ADDRESS BY AMP CHAIRMAN CATHERINE BRENNER
TO THE AMP ANNUAL GENERAL MEETING
11 MAY 2017

It has been such a privilege to serve as director of your company for the past six years and, following a rigorous selection process, I was humbled to have been asked by my colleagues, to become Chairman.

I am very conscious of the tremendous honour and responsibility of chairing the Board of AMP.

For me, it is a very special organisation.

It was founded in 1849, as the then Australian colonies were emerging from economic depression.

A clergyman, an entrepreneur and a wool merchant devised a plan to form a provident society which would encourage people to provide for their present and future financial security.

They founded AMP on a simple, yet bold idea - that every person should be able to live their life with financial dignity.

Almost 170 years later, this idea remains the cornerstone of our organisation.
Today we call this ‘helping people own tomorrow’.

This strong sense of social purpose, born from our origins as a provident society, drives the AMP culture and underpins all we do.

As you saw in the video, each year, AMP helps over four million customers across Australia and New Zealand work towards achieving their financial goals.

In doing so, we serve as the steward of their financial futures.

That is a very important responsibility that both I and your board, treat very seriously.

Board renewal and introductions

Turning for a moment then to your board.

Since taking the chair some nine months ago, I have been honoured to lead a period of board renewal. We have deliberately sought to build and strengthen the board’s skills and experience aligned to the company’s strategy and to continue to improve board diversity.

For us, diversity extends well beyond gender, although we are proud to have met our target of 40% female representation on the board. At AMP, we believe in diversity of thought and we are working hard to ensure an appropriate mix of skills, ethnicity, styles, age and experience to support the delivery of the company’s strategy.

To this end, I am absolutely delighted with the depth and breadth of skills and experience in your new board, as today, we welcome a number of new directors.

As I mentioned, I am going to ask each of my fellow directors, whether they are standing for election or not, to say a few words to you, so you have a real sense of the people who act as your representatives. We will then deal with the formal election and re-election of the directors, later in the meeting at item 2.

I am very confident that we have in place a strong board with not only wonderful and relevant collective expertise but also great passion for AMP and its noble purpose and a genuine commitment to drive stronger returns to shareholders.

Your board and management are acutely aware that there is a long-held perception that AMP has never quite fulfilled its true potential.

Together, we are determined to fix this.

2016 business performance

To this end, both the Board and management acknowledge that the company's performance in 2016 was disappointing.

It was a very difficult year for AMP.

Good performances in most of our businesses were overshadowed by a significant loss in insurance.

Escalating claims volumes saw us take action to reset and stabilise this business. But the reset meant taking a large write-down in our insurance book, which, in turn, led to a net loss at the group level for 2016 of $344 million.

While the insurance write downs were largely non-cash, the results impacted investor sentiment and our share price.

Behind the headline numbers, we delivered good results in several areas, particularly AMP Bank, AMP Capital, and the New Zealand business, which all delivered operating earnings growth.

Our Australian Wealth Management business was also broadly resilient despite challenging market conditions and regulatory change.

Notwithstanding the insurance losses, the company remained financially strong and very well capitalised, finishing the year with more than $2.2 billion surplus capital above minimum regulatory requirements.

The extent of this financial strength and the Board and management's confidence in the future of AMP, meant that we were able to maintain our dividend at 28 cents per share and announce an on-market share buyback.

We began the buyback on 14 March, and have so far returned nearly $150 million to shareholders, by purchasing and then cancelling shares. All other things being equal, the buyback improves our earnings per share and is in the best interest of shareholders. So as things currently stand, this is our preferred way of using any excess capital.

Stepping back then, while 2016 was a challenging year in terms of performance, we did maintain a strong financial platform on which to take the business forward.
As a board and leadership team, we are absolutely united in our commitment and resolutely determined to drive stronger growth and improve returns to shareholders in 2017 and beyond.

Thematics shaping AMP's strategy

So, let's turn to look at the future.

The business environment is changing – and changing rapidly.

We are witnessing demographic, social, behavioural, regulatory and technological change all of which is actively influencing our strategic choices and shaping AMP's future.

The extent and pace of change creates both challenge and very real opportunities for AMP.

But five strong, positive thematics stand out:

The first is a global demographic shift and the undeniable fact that the world's population is ageing.

In a little over a century, human life expectancy has almost doubled[1].

Today, it is around 80 for men and nearly 85 for women[2].

In Australia, by 2064 there will be 9.6 million people (or 23% of the population) aged over 65 and 1.9 million people (some 5% of the population) aged over 85[3].

This has important consequences for how we manage our increasing longevity as a society, with profound implications on how we manage health and most importantly for AMP, wealth.

Some 30 years ago, as a nation, Australia showed great foresight in addressing this challenge introducing a superannuation system designed to incentivise and build a long-term savings culture.

[1] Max Roser (2017) – 'Life Expectancy'. *Published online at OurWorldInData.org.*
[2] Based on a boy or girl born 2013-3015. ABS 2014a, ABS 2016, Table S1
[3] ABS 2013. Population Projections, Australia, 2012 (base) to 2101. Cat. no. 3222.0 Canberra: ABS

As a result, today Australia is the third largest fund management market in the world and the Australian wealth management system holds $2.2 trillion[4] in assets – with the superannuation system expected to grow at around 6% over the next five years.

By any standards, this makes Australian wealth management an attractive growth market. And, AMP, as the market leader for superannuation and advice, it is exceptionally well placed to benefit from this mandated growth.

Coupled with this trend is the ageing of wealth.

As the population ages, the skew of wealth moves towards the older generation, who are living longer in retirement and therefore seeking yield to make their income last.

