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AMP Limited reports A\$672 million net profit for FY 13

AMP Limited has reported a net profit of A\$672 million for the year to 31 December 2013, compared with A\$689 million for FY 12.

Underlying profit for FY 13 was A\$849 million compared with A\$950 million for FY 12¹.

Underlying profit benefited from strong growth in Wealth Management, AMP Bank, Mature and New Zealand, offset by the challenging life insurance environment and a decline in investment income on shareholder funds.

The board has declared a final 2013 dividend of 11.5 cents per share, the same as the 2013 interim dividend. This represents a full year payout ratio of 80 per cent of underlying profit and is within AMP's target payout range of 70 to 80 per cent of underlying profit. The dividend will be 70 per cent franked with the unfranked amount being declared as conduit foreign income.

Shareholders will be invited to participate in AMP's dividend reinvestment plan (DRP) however no discount will be applied to the DRP allocation price and the shares will be acquired on-market.

The board reviews its approach to the DRP every six months as part of its review of AMP's capital position.

AMP remains strongly capitalised with capital resources of A\$2.1 billion above minimum regulatory requirements at 31 December 2013, up from A\$1.7 billion at 30 June 2013, reflecting retained profits and A\$325 million raised through the AMP Notes 2 retail subordinated debt issue. Subject to APRA approval, it is intended that the 2009 issued AMP Notes of A\$266 million be redeemed for cash in May 2014.

¹ Prior period comparisons restated in accordance with changes in accounting standards.

AMP Chief Executive Craig Meller said that while AMP has delivered strong underlying earnings growth across the majority of its business units, the result has clearly been impacted by the ongoing challenges facing the life insurance sector.

Excluding Wealth Protection, AMP achieved an average 15 per cent earnings growth across the company compared with FY 12. This reflects particularly strong sales momentum in Wealth Management, improved net interest margin in AMP Bank, improved investment returns in the closed Mature business and strong cost management across the group.

Performance against key measures

- **Underlying profit:** A\$849 million for FY 13, down 11 per cent compared with FY 12.
- **Cost to income ratio:** 49.4 per cent for FY 13, up from 47.3 per cent for FY 12² reflecting improved cost control offset by lower income, particularly in the Wealth Protection business. Controllable costs fell 2.6 per cent on FY 12.
- **Growth measures:**
 - AMP Financial Services (AFS) net cash flows were A\$1.3 billion, up from A\$308 million for FY 12³ reflecting strong flows from the Australian Wealth Management business.
 - AMP Capital external net cash outflows were A\$1,039 million compared with net cash outflows of A\$1,784 million in FY 12. This improvement was largely driven in 2H 13 by strong inflows into infrastructure assets and a slow-down in Japanese net outflows.
 - AFS value of risk new business was A\$116 million, compared with A\$203 million for FY 12, reflecting the challenging life insurance environment.
- **Underlying return on equity:** 10.7 per cent, down from 12.7 per cent FY 12⁴ reflecting higher capital held to meet new prudential requirements, lower Wealth Protection profits and lower investment income earned on shareholder capital as a result of lower short-term interest rates.

Wealth Management, AMP's largest business unit, delivered an increase in operating earnings of 16 per cent, reflecting stronger net cashflows and improved investment markets leading to 14 per cent growth in average assets under management (AUM). Margins in the wealth management business declined 4 basis points to 121 basis points which is within AMP's market guidance.

The life insurance sector remains challenging with insurance claims and policy lapses remaining at higher levels than the long term average.

AMP has undertaken a comprehensive review across all aspects of its life insurance business and researched global best practice, and as a result launched a series of initiatives that are expected to improve claims and lapse experience over the medium term.

"We're already seeing the benefit of working more closely with our customers to help them get back to work after illness or injury, improving the financial outcome for both our customers and

² Prior period comparisons restated in accordance with changes in accounting standards and a reclassification of costs. See pages 15, 19 & 39 of the FY 13 Investor Report for more details.

