

**ADDRESS BY AMP CEO CRAIG MELLER
TO THE AMP ANNUAL GENERAL MEETING
12 MAY 2016**

Thank you Simon, and good morning ladies and gentlemen.

First, I wanted to acknowledge that it has been an absolute pleasure to work with you, and on behalf of AMP's management team and employees, I want to thank you for your contribution to the group over the last three years.

2015 was a good year for AMP: a year in which AMP demonstrated its strength and resilience, particularly when facing more challenging investment markets in the second half of the year.

We began to see strong growth potential from the strategy we committed to almost three years ago, with:

- the transformation of our Australian business showing early signs of success, and
- the continued expansion of our business internationally, particularly through our partnership with the world's largest life insurance company, China Life.

This progress is the result of the hard work of AMP's five and a half thousand employees, who I'd like to thank for their ongoing commitment to the group.

It is the combination of the right culture and the right strategy, executed with precision and efficiency, that will ultimately deliver strong customer outcomes and create long-term value for you, our shareholders.

This morning Simon outlined our thinking on culture and commitment to doing the right thing, and so I will focus on AMP's strategy and growth potential.

Let's start with a look at our business performance in 2015.

2015 business performance

AMP continues to be Australia's leading, specialist wealth management company in a \$2.6 trillion¹ market with enormous long-term growth potential.

We take great pride in being Australia's leading provider of financial advice, superannuation, life insurance and the administration of self-managed superannuation.

We are also one of the leading infrastructure managers in the world, and one of the largest direct property managers in the Asia Pacific.

¹ Australian Bureau of Statistics Managed Funds Report, Managed Funds Industry, December 2015

Our financial results for 2015 demonstrate AMP's strength – and resilience, particularly against the backdrop of more challenging sharemarkets in the second half of 2015.

Your company's underlying profit for the full year 2015 was \$1.12 billion, an increase of 7% on 2014.

Overall, our earnings and assets under management increased, cashflows were strong and we tightly managed costs, driving our cost to income ratio down to 43.8%.

This year we'll complete our three-year business efficiency program, which will deliver recurring cost savings of \$200 million a year (pre tax).

These savings will allow us to invest in our long-term growth, and this cost discipline ensures we remain competitive in the market and highly profitable.

The sharemarket volatility we saw in second half 2015 has continued into 2016. The first quarter cashflows we announced today are subdued as a result, as we have seen right across the industry.

As we have consistently flagged, we expected insurance claims experience to be volatile as we work to strengthen and fix our life business.

In the first quarter of this year, claims have been higher than expected. However, our claims change program is delivering improved business capabilities, and more importantly, better customer outcomes, and so we remain confident in our insurance strategy and the long-term outlook for this business.

In the past week, we have also seen the Government's proposed changes to tax on superannuation in the Federal Budget.

We support the Government's intent to define the purpose of the superannuation system, and to ensure the system is fair and equitable for everyone – but given the significance of the proposed changes, we would strongly urge a prolonged period of stability so that Australians' confidence in saving for retirement through super is not undermined.

For our customers, we expect that the proposals will significantly affect the plans and investment strategies of many of our clients.

We also expect that many people will now benefit from professional advice to optimise their savings and investments, so this will be a net positive for our advisers given the detailed nature of the Government's proposals.

AMP strategy

Turning now to our strategy to drive long-term growth.

AMP has continued to deliver short-term performance without sacrificing investment in long-term growth.

We've achieved this through the consistent execution of our strategy, which has four key objectives:

1. transforming our Australian business to be more customer centric
2. growing or strengthening our position in domestic markets where we see strong potential, or already enjoy a leading market position, and
3. growing selectively in Asia and internationally, primarily through AMP Capital.

Underpinning these growth goals is our:

4. relentless focus on efficiency and agility.

Taking each in turn and starting with the strategic objective **to become more customer centric**.

The Chairman has described how putting our customers' interests first underpins AMP's purpose and is an integral part of our DNA.

Delivering for our customers has always been core to our strategy, but for AMP today, being customer centric is about evolving to meet changing consumer expectations, particularly around technology and service.

Over the past two years, we've focused on building the foundations, and putting in place the core technology and infrastructure to make it easier and more convenient for customers to deal with us.

We've fundamentally transformed our digital capabilities, launching a new website, mobile apps and more recently, *My AMP*, a smart, online tool to help customers manage their total financial position easily.

We've also invested in leading edge data and analytics systems so that however a customer chooses to interact with us (be it online, over the phone or face-to-face with their adviser), we understand their financial position and are able to proactively help them achieve their goals.

As you will have seen from our new advertising, which was on screen prior to the meeting, we are re-shaping our entire business – our solutions, systems and processes – to be focused on helping our customers achieve their goals.

To date, we have designed innovative technology to help financial advisers work more efficiently with their customers to realise their goals. The combination of technology and a face-to-face conversation is a powerful motivator in helping customers realise their financial goals sooner.

