

**ADDRESS BY AMP CHAIRMAN SIMON McKEON AO
TO THE AMP ANNUAL GENERAL MEETING
7 MAY 2015**

2014 performance

The company had a very good year, but that's not just because of the hard work that was performed last year by many of our employees.

We delivered a good performance because of the long-term thinking and hard work that has taken place over a number of years.

We saw the potential of what we can achieve by being more customer centric, and the turnaround in our life insurance business is a great example of this.

AMP continues to be financially very strong, and at the end of last year, we had close to \$2 billion in capital above regulatory requirements. Craig will take you through what our businesses have achieved in more detail in a moment but, simply put, all of AMP's businesses performed well.

AMP's good year meant better results for you, our shareholders.

We increased the final dividend by 17% to 13.5 cents per share. This brought the total 2014 dividend to 26 cents per share, which is a payout of 74% of underlying profit.

Our share price has increased substantially, while our return on equity improved two percentage points to 12.7%¹.

All together, this has helped generate better total returns for our shareholders over the year.

Future trends

This performance has showed us very clearly that our new strategy is the right course for the company, and will drive stronger profitability if we continue to execute it well.

We take the view at AMP that strategy setting should be properly bedded in what we know, and so we continually learn from the past, act on the present and anticipate the future.

In addition to the honour of chairing the board of AMP, I've been humbled to serve as chairman of the CSIRO, where I've been in the privileged position of seeing work that can help us create a better future.

¹ Underlying return on equity.

One such piece of work is a snapshot of what our world will look like 20 years from now². It's meant to help us prepare for some very significant changes or, as CSIRO terms them – 'megatrends' – including:

- a diminishing supply of essential resources, like water, traditional energy sources and food
- a loss of biodiversity
- an ageing population
- a shift in the world's economic power from west to east – and north to south
- greater online connections between people, communities, businesses and governments
- and, increased demand from people for experiences, rather than physical products.

They should be of particular significance to business, and act as starting points for thinking about innovative ways to plan for the coming years and decades.

At AMP, these trends are helping us do just that, and have informed the strategic choices we've made about our future.

AMP strategy

Three trends in particular are influencing our strategy.

The **first** is the fact that our planet's population is ageing, and the impact of this continues to present an incredible growth opportunity for AMP.

In a little over a century, human life expectancy has almost doubled.

In our parents or grandparents' lifetimes, life expectancy was in the mid- 50s. Today, it is about 80 for men and 84 for women³.

This is possibly the most rapid evolution of any species in the history of the planet and, of course, one of humanity's great achievements.

Our strategy is to participate in this growth, by helping people live these longer lives in financial security. This is a very important responsibility, and one that I am particularly passionate about.

It is a responsibility that extends to AMP playing a leading role in ensuring appropriate financial security for the broader community, because an ageing population is not without its challenges.

While many measures have been put in place during the past decades to build Australia's world-leading retirement system, there is still a huge amount of work to be done before we can say as a nation that this issue is under control.

² Hajkowicz, Cook and Littleboy, 'Our Future World', CSIRO, 2012 revision.

³ Based on a boy or girl born in 2008-2010. Gender Indicators, Australia, January 2012, (cat no 4125.0), Australian Bureau of Statistics, Canberra.

We also recognise that financial security means different things to different people, and our strategy takes account of that.

We are focussed on attracting a younger demographic to AMP, who may not see financial security in the same way as their parents or grandparents.

Our younger generation may equate it with owning their home sooner, or planning for their kids' education. There will come a day when they look to retirement though, and it's our intention to have won them as a customer for life.

Winning more customers, and keeping more customers, means AMP must operate in very different ways compared to the past. This is why our strategy focuses intensely on what customers want from us.

This brings me to the **second** trend influencing our strategy, and that is the growing human desire for experiences, rather than products.

Research shows that more and more, we're putting our money toward travel, entertainment and education – experiences that make us feel good. In fact, psychology experiments found that people tend to feel happier after buying an experience, rather than a product⁴.

For business, this translates into an imperative to develop great service. Service that is unique and personalised – and makes us feel understood and good about what we're doing.

At AMP, there is no better example of this than the successful financial adviser and client relationship. This tailored, personal interaction is generally more satisfying than buying some sort of 'off the shelf' financial product – as good as that product may be.

What's more, the client walks out their adviser's door feeling better and more confident about their future.