³ Prior period comparatives changed following changes in reporting for SMSF. See pages 20-23 of FY 13 Investor Report for details.

⁴ Prior period comparisons restated in accordance with changes in accounting standards. For more information see page 39 of FY 13 Investor Report.

AMP. We're also investing in new systems and data analytics that will improve claims management performance over the medium and long term.

"As market leader, AMP has the scale, capacity and executional capability to continue to deliver quality life insurance products that provide Australians with much needed security in a market that is changing. And, we play an important role in helping people understand the fundamental difference life insurance can make in the lives of Australians," Mr Meller said.

The benefits of a stronger AMP with the advantages of scale and operational capacity are becoming evident as the company capitalises on improving investment markets and a rebound in the level of discretionary superannuation contributions.

Key highlights

- **AMP Bank delivered record profit of A\$83 million** – up 34 per cent on FY 12 reflecting ongoing growth in home loan customers and lower funding costs.
- **Strong AFS net cashflows of A\$1.3 billion** – net AFS cashflows up from A\$308 million FY 12. Cashflows into the Australian wealth management business unit almost tripled to \$2.2 billion from A\$821 million FY 12.
- **North platform cashflows almost doubled to A\$4.1 billion** – now with A\$10 billion AUM, a fivefold increase since AMP acquired North in 2011 as part of the AXA merger. North's success demonstrates this wrap platform's appeal and quality, including fast online technology and access to a broad range of quality investments.
- **AMP SMSF administration established as market leader** – following both organic growth and a number of strategic acquisitions aimed at delivering scale and efficiency, AMP is now focused on broadening distribution reach, developing advice capabilities and developing quality investment products tailored for the SMSF market.
- **86 per cent and 67 per cent of AMP Capital funds met or exceeded client performance targets over one and three years respectively** – representing improved investment performance.
- **New Zealand operating profit up 19 per cent** – buoyed by strong cost management, improved life insurance experience and a stronger New Zealand dollar.

Growth strategy

"With the AXA integration now complete, and most of the significant regulatory changes largely implemented, AMP's strategy remains to focus on the attractive A\$2.2 trillion Australian wealth management market; transform the core of the Australian business to a more customer-centric model; reduce costs to maintain market-leading efficiency and to continue to invest selectively internationally, with a focus on high growth Asian markets.

"We made considerable progress against our growth strategy in 2013. The pathway to a more customer-centric organisation is clear and work is underway on improving multi-channel access, diversifying advice models and better using data to drive customer offers," Mr Meller said.

As announced in August 2013, AMP expects to deliver A\$200 million pre-tax recurring, run-rate cost savings by the end of 2016. AMP expects to invest A\$320 million (pre-tax) over the next three years to deliver these efficiencies.

Our commitment to investing in selective growth opportunities in Asia is providing returns through the successful launch of a A\$2.2 billion mutual fund by our joint venture with China Life and the further development of our relationship with MUTB in Japan,” Mr Meller said.

AMP established its joint venture with China Life during the year and is now well-positioned to participate in China’s rapidly growing mutual fund investment market. AMP Capital further deepened and broadened its relationship with MUTB and now offers two institutional funds and three retail funds through MUTB’s extensive distribution network with AUM of more than A\$570 million.

Important note:

Forward-looking statements in this release are based on AMP’s current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP’s control and could cause actual results to differ materially from those expressed or implied. They are not guarantees or representations of future performance, and should not be relied upon as such.

Attached below are AMP Limited’s FY 13 financial summary, and for the quarter ending 31 December 2013 AMP Financial Services’ cashflows and AMP Financial Services and AMP Capital AUM.

For more information:

Shareholders are invited to join a live webcast of the investment analyst briefing at 12.30pm today by visiting www.amp.com.au/shareholdercentre/webcasts.

A replay of the presentation will also be available shortly after the briefing has concluded. 

