

25 January 2019

AMP provides update ahead of FY 18 results announcement

AMP today provides an update on expected earnings and final dividend for the year ended 31 December 2018 ahead of its FY 18 results announcement.

While its FY 18 results are still being finalised and subject to audit review, AMP expects to report an underlying profit of around A\$680 million and profit attributable to shareholders of approximately A\$30 million.

Recognising the 2H 18 performance of the business, the related capital impacts and the uncertainties in the operating environment, the Board anticipates declaring a final dividend of 4 cents per share.

2H 18 operating earnings

Total business unit operating earnings in 2H 18 are expected to be approximately A\$220 million. This comprises around A\$325 million from the retained businesses (Australian wealth management, AMP Capital, AMP Bank and New Zealand wealth management and advice) and a net operating loss of around A\$105 million from the businesses subject to a sale agreement with Resolution Life (Australia and New Zealand wealth protection and mature).

Under the terms of this sale agreement, Resolution Life assumes the risks and profit impacts from 1 July 2018. AMP, however, remains responsible for the operations and capital management of these businesses until the sale completes. The A\$105 million operating loss for the sold businesses in 2H 18 reflects approximately A\$180 million of capitalised losses from AMP's best estimate assumption changes and approximately A\$50 million of experience losses. Therefore AMP is required to reserve approximately A\$100 million of capital until completion.

The transaction remains on track to complete in 2H 19.

2H 18 profit attributable to shareholders

Total profit attributable to shareholders in 2H 18 has been impacted by a range of previously advised items reported below underlying profit. These include the costs arising from the Royal Commission response, portfolio review, increased investment in risk, governance and controls, and advice remediation.

An additional provision for advice remediation of A\$200 million (pre-tax) is now expected to be recognised at 31 December 2018. This additional provision contains two items that have previously been disclosed as estimates:

- Program running costs: A\$186 million pre-tax (A\$130 million post-tax). These costs are now sufficiently reliable for inclusion in the provision. Together with the costs incurred in 2H 18, this equates to the previously disclosed estimate of A\$210 million (pre-tax).
- Customer lost earnings: A\$14 million pre-tax (A\$10 million post-tax) for the six months to December 2018. As advised, compensation for lost earnings will be recognised as paid or accrued every half year.

AMP continues to prioritise its advice remediation program to ensure all customers are appropriately compensated and will provide updates in future reporting periods.

Capital position

AMP retains its strong capital position, with its Level 3 eligible capital above minimum regulatory requirements (MRR) expected to be in the order of A\$1.6 billion at 31 December 2018.

This surplus is after the additional advice remediation provision and changes to best estimate assumptions, which negatively impacted capital in the second half by approximately A\$240 million post-tax.

Recognising the 2H 18 performance of the business, the related capital impacts and the uncertainties in the operating environment, the Board anticipates declaring a final dividend of 4 cents per share.

AMP reaffirms its commitment to returning the majority of the net cash proceeds received on settlement of the transaction with Resolution Life to shareholders, subject to unforeseen circumstances.

FY 19 outlook for retained businesses

In 2019, the earnings of the retained businesses are expected to be impacted by external market conditions, the regulatory environment, implications of the future strategy and a number of previously advised factors including:

- Full year impacts of the MySuper pricing changes to Australian wealth management of A\$35 million (post-tax).
- Unwinding the internal distribution arrangements and adjustments for tax and products transferring on sale to Resolution Life with an annual impact of approximately A\$85 million (post-tax).
- Stranded group office costs of approximately A\$40 million (post-tax).

AMP reaffirms its guidance in relation to these items, which includes its commitment to removing stranded costs by the end of the first full year post-separation (FY 20) and offsetting the financial impact of unwinding distribution arrangements.

FY 18 results announcement

AMP will announce its FY 18 results on 14 February 2019. The results presentation will include full details of the FY 18 results and an overview of the key focus areas for 2019.

AMP's FY 18 results will reflect the split between retained and sold businesses. To assist with market analysis of the forthcoming results, pro-forma templates are provided. 

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Appendix: Pro-forma templates

Financial summary

A\$m	FY 18	2H 18	1H 18	FY 17
Profit and loss				
Australian wealth management			204	391
AMP Capital			94	156
AMP Bank			78	140
New Zealand wealth management and advice			28	54
Retained businesses operating earnings			404	741
Australian wealth protection			1	110
New Zealand wealth protection and mature			28	71
Australian mature			70	150
Sold businesses operating earnings			99	331
BU operating earnings			503	1,072
Group Office costs			(29)	(74)
Total operating earnings			474	998
Underlying investment income			52	95
Interest expense on corporate debt			(31)	(53)
Underlying profit			495	1,040
Advice remediation and related costs			(312)	-
Royal Commission			(13)	-
Portfolio review and related costs			(19)	(24)
Risk management and controls			-	-
Other items			(41)	(21)
Amortisation of acquired intangible assets			(40)	(80)
Profit before market adjustments and accounting mismatches			70	915
Market adjustment - investment income			(10)	(39)
Market adjustment - annuity fair value			8	4
Market adjustment - risk products			15	(18)
Accounting mismatches			32	(14)
Profit attributable to shareholders of AMP Limited			115	848

New Zealand wealth management and advice

Profit and loss (A\$m)	FY 18	2H 18	1H 18	FY 17
Wealth management			21	41
Advice			7	13
Operating earnings			28	54

Sold businesses

Profit and loss (A\$m)	FY 18	2H 18	1H 18	FY 17
Australian wealth protection			46	99
New Zealand wealth protection and mature			26	61
Australian mature			71	143
Total profit margins			143	303
AWP experience profits/(losses)			(16)	4
New Zealand experience profits/(losses)			2	10
Australian mature experience profits/(losses)			(1)	7
Total experience profits/(losses)			(15)	21
AWP and NZ capitalised (losses)/reversals and other one-off experience items			(29)	7
Operating earnings			99	331