Our strategy is to make all AMP's experiences this rewarding.

This means better understanding, and then providing, what our customers want from us and giving them more choices in how they interact with us. That's what we mean when we talk about customer centricity.

Having said this, we know there are people who have had a bad advice experience. There are some well-known cases that have featured in the press and that are simply unacceptable.

These experiences show that as an industry we must continually do more to improve advice professionalism, and ultimately rebuild the community's trust. I'll come to more on this shortly.

Finally, the **third** trend influencing our strategy is the shift in the world's economy.

⁴ Hajkowicz, Cook and Littleboy, 'Our Future World', CSIRO, 2012 revision, p 21.

During the next two decades, the world economy is expected to shift from west to east – and north to south.

The rise of Asia as an economic powerhouse is clear. China and India's economies are expected to continue growing steadily, as we move further into the Asian Century.

Meanwhile, economies in both South America and Africa will continue to develop.

In all these instances, we are seeing and will continue to see billions of people move out of poverty into a burgeoning middle class.

Australia's proximity to Asia, along with our strong economic and cultural ties, present our nation with a multitude of growth opportunities.

AMP's strategy is to tap into this growth, primarily through our investment management business, AMP Capital. Executing this strategy, which has taken considerable time and patience, is yielding results.

We have formidable and successful business partners in China and Japan – countries that are home to two of the biggest savings markets in the world⁵. Our investment management capabilities are increasingly being sought, particularly by Asian and European pension funds.

No doubt this economic shift places AMP in a promising position for growth.

Building trust

Underpinning our growth ambition, is work we're doing to rebuild consumer trust in the advice industry – because there are, without a doubt, very serious concerns about advice that need to be addressed and resolved.

It is important that we keep lifting the bar on advice professionalism.

Just last week we announced industry-leading change to the way our advisers are paid for advice in relation to life insurance. In a few moments, Craig will touch on other ways we've led industry change during the past few years.

We know an important part of being an industry leader is to acknowledge when we're wrong, because even with the best will in the world, sometimes things don't go the way we expect.

What's important, is that when things do go wrong, we fix it.

We always stand behind our advice. This means we put things right for the customer when there's wrongdoing or a mistake, and this provides consumers with a particularly strong safety net.

⁵ World Bank. (2013). *World Bank national accounts data*. Gross savings.

At AMP, our priority is to help people live better lives in a myriad of ways – from helping to budget, pay down debt, save for retirement or prepare for tough times. Our focus is much, much broader than mortgages and debt.

What we do will lead us to some extraordinary growth opportunities because as a whole, Australians are under-advised and under-insured, and so we have much to offer those who count on us.

AMP Board contributions

AMP's opportunities, along with the bigger issue of our ever changing world, is one of the constants we have around our board table.

We spend our time:

- building hypotheses
- deliberating strategy
- challenging ourselves
- and, monitoring our execution.

Your board has, I believe, a terrific mix of skills and experience to help us make informed calls on these issues.

I'd now like you to hear for yourself from our directors, and let them explain how they contribute to our thinking and make their individual contributions.

Many of you have told me how you enjoyed hearing from our directors at last year's AGM, when we had quite a few standing for re-election.

We've decided to repeat it this year, such that you'll hear from all of our directors, whether standing for re-election or not.

Directors' comments

It's humbling for me to be part of this group.

My role on AMP's board is not merely a job. It's more important than that. I get up on a day that is for me an 'AMP day' with excitement, interest and purpose.

I know that AMP has a very significant impact around this country, with its extraordinary community offering to ensure we have adequate financial futures.

Indeed, this is AMP's noble purpose, and it's humbling to be part of something that makes a real difference to so many people.

Conclusion

I remain optimistic that we will build on AMP's success, because your board and management team spend a lot of time thinking and then acting on how we can make this substantial and indeed iconic Australian organisation better.

I see many other people inside this company earnestly doing the same thing: trying to come up with the best solutions for our customers, shareholders, business partners and the community.

We've made significant progress during the past year, but as ever, we still have many things we need to improve and challenges to face.

Markets will remain unsettled, and our industry will continue to attract an intense level of political and community scrutiny.

The race, however, is always from here on.

We have extraordinary opportunities, right here, right now. We've got, I believe, the right people, the right structure and the right strategy. We've got the energy and the commitment.

We're keen to take AMP up to another level.

Thank you.

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