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Financial summary

A\$m	FY 13	FY 12
Profit and loss		
Australian wealth management	330	285
AMP Bank	83	62
Australian wealth protection	64	190
Australian mature	178	167
New Zealand	97	73
AMP Financial Services	752	777
AMP Capital	99	99
BU operating earnings	851	876
Group Office costs	(62)	(66)
Total operating earnings	789	810
Underlying investment income	135	226
Interest expense on corporate debt	(75)	(86)
Underlying profit	849	950
Other items	(2)	21
AXA integration costs	(57)	(128)
Business efficiency program costs	(39)	-
Amortisation of AXA acquired intangible assets	(91)	(99)
Profit before market adjustments and accounting mismatches	660	744
Market adjustment – investment income	2	(12)
Market adjustment – annuity fair value	27	(9)
Market adjustment – risk products	(5)	(4)
Accounting mismatches	(12)	(30)
Profit attributable to shareholders of AMP Limited	672	689

Q4 13 Cashflows

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12
Australian wealth management						
AMP Flexible Super ¹	1,617	1,327	1,073	768	544	559
North ²	2,222	1,386	981	478	1,241	908
Summit, Generations and iAccess (including Assure) ³	506	510	942	894	(436)	(384)
Flexible Lifetime Super (superannuation and pension) ⁴	556	529	1,045	1,190	(489)	(661)
Other retail investment and platforms ⁵	101	81	154	164	(53)	(83)
Total retail on AMP platforms	5,002	3,833	4,195	3,494	807	339
SignatureSuper and AMP Flexible Super - Employer	653	614	501	302	152	312
Other corporate superannuation ⁶	390	424	506	486	(116)	(62)
Total corporate superannuation	1,043	1,038	1,007	788	36	250
Total retail and corporate super on AMP Platforms	6,045	4,871	5,202	4,282	843	589
External platforms ⁷	519	600	785	908	(266)	(308)
Total Australian wealth management	6,564	5,471	5,987	5,190	577	281
Australian wealth protection						
Individual risk	348	343	147	153	201	190
Group risk	85	79	82	56	3	23
Total Australian wealth protection	433	422	229	209	204	213
Australian mature	158	151	543	598	(385)	(447)
Total Australia	7,155	6,044	6,759	5,997	396	47
New Zealand						
KiwiSaver	126	88	68	53	58	35
Other ⁸	175	190	221	247	(46)	(57)
Total New Zealand	301	278	289	300	12	(22)
Total AFS cashflows	7,456	6,322	7,048	6,297	408	25

Channel Analysis (A\$m)	Net Cashflows ⁹		AUM		Adviser Numbers	
	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12
AMP Financial Planning	358	140	49,015	43,091	1,706	1,616
Horizons	(4)	(3)	824	689	142	120
Hillross	99	14	11,856	9,606	367	337
Charter Financial Planning & Futuro Financial Services	155	89	15,528	13,113	934	865
Jigsaw advisers	(13)	(15)	1,021	1,014	171	234
ipac group advisers and Tynan Mackenzie	(86)	(36)	8,507	7,427	176	168
Genesys group advisers	29	(45)	3,533	3,330	219	239
Direct (including corporate superannuation)	39	129	10,317	8,645	-	-
Centrally managed clients and other	35	(83)	9,268	9,480	30	40
3rd party distributors	(216)	(143)	13,169	12,293	-	-
SMSF Advice ¹⁰	-	-	-	-	57	17
Total Australia	396	47	123,038	108,688	3,802	3,636
New Zealand	12	(22)	12,201	10,305	604	640
Total AFS	408	25	135,239	118,993	4,406	4,276

¹ AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

² North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

³ Summit and Generations are owned and developed platforms. iAccess and Assure are ipac badges on Summit.

⁴ Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes is included.

⁵ Other retail investment and platforms include Flexible Lifetime - Investments, AMP Personalised Portfolio and Synergy.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

⁷ External platforms comprise Asgard, Macquarie and BT Wrap platforms.

