

**ADDRESS BY AMP CEO CRAIG MELLER
TO THE AMP ANNUAL GENERAL MEETING
7 MAY 2015**

Introduction

Thank you Simon.

Good morning ladies and gentlemen.

2014 was a year in which AMP continued to make significant changes to our operations, so we can help our customers own tomorrow and build greater value for our shareholders.

The strategy we committed to almost two years ago is leading to a business that's leaner and more efficient, with a re-oriented focus toward its customers. It's a business that's better able to deliver value to both customers and shareholders.

AMP has long occupied a leading position in the Australian and New Zealand markets – markets with strong fundamentals and enormous potential.

However, long-term success in these markets against a backdrop of shifting economic, social and technological trends – to which Simon referred – requires a new approach.

That new approach is gradually bringing to life a refreshed AMP, and a new and better experience for our customers.

And we have done this while delivering a strong set of results in 2014.

Business performance

AMP continues to be Australia's leading, independent wealth management company in a \$2.4 trillion market¹ – with a superannuation sector forecast to double in size by 2024².

Your company's underlying profit for the full year 2014 was \$1.05 billion, up from \$849 million in 2013.

All our contemporary businesses contributed to this 23% lift in profit.

Earnings and assets under management continued to grow, cashflows were strong, and we managed our costs tightly.

The recovery in our insurance business continued, and we are now focusing on ensuring the sustainability of the changes we have made to that business.

¹ Australian Bureau of Statistics Managed Funds Report, Managed Funds Industry, Sep 2014

² *Dynamics of the Australian Superannuation System, The next 20 years: 2013 – 2033*, Deloitte, Sep 2013; and AMP modelling

AMP Capital's earnings grew strongly, the result of good cashflows and investment returns.

Our overseas activities, through AMP Capital, are making an ever greater contribution to our revenues.

Our partnerships with China Life and MUTB in Japan are not only generating good cashflows, but also leading to product innovation and knowledge sharing.

AMP Bank's earnings grew by 10%, and our New Zealand and Mature businesses also posted solid results.

We continued to successfully embed changes in response to shifts in regulation that have brought about significant change in the superannuation and advice industries.

We also continued with our business efficiency program, which – by next year – will see us having invested \$320m to reduce our annual costs by \$200m on an ongoing basis. The money we're saving – and the savings yet to come – will be used to fund initiatives that will drive real growth in shareholder value.

And today we announced our first quarter cashflows, which I'm pleased to say continue to demonstrate we're executing our strategy well.

Cashflows from our contemporary businesses were encouraging and assets under management continued to grow.

Customer focus

A "refreshed" AMP becoming increasingly focused on our customers is a simple way of describing a complex set of changes that are incrementally shifting perceptions of our company.

And we are beginning to see clear evidence our customers like what we are doing.

We are driving this customer focus in four ways.

One, we're creating better products and service solutions.

Second, we're radically improving the quality of our service in all areas of our business – that means, for example, improving our information systems so our customer service staff can more easily and efficiently resolve a customer issue.

Third, we're creating more and better ways for customers to deal with us – whether that's online, over the phone or through an adviser.

And fourth, we're redesigning the face-to-face advice model so we can reach more customers with this type of advice more often.

Face-to-face financial advice has always been at the heart of AMP – and that will continue to be the case.

Challenges in advice industry

But, as Simon mentioned, 2014 was a challenging year for the financial advice industry.

As the company with the largest network of financial advisers, we took proactive steps last year to give our customers an extra layer of certainty – above and beyond the certainty enshrined in regulation.

We increased education standards for advisers, introduced an industry-wide ethics program and established an advice review panel with an independent chair, which will act as a final review point for customers who have a concern about their advice.

We have a history of moving early and decisively when it comes to meeting new regulatory requirements with consumers' interests at heart.

AMP adopted a fee-for-service model across our superannuation, pension and investment products in July 2010, two years before it became a regulatory requirement to do so.

And in terms of remuneration for advisers recommending insurance solutions, change is also afoot.

As you heard from Simon, AMP has become the first company to announce changes in the way advisers will be remunerated for advising on insurance products.

