

**ADDRESS BY AMP CEO CRAIG MELLER
TO THE AMP ANNUAL GENERAL MEETING
8 MAY 2014**

Introduction

The fact that I am only the 21st CEO of AMP in its 165-year history is a clear testament to me of the responsibility and privilege it is to lead this great company.

I would like to thank both my predecessor in this role, Craig Dunn, and our chairman, Peter Mason, for their leadership and commitment, particularly over the past six years or so.

Over this period, AMP has had to cope with significant and unusual market disruptions – beginning with the global financial crisis (GFC) in 2007 and extending to the structural upheaval in the life insurance market more recently.

We know we cannot control external shocks like these, but we can control how we respond, manage and even capitalise on them where there are opportunities to do so.

The leadership provided by Craig and Peter has enabled AMP to do this effectively.

AMP today

As a result, we now have a very solid platform on which to base the next stage of our growth and development.

Today's AMP is the leading, independent wealth management company in a \$2.2 trillion market – a market that is on course to double in size over the next 8 years.

We are a strong, secure company with a robust balance sheet, with over \$2 billion more shareholder capital than required by our regulatory authorities.

That is very important to us because it is the key underpin of our brand and customer promise. Maintaining that strength and security, so the people who depend on us can be secure, has been a big focus of ours through the turmoil of the GFC and its aftermath.

Thanks to our merger with AXA, we have significant scale, market-leading products and number one positions in our key market segments.

We are solidly placed, but we know we cannot afford to be complacent. To maintain and build on our position, we need to continually change and transform ourselves, because the world around us is changing rapidly, and our customers are demanding more and different things from us.

Business performance

You can see both the strength of our competitive position and the impact of this changing world in our 2013 financial results.

It was a year of many successes, but also some significant challenges.

2013 was our best year for net cashflows since before the GFC, with \$2.2 billion in our Australian wealth management business, and we had record results from AMP Bank.

Those trends have continued into the first quarter of this year, with growth in both wealth management net cashflows and our mortgage book.

We also grew our financial adviser franchise in 2013, cementing our position as the largest advice network in Australia and New Zealand, with around 4,400 advisers.

We completed our integration with AXA and we successfully delivered on all the changes required in our business by new regulation; and we continued to expand our investment management business in Japan and China.

But these many achievements were offset by real challenges in the life insurance business, where higher than expected claims and policy lapses significantly reduced profits in that part of our business.

These are problems that everyone in the industry is grappling with.

It is happening because people are changing the way they think about and use personal insurance, like life insurance and income protection.

People are shopping around much more than ever before, and changing policies more frequently. As households come under financial pressure, more people are reducing their insurance cover or cancelling their policies altogether.

People are making more frequent claims across all types of policies and the cost of these claims is increasing, partly because in tougher economic times, it takes longer to get people back to work.

Insurance has always been a cyclical business, but some of these changes in customer behaviour and expectations are not part of a normal business cycle. They are new, and they could be permanent.

That is why we believe the existing business model for personal insurance in Australia needs to change.

As the leading personal insurance company in the market, we are putting huge efforts into resolving these issues and developing new products that work more

naturally with how people think and behave.

So far, in the first quarter of the year, our experience of both insurance claims and policy lapses has been broadly in line with what we expected.

We know that improved claims management can make a material difference to our profits and that is a very big area of focus for us.

We recognise that restoring the profitability of this business will be a significant challenge, and it will not be achieved quickly or easily, but we are confident we have the size, the expertise and the capability to deliver a much better performance in this part of our business over the medium term, for the benefit of our shareholders and our customers.

Strategy for growth

The techniques and approaches we are using to re-engineer our insurance business are part of the new strategic focus at AMP that Simon outlined.

We are re-orientating ourselves around the changing customer behaviour we see, to understand better what customers now want and need, and to deliver it in a way they value.

We believe a stronger customer focus will ensure we stay close to customers in a rapidly changing market, compelling us to become more agile and responsive, and improving our operating resilience, no matter what the market conditions.

So we have begun a comprehensive program to transform our core Australian business:

- to broaden our channels so that customers can access us more easily, in more ways
- to redesign our advice business, so that we can provide more people with the financial advice they need and want
- to invest in data analytics so we target high value customer segments more efficiently and effectively
- and to develop new design capabilities built on how people actually behave.

We know that doing this well will deliver real value to our shareholders. For example, better targeting delivers lower customer acquisition costs, and better designed products and solutions mean we deliver better value propositions to a broader range of customers who are more loyal and buy more from us.

All this means more satisfied customers and stronger revenue growth.

At the same time as driving top line growth, we are also improving the efficiency of our business, to ensure we capture the full benefit of this growth.

So, we are investing \$320 million over the next couple of years to take \$200 million out of our cost base by 2016.

This will allow us to meet our customers' expectations about value for money, while also reinvesting in new customer solutions and delivering better returns to shareholders.

We will also continue our targeted offshore growth through our investment management business, AMP Capital.

Our strategy here is to build partnerships with national champions in key Asian markets and target pension funds, both here and overseas.

We now have very powerful partners in two of the largest savings markets in the world – Japan and China.

In Japan, our partner is a leading trust bank called MUTB, which is part of the Mitsubishi Financial Group. Through this partnership, we have access to 80 per cent of Japan's institutional investors and 14 per cent of the country's retail and high net worth banking networks.

In China, our partner is China Life, the largest listed insurance company in the world.

With this partner, we moved quickly last year to take advantage of changing regulations around funds management in the Chinese market, and were the first to bring a new mutual fund to the market under these regulations. In January this year, that fund raised over \$2 billion in its opening offer.

We are delighted with how our relationships with China Life and MUTB have grown and developed, and the early successes we have seen.

Conclusion

Our growth strategy is focused on the Australian wealth management market, where we are already well positioned, because it is big and growing.

We need to transform our core Australian business to capitalise on this growth, by focusing more intently on our customers and making our business more efficient.

At the same time, we are taking a longer-term view on growth by investing selectively in Asia and internationally, taking a low capital, low-risk approach.

In essence, our strategy is about people and how we can help them. I have been working at AMP for more than a decade now and while many things have changed in that time, the one factor that remains unchanged is our sense of purpose: that we are here to help people live better lives.

That is what we call our promise: helping people own their tomorrow, to feel secure and look forward to the future with confidence, because we have helped them solve their big financial issues: owning their home sooner; ensuring they have saved enough money for a comfortable retirement; and helping protect themselves and their families in case of tragedy or tough times.

That is what we do for many people today. Our new strategy is all about making sure we do this, more consistently, for many, many more people.

I know that, when we do this successfully, consistently, for more people, we will drive stronger growth and profitability for our business, and better returns for our shareholders.

[Ends]