We see this trend as structural not cyclical and it is driving demand for expertise in alternative, real assets – specifically infrastructure and property.

These are higher margin, higher growth asset classes offering attractive returns for investors and higher growth for AMP.

Again, AMP is well placed to capitalise on this trend. We are among the top 20 global infrastructure managers in the world and are one of the largest property investment managers in the Asia pacific region.

The second and in fact somewhat linked thematic for AMP is the shift in the world's economy.

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. With China's economy, specifically, expected to grow as we move further into the Asian Century.

Australia's proximity to Asia, along with our strong economic and cultural ties, present our nation – and AMP specifically – with enormous growth potential.

To put this in context, Australia is not alone in facing the demographic challenge.

In the world's largest nation – China - the over 60's population is expected to more than double - to 440 million people by 2050. In the same timeframe, China also expects to have 100 million people over the age of 80[5].

Interestingly, in testament to the Australian system, China has chosen a very similar pensions and superannuation model to address their ageing population challenge. Importantly for AMP, through a patient, long-term approach, we have built a very strong partnership with a formidable business partner – China Life.

[4] APRA, Quarterly Superannuation Performance to December 2016.
[5] World Ageing Population 2009, United Nations, Department of Economic and Social Affairs (Population Division)

China Life, is the world's largest listed life insurer, with a pan-China presence and a network of some 2 million agents. Selected for our understanding and expertise in the Australian pensions and funds management market, AMP and China Life have formed two very successful joint venture companies – both of which are performing ahead of expectations:

- China Life AMP Asset Management, of which we own 15 per cent, has some $22.9b assets under management, is now the fastest growing fund manager in China – and therefore, arguably the world.

- And the China Life Pensions Company, of which we own 19.99 per cent, is the market leader for trustee services and in the top 3 for investment management.

The third trend is the impact of technology.

We are in an era where the rate of innovation and speed of technological change are unprecedented.

Technology is driving levels of change that some suggest has been greater in the last 10 years than over the last 100.

We are facing what futurists are calling the 'second machine age'[6] - a future where artificial intelligence, smart homes and driverless cars will re-shape how we live our day-to-day lives.

We believe that while technology is creating disruption it is also creating opportunity.

It is shifting customer demands, needs and expectations. It is both enabling and driving greater demand for transparency. And it is making the ability to interact easily and seamlessly with companies across multiple channels – the new norm.

Yet, harnessed intelligently, technology is simultaneously creating opportunity to drive far greater efficiency.

Behind the scenes, we have been quietly investing, building an innovative, technology-enabled, goals based operating system in our Australian business, leveraging state-of-the-art data and analytics systems allowing seamless customer omni-channel interaction.

And, we have fully embraced technology as a driver of cost efficiency. As an example, we were the first Australian company to move to the cloud – partnering with Amazon Web Services. This has reduced our IT infrastructure spend and enabled us to reduce delivery times for customers while keeping their data safe.

The fourth trend underpinning our strategy is the changing nature of consumer behaviour and specifically the growing human desire for experiences, rather than products.

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[6] Brynjolfsson, Erik and McFee, Andrew, The 2nd Machine age: Work, Progress and Prosperity in a time of…, 2014.

Research shows that increasingly, we're spending money on 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 product[7].

We have been reshaping our business to focus on differentiated, goals based experiences rather than products to stay-ahead of this trend.

The fifth trend revolves around regulation.

Post the global financial crisis, the financial services industry has come under intense scrutiny and the level of regulation has increased exponentially.

Since 2009, the Financial Services Council has recorded some 22 inquiries, reviews and investigations into the Australian banking and financial services sector with a further 17 currently underway. The cost to industry of reform and review over the last five years is estimated to be approaching some $3 billion[8].

AMP has always welcomed and supported regulatory reform that is in the best interests of customers.

We continue our long history of working with both regulators and the industry on improving outcomes and creating the policy of the future.

To us, regulation again presents both a challenge and an opportunity.

There is no doubt that the implementation of the Future of Financial Advice reforms and readying our advice network for the impending change to life insurance, educational standards and super reforms has been costly, time consuming and challenging.

But the investments we have made in automating and industrialising the back end advice processes mean we are well placed to capitalise on regulatory change and reinforce AMP as the natural home for advisers of the future.

In fact, we have been investing to address and stay ahead of each of these five trends.

But by their nature, these have been long-term investments:

- Investments in building a revolutionary new operating system – that will see us change the way we compete and win in wealth management in future.

- Investments in building partnerships in China and Japan which will broaden our geographic presence and scale – capturing meaningful growth in Asia;

- and investments in taking our in-house expertise in infrastructure and property management offshore.

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[7] Hajkowicz, Cook and Littleboy, 'Our Future World', CSIRO, 2012 revision, p 21.
[8] Financial Services Council, FSC Leaders Summit, 20 July 2016.

However, in light of 2016 performance, we've also taken steps to rebalance these investments in long-term growth with a far stronger focus on short-term performance – to deliver stronger returns to you – our shareholders – in both the short and long term.

Conclusion

So, reflecting for a moment and summing up.

2016 was undoubtedly a challenging year for AMP and we understand and acknowledge that many shareholders are disappointed with the short term result.

Your board and management are absolutely determined to drive stronger growth, deliver improved returns to shareholders and realise AMP's true potential.

To this end, we have been rebalancing investment in long-term growth with a far sharper focus on short-term performance. Craig will provide more detail on this shortly.

I would like to conclude by thanking Craig, his leadership team and the many thousands of dedicated people who work for AMP for their constant effort, enthusiasm, and commitment. I would also like to acknowledge my fellow directors for their passion and tireless commitment and most importantly, to thank you, our shareholders, for your continued interest and support.

Thank you.