ADDRESS BY AMP CHAIRMAN PETER MASON TO THE AMP ANNUAL GENERAL MEETING 9 MAY 2013

Introduction

I commence this Chairman's address by observing that, for the last couple of years, the major concentration of your management and board has been directed towards the integration of the AMP and AXA businesses.

While that process still has some way to go, we can now say that our new size, scale and efficiency has put AMP into a strong position to adapt to changes in the way clients and customers are seeking financial services, and to adapt to legislative and regulatory change. Certainly, we are stronger together than each company otherwise would have been.

Global context

While global growth last year was lower than in 2011, 2012 ended up being a better year than many had expected.

A major European economic crisis seems to have been averted, although European growth is lower than hoped, even in Germany.

US growth remained subdued, but quantitative easing (or, printing more money) by the Federal Reserve ensured there was, at least, some gathering of momentum.

This, along with signs of improvement in manufacturing, technology and housing, as well as an increase in oil and gas production, means the situation in the US is looking more positive than it has for some time. That said, debt and budget issues persist – and these can have a tangible effect on global economic confidence.

Growth in emerging markets had shown signs of slowing, but in 2012 confidence in these markets began to return, as observers believed growth rates in those markets may have seen their low point.

China's growth rate has recently disappointed but, at more than seven per cent per annum, it is still extraordinary.

In Australia, a slowdown in mining investment is causing concern, as this is not being counterbalanced by increased investment in other sectors. Growth was relatively sluggish and interest rates stayed low, as has unemployment (relatively) and inflation.

But our exchange rate, having reached its highest level against the tradeweighted basket in almost 30 years, inhibits exports.

Share market investors had cause for optimism as 2012 progressed, and markets have generally been favourable since the beginning of this year.

However, there are concerns that these improvements are being driven by investors seeking yield in a low-interest world, rather than by the prospects of more strongly growing economies.

Regardless, it is the view of your board and management that the Global Financial Crisis accelerated a transformative change in AMP's operating environment – a shift that is structural, not cyclical.

This shift is characterised by a desire from customers for more control over their investments, more transparency and more value for money. This demand is being fuelled by a technological revolution that is better enabling individuals to manage directly their own financial positions and investments.

Added to this are the demographic challenges of an aging western world, a shift in market power from the western world to developing countries, and ongoing regulatory changes, at both a local and global level.

These are the factors that indicate that, even if GDP growth and share markets again reach the heights of several years ago, there must be significant change in both the services provided by AMP and the way in which those services are provided by AMP and by financial advisers.

Business performance

By the end of 2012, we had completed much of the heavy lifting involved in our integration with AXA, and we began to see the results.

The strategic business and capital alliance with MUTB in Japan, which gives us unprecedented access to retail and institutional investors in that country, is proceeding well.

We are making significant investments into providing administration facilities and advisory models for self-managed superannuation funds, or SMSFs – an area which we anticipate will continue to grow rapidly.

We continued to manage costs and capital with determination – actions we believed to be particularly important in a more tightly regulated, lower-margin operating environment.

At the beginning of this year, after the introduction of stringent new capital standards, AMP had:

- around $1.4 billion in surplus capital above minimum regulatory requirements
- and $7.7 billion in shareholder equity.

We held particularly high levels of capital in 2012 in anticipation of changes to the Life and General Insurance Capital (or LAGIC) regulations, that came into effect on 1 January this year, and of further changes relating to capital requirements for conglomerates that APRA is currently formulating.

The total dividend for 2012 was 25 cents a share, meaning shareholders received 76 per cent of AMP's underlying profit as dividend. We aim to pay out between 70 and 80 per cent of our underlying profit as dividend, and the full-year dividend was within that range.

We have removed the discount applying to the dividend reinvestment plan, taking into account our current capital levels and our present view of the capital we will need in the foreseeable future.

This year we are making changes to our short- and long-term employee incentive programs to further recognise the impact capital has on our business and how critical it is that we use it efficiently.

The measures we use as a board to determine the short-term incentive pool for employees will now include a measure of underlying profit less the cost of capital for the first time.

And the measures we use to determine long-term incentives for executives will take into account return on equity, as well as total shareholder returns.

We believe this is the right course of action to ensure that AMP employees' remuneration is aligned with capital efficiency.

Changes to superannuation

Superannuation has been a topical issue of late, and as Australia's leading superannuation company, I believe it's time we drew a line in the sand, and returned the focus to what really matters.

And that is, preparing our nation to deal adequately with the critical demographic and social issues of an aging population and longer life spans.

Increasing longevity has been one of the great success stories of the modern world, but it does create significant challenges when it comes to funding longer retirements.

Australia has been at the forefront of countries successfully meeting this challenge, and it is critical that we maintain this focus.

As I said at last year's annual general meeting, support for a compulsory superannuation system as Australia's preferred method of saving for retirement has been maintained by both sides of politics since it was initiated more than 20 years ago.

Our system has been – and still is - the envy of the world. We at AMP can testify to this from discussions we have internationally, including in China.

The treasurer, Wayne Swan, has rightly acknowledged that Australia's superannuation savings pool helped cushion our country from the worst effects of the GFC.

Australians have been committed to the policy for the past two decades as the best way of ensuring one generation does not become overly reliant on pensions that have to be paid for by later generations – by our children and our grandchildren.

Every time we make a change to superannuation we chip away at the confidence Australians have in this system.

We create a fear that the savings they have been provident in making under one set of rules will be eaten away under a new set of rules (effectively retrospective legislation), well before they have attained their goals.

Australians want and deserve a system they can rely on, one that keeps the promises made when they are first asked to trust it with their money.

That is why I applaud the Coalition's commitment to make no negative changes to superannuation for three years if it wins the federal election in September this year.

And I invite the Government to make a similar commitment, so we can shift the focus back to what really matters.

That is, the very real benefits our superannuation system delivers to the Australian community, our economy, and Australian families.

We have a responsibility to help all Australians better understand these benefits, so they can use them to build better lives for themselves and their families.

Australians deserve no less.

Board changes

Now, to your board.

As you would be aware, Dr Nora Scheinkestel, who has served on the AMP Board since 2003, is retiring at the conclusion of this meeting.

Nora has made an invaluable contribution in the 10 years she has been with us, and her sharp mind, cool head and wit will be sorely missed.

Nora, on behalf of your fellow directors, I would like to take this opportunity to thank you, and wish you all the very best for the future.

We are pleased to have appointed Simon McKeon, who joined the board in

March this year, and on whose appointment you will vote this morning.

I will outline Simon's background and qualification in more detail later in the meeting.

Conclusion

So, to conclude, AMP has undergone a great deal of change to ensure it is well positioned for the future.

As a company, we will continue to evolve where we see advantages to be had by doing so, and we have the strength and scale we need to be able to do this faster and more effectively than many of our competitors.

We will also continue to speak up in defence of our world-class retirement savings system, and ensure AMP remains a strong advocate of a system that serves all Australians, and enables them to look forward to retirement with dignity and confidence.

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