarding the financial income. Under IFRS, they are mark to market. So, there's no element that could come linked to potential maturing of investment, if it was the question. The increase in the level of financial income is due to the fact that one year ago interest rate was negative and now they are at three-something percent. That's the main element that explains the increase in the level of income, and it's globally recurring. From one quarter to another you can have positive or negative mark to market effect on the longer-term assets. But clearly, considering the level of interest rates today, financial income should be positive in the quarters to come.

**Isobel Hettrick (Autonomous Research):** Great. Thank you.

**Operator:** The next question is from Sharath Kumar, with Deutsche Bank. Please go ahead.

**Sharath Kumar (Deutsche Bank):** Hello? Can you hear me?

**Valérie Baudson:** Yes, very well.



**Sharath Kumar (Deutsche Bank):** Thank you for your time. Most of my questions have been answered, but I still have a couple pending.

So firstly, I wanted to follow up on Nicholas' question on real assets, but more on flows. So, I did notice there is some drag on your flows in your real assets. I presume it is mainly due to a difficult environment in real estate, but do you see any green shoots with interest rates more or less near the peak now? So that is my first question.

And the second one was on India. You did speak glowingly about the India opportunity. So in that respect, I wanted to hear your thoughts on the news that came out yesterday about BlackRock having entered into a relationship, a partnership, with Reliance Industries. I think Reliance has the tendency to generally be successful in all their ventures, so they also have access to a very large retail base. So just wanted to hear your thoughts on how do you think it could impact your opportunity with the SBI partnership. Thank you.

**Nicolas Calcoen:** On real assets, positive inflows are coming from private debt and private equity and partially offset by some outflows in real estate due again to the market context and the fact that these products are less attractive following the decrease in valuation.

**Valérie Baudson:** Maybe just to precise one point. In the real estate space, first of all, we have nothing in the US; it's very continental European-centric. And also maybe, regarding the flows, it must be a bit more than one-third retail assets and a bit less than two-thirds institutional assets. So that gives you additional information

On India, obviously we never comment on our competitors but I think considering our fantastic experience in India, I think the move is normal and I wish them all the best. No worries on our side.

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

**Operator:** The next question is from Carlo Tommaselli, with Société Générale. Please go ahead.

**Carlo Tommaselli (Société Générale):** Good morning. Thanks for the presentation and taking my questions. Two from me, please.

The first one is on Amundi Technology. The numbers show a big increase on a quarterly and annual basis. Can you provide a guidance for the second half, please? Or if you could share the visibility on the pipeline of incoming new clients.

The second question is again on UniCredit. I understand your capacity to renew agreements, but the Italian market may show headwinds for the industry in general as the government will very likely return to tap the retail market with BTPs. And more specifically, there may be potential risks on inflows as the Nova JV is starting from the first quarter of 2024. So, do you think that Italy could lose strategic momentum for Amundi?

**Valérie Baudson:** No. My answer is no. We're not working for the next quarter only. We have very strong partners in Italy, of course, Crédit Agricole Italy and UniCredit. But we also work with most, if not all, the largest distributors and banks in Italy and we have a very strong position there. It's an important market in the asset management industry and it will remain an important market in the asset management industry. It's a dynamic market when I compare it to some other continental European markets.

On UniCredit, I remind you that, our very strong partnership and agreement last until July 2027. So whatever is done around it does not change this fact.

And on the BTP, very conjunctural topic. It's not an Amundi topic, it's, I would say, a country topic so we will see what's going on in the future for the BTP.

**Nicolas Calcoen:** And regarding Amundi Technology. The prospects remain very good, as you pointed out – 30% increase in revenues. Think it's Q2/Q2, H1/H1 as well. So of course, from one quarter to another we can have evolution because the level of revenues we can book in a given quarter also depends on fees that are paid for new projects. But what is important is to see how regularly we onboard new clients, and the level of fees that are recurring, that are license fees for projects that are live, I would say with clients that are live, is increasing. So we are confident that we will continue the development of Amundi technology. And I don't have the number of clients in the pipeline but I know that we have a healthy pipeline, so we should continue to develop.

**Carlo Tommaselli (Société Générale):** Thank you.

**Valérie Baudson:** And maybe, if I may just add, it gives me the opportunity to remind all of you that the ALTO platform and Amundi Technology is not only about offering PMS, portfolio management system, to asset managers. This is one of our three core offers. The second one is to work with wealth managers and distributors and especially in the DPM and advisory area. So, that's the second part. And the third part of the ALTO platform is dedicated to asset servicers. We have diversified and varied types of clients, asset managers, institutional clients, asset servicers, private banks, which makes this potential market a large one for the future. Sorry, the last question?

**Operator:** The last question is from Pierre Chédeville, with CM-CIC. Please go ahead.

**Pierre Chédeville (CIC):** Good morning. To be honest, my question has been asked. Maybe one last, from a technical point of view. As a bank, I was wondering if you were submitted to mandatory reserves with the ECB. And if it is the case, would you be impacted by the new deposit rate decided yesterday by the ECB? Will it be completely anecdotal? Or could it be two, three, four million less for net financial revenue? Thank you very much.

**Nicolas Calcoen:** Yes, we are licensed as a bank, so we have mandatory reserves, but they are very small. At the size of Amundi, a few million or a few dozen million. But more generally speaking, we have financial assets. They are invested in treasury funds or in deposits, whatever. Of course, the yield we can get from this investment as a whole is impacted by the level of interest rates.

**Pierre Chédeville (CM-CIC):** But would it be material on the line of net financial? Not on the line—

**Nicolas Calcoen:** No, 25 bps is not—

**Pierre Chédeville (CIC):** No? Okay. Thank you very much.

**Valérie Baudson:** Well, thank you so much for attending this meeting and for so many questions and interesting questions. I wish all of you a nice summer break if you're having one, and look forward to seeing you next quarter.

**Nicolas Calcoen:** Thank you very much.