⁸ Other New Zealand cashflows include New Zealand wealth protection, mature and non-KiwiSaver wealth management.

⁹ Q4 12 net cashflows have been restated to reflect changes in customer channels.

¹⁰ Reported AFS net cashflows and AUM exclude AMP SMSF.

Q4 13 AUM¹

AUM (A\$m)	Q3 13		Q4 13 Net cashflows			Total net cashflows	Other movements ²	Q4 13 AUM
	AUM	Superannuation	Pension	Investment	Other			
Australian wealth management								
AMP Flexible Super	9,122	241	303	-	-	544	341	10,007
North	8,177	421	550	270	-	1,241	209	9,627
Summit, Generations and iAccess (including Assure)	14,514	(180)	(152)	(104)	-	(436)	433	14,511
Flexible Lifetime (superannuation and pension)	24,661	(280)	(209)	-	-	(489)	937	25,109
Other retail investment and platforms	3,287	(29)	(26)	2	-	(53)	73	3,307
Total retail on AMP platforms	59,761	173	466	168	-	807	1,993	62,561
SignatureSuper and AMP Flexible Super - Employer	10,807	145	7	-	-	152	443	11,402
Other corporate superannuation	12,759	(116)	-	-	-	(116)	359	13,002
Total corporate superannuation	23,566	29	7	-	-	36	802	24,404
Total retail and corporate super on AMP platforms	83,327	202	473	168	-	843	2,795	86,965
External platforms	13,336	(100)	(163)	(3)	-	(266)	456	13,526
Total Australian wealth management	96,663	102	310	165	-	577	3,251	100,491
Australian wealth protection								
						204	(204)	
Australian mature	22,576	(166)	(58)	(38)	(123)	(385)	356	22,547
Total Australia	119,239	(64)	252	127	81	396	3,403	123,038
New Zealand								
KiwiSaver	2,444	58	-	-	-	58	131	2,633
Other	9,119	(6)	(1)	(42)	3	(46)	495	9,568
Total New Zealand	11,563	52	(1)	(42)	3	12	626	12,201
Australian wealth management - AMP SMSF³								
Assets under administration	12,736						3,780	16,516
Total AUM	143,538	(12)	251	85	84	408	7,809	151,755
Australian wealth management - AMP Bank by product								
Deposits (Supercash, Super TDs & Platform TDs)	4,841						(391)	4,450
Deposits (retail)	4,046						245	4,291
Loans	12,886						436	13,322

¹ Reported AUM excludes shareholder capital.

² Other movements include fees, investment returns, taxes, as well as foreign currency movements on New Zealand AUM. For Australian Wealth Protection this includes the reversal of net cashflows which are not included in AUM.

³ AMP SMSF includes Multiport, Cavendish, SuperIQ, YourSMSF and Ascend administration platforms. SuperIQ is 49% owned by AMP, however 100% of assets under administration are included.

Q4 13 AUM and API summary

AUM (A\$m)	Q3 13 AUM	Q4 13 AUM
Australian wealth management - AUM by product		
Superannuation	59,002	61,265
Pension	26,043	27,249
Investment	11,618	11,977
Total	96,663	100,491
Australian wealth management - AUM by asset class		
Cash and fixed interest	31%	30%
Australian equities	35%	35%
International equities	23%	24%
Property	6%	6%
Other	5%	5%
Total	100%	100%
AUM summary (A\$b)		
Australian wealth management		
Closing AUM	96.7	100.5
Average AUM	94.8	98.8
Asset Management		
AMP Capital		
Closing AUM	135.9	140.2
Average AUM	134.1	138.0
Risk insurance Annual Premium Income - API (A\$m)		
Australia		
Individual lump sum	1,030	1,029
Individual income protection	416	419
Group risk	371	366
New Zealand		
Individual lump sum	222	229
Individual income protection	47	48
Group risk	35	36
Total	2,121	2,127