We made these announcements last week to deliver better outcomes for customers and to go some way towards ensuring a sustainable future for the insurance industry in this country.

Changing the way we remunerate advisers in this area is complex, and that is largely due to the fact that insurance is not a product most people wake up in the morning with the intention of buying.

It's a solution that we describe as being "sold" more often than it's "bought".

Getting the process right so that more Australians are adequately insured is critical: the role the right insurance solutions play in a quality financial plan is an invaluable one.

We see the changes we have made as an initial step in the transition of remuneration for advisers in this area.

Value of advice and our business model

The reason we are working so hard and care so much about lifting standards in financial advice, and restoring consumer trust, is because we see the fantastic impact quality financial advice has on people's lives every day.

There's been a lot written and said about poor advice. But let me share with you what quality financial advice looks and feels like to me.

Many of you in the room may have a financial adviser, and may well know how the advice process works.

For those of you who don't, let me take a moment to describe it.

High quality advice starts with discussing with a client their life goals – and for those nearing retirement – what they want to do when they stop work.

Next, there's an assessment of the financial viability of achieving the clients' life goals, and a process of re-budgeting and planning to achieve a suitable post-retirement income without having a negative impact on short-term spending.

This then takes into account clients' attitudes to investment risk, and some risk management strategies. Then it's about asset allocation and product category selection.

And that's about 90% of the process – with no products selected yet.

With more products on the market for advisers to choose from – most of which are of great quality – I would argue that product selection is the least important component of high-quality financial advice.

And there is a real benefit to consumers when a company like AMP can comprehensively train its advisers, carefully understand the products people want, deliver both the advice and the products at scale, and cost-efficiently manage people's investments.

And that is why AMP maintains its commitment to an integrated business model, with quality financial advice at its centre.

Whether it's delivered, as is most of our advice, by an adviser in a face-to-face setting, over the telephone or via a website, it is the *essence* of AMP's business.

The business of AMP is:

- engaging and educating customers
- creating great products
- delivering quality financial advice
- and managing their financial affairs
- so we can help our customers enjoy better lives.

Integral to this is our commitment to customers: AMP stands behind its products and advice. This is something we've always been proud to do, and something we will continue to do.

Work to do

And, looking at our products and advice through a customer lens, we can see that the fundamentals are falling into place, but there's still a great deal of work to be done.

The aim of that work will involve reaching more people and building much deeper relationships with them.

This will require us to do four things.

One, make financial advice available to more people, in more places, more often.

Two, ensure the advice process consistently takes into account the way people want to live their lives, how they want to spend their time, what they value, and what they dream of doing.

Three, offer a broader range of products directly meeting a wide range of customer needs. Even if those products are sophisticated or bespoke, the key here is to make things as simple as possible for customers and strip away complexity at every opportunity.

And four, ensure customers who come to us, either directly or through one of our advisers, know how the process will work, feel comfortable, feel in control, feel knowledgeable and – most importantly – feel excited about tomorrow.

These four things will add up to more customers doing more business with AMP for longer. And therein lies the real value to you, our shareholders.

Conclusion

So, in conclusion, our business performance in 2014 was a strong one, and we were pleased to be able to deliver a higher dividend.

We are a strongly-positioned player in a robust and growing market. However, the world is changing, consumer expectations are changing, and AMP is changing too.

We've made great strides on our journey to become a company whose customers are at the centre of every decision we make. And I am incredibly pleased with the progress we have made in such a short time, but aware of how far we have to go.

Financial advice is woven into the fabric of AMP's past, and is critical to its future. We are doing more than any other company to ensure people seeking advice from an AMP adviser can take comfort in the fact that their adviser is held to rigorous standards of professionalism, and that the advice they receive is backed by us.

So our focus for the next 12 months and beyond is to build on our history of service by:

- offering more and different types of advice to more people
- honing our products so that what we take to market is what people want
- and making sure that every interaction a customer has with us – from updating their address, to seeing an adviser, to making a claim, to embarking on retirement – is an experience that delights them.

Because delighted customers do more business with us, stay with us longer, and so create more value for our shareholders.

It continues to be a tremendous privilege to lead this company, and I thank you for your support.

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