We are testing and improving this experience and will gradually take it to scale for AMP advisers, and their clients, across Australia.

We are also designing products and solutions around the financial goals that matter most to our customers and will be launching four new solutions later this year.

Moving onto the second strategic objective, **growing in markets where we hold a strong position, or where there is very strong growth potential.**

AMP Bank is central to our customer strategy, with debt management and mortgage solutions a very important way that we help customers achieve their goals.

In the past six years, AMP Bank's contribution to our profits has tripled, and today it represents almost 10% of our operating profit.

Its return on equity is in line with larger competitors, and it has evolved to become a core part of our value proposition to customers and advisers.

We see significant potential to grow the bank further through both mortgage brokers and our own financial advisers, and this year, we'll launch a new banking solution that will help customers manage their money much more effectively.

We also see enormous potential in the **self-managed superannuation** sector.

This fast-growing market is expected to grow to more than \$2.5 trillion in the next 20 years².

We entered the SMSF market just four years ago, and since then we've grown our business into a market leader, with almost \$19 billion in assets under administration.

We are the number one provider of administration services, and in total, provide around 38,000 funds with both administration and software services through our re-launched SMSF business, SuperConcepts.

We'll continue to grow this business and use innovative technology to provide better services, at a lower cost, for customers.

In 2016, we will continue our focus on fixing and strengthening our **life insurance business**. The approach here is three-fold.

First, we are improving how we manage claims and lapses.

We are taking a significantly different and much more empathetic approach to managing claims; an approach that extends beyond paying a claim; to helping people rehabilitate and recover, so that they can get back to work.

We've introduced a new philosophy, processes, tools and capabilities in our income protection business and will roll these out to our lump sum business later this year.

At the start of the claims change program, we had advised that throughout this process the claims experience would continue to be volatile.

² *Dynamics of the Australian Superannuation System – The next 20 years: 2015-2035*, Deloitte Actuaries and Consultants, November 2015

Despite this ongoing volatility, we remain confident in our strategy and the longer-term outlook for the business.

Second, we are actively looking at a range of capital initiatives to improve the efficiency of this business, which includes the opportunity to consolidate our two insurance companies: AMP Life and The National Mutual Life Association, or NMLA (the former insurance arm of AXA).

Bringing the businesses together requires regulatory approvals. It will not impact policyholders' terms and conditions, but should ultimately release capital to shareholders.

Finally, we are developing a simpler insurance product aligned to the goal of helping people protect themselves, their loved ones; and their income.

The third strategic objective is about **international growth**.

In Asia, our focus is on the high-growth potential markets of China and Japan.

Our approach to doing business in these markets is unique in Australian financial services: it's based on forging partnerships with national champions.

Our connection to China is strong; we've had a presence there for almost 20 years.

For the past decade we've had the privilege of working with China Life – the world's largest listed life insurance group and a Fortune 500 company.

Three years ago, we formed our first joint venture together – China Life AMP Asset Management Company – which happened to be China Life's first funds management joint venture in mainland China with a foreign partner.

Today, it is one of the fastest growing asset management companies in China, managing RMB 70 billion, or around \$15 billion, for Chinese retail and institutional investors.

AMP was also the first foreign company in the world to take an ownership stake in a Chinese pension company with a 19.99% stake in China Life Pension Company (CLPC).

Now CLPC is the largest pensions company in China, with RMB 301 billion, or almost \$64 billion, in assets under management.

CLPC is in an exciting position for further growth, with the recent opening of part of China's pension market expected to deliver 12% compulsory superannuation contributions for some 40 million public sector employees going forwards.

In Japan, we continue to work with our partner Mitsubishi UFJ Trust and Banking Corporation (MUTB), one of Japan's largest trust banks, to develop and provide relevant investment products for investors.

Today, we manage 621 billion yen, or \$7 billion, for investors in that market, although conditions in Japan continue to be challenging.

More broadly, we are capitalising on the increasing demand from global pension funds and institutional clients for infrastructure and property assets, and fixed income opportunities.

Today, we manage \$17 billion for global investors.

Finally, our growth strategy is underpinned by a **relentless focus on efficiency and agility**. Retaining a rigorous focus on cost control ensures we remain competitive and enables us to continue to invest in long-term growth.

Conclusion

In conclusion, AMP is in a very strong position.

We have a clear strategy for long-term growth:

- with leading positions in the Australian and New Zealand wealth management markets underpinned by our focus on customer centricity
- strong partnerships in key Asian markets, exporting our core skills and expertise to new, high-growth geographies
- increasing global demand for our infrastructure, property and fixed income management skills, and
- a proven focus on efficiency.

Further, we have at our heart a strong social purpose that has stood the test of time, shapes our culture and drives us to do the right thing for customers.

Together, we believe this combination of strategy and culture will continue to deliver better outcomes for customers and better returns for shareholders in the long-term.

It is a very great privilege to lead AMP, and I would like to thank you for your continued support.

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