

10 August 2017

## AMP reports 1H 17 results; announces new reinsurance agreements

- Underlying profit<sup>1</sup> A\$533 million in 1H 17, up 4 per cent (1H 16: A\$513 million), and net profit<sup>2</sup> of A\$445 million (1H 16: A\$523 million).
- Completion of reinsurance program delivers on strategy, with new arrangements to release approximately A\$500 million of capital from AMP Life (subject to regulatory approval) further reducing the capital intensity of the wealth protection business.
- Strong continued growth momentum in AMP Bank and AMP Capital.
- Australian wealth management resilient amid elevated margin compression; net cashflows rose 76 per cent to A\$1,023 million; growth in revenue from Advice and SMSF to accelerate from 2H 17.
- Australian wealth protection earnings increased 11 per cent to A\$52 million (1H 16: A\$47 million), reflecting steps taken to stabilise the business.
- Sustained cost management on track to deliver 3 per cent reduction in controllable costs (ex AMP Capital) by FY 17.
- Strong capital position with A\$1.9 billion over minimum regulatory requirements. Interim dividend increased to 14.5 cents a share, franked to 90 per cent.
- Underlying return on equity was 14.5 per cent in the half, up from 11.9 per cent at 1H 16.

### Wealth protection: reinsurance update

AMP today announced a series of new reinsurance agreements, delivering on its strategy to release capital from the Australian wealth protection business and reduce future earnings volatility.

Releasing approximately A\$500 million in capital from AMP Life (subject to regulatory approval), the new reinsurance agreements include:

- A new quota share agreement with General Reinsurance Life Australia Limited (Gen Re) to cover 60 per cent of the NMLA retail portfolio, which was merged with AMP Life on 1 January 2017.
- An extension to the existing agreement with Munich Reinsurance Company of Australasia Limited (Munich Re) to cover 60 per cent (up from 50 per cent) of the AMP Life retail portfolio.
- A new surplus cover agreement with Gen Re to assist in managing risk and volatility in individual retail claims.
- Recapture of 35 existing reinsurance treaties, simplifying AMP's overall reinsurance arrangements.

The new reinsurance agreements will commence on 1 November 2017 and, when combined with the first tranche of reinsurance completed in 2016, effectively means 65 per cent of AMP's retail life insurance portfolio will be reinsured for claims incurred from 1 November 2017.

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<sup>1</sup> Underlying profit is the basis on which the AMP Board determines the dividend payment and reflects the business performance of AMP. It is AMP's key measure of business profitability as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group.

<sup>2</sup> AMP's profit measures exclude MUFG: Trust Bank's (formerly MUTB) 15 per cent share of AMP Capital's earnings.

**AMP Chief Executive Craig Meller said:**

*In the first half, we've made good progress on the delivery of our strategy.*

*In wealth protection, we've completed a set of comprehensive reinsurance agreements, which will release capital from AMP Life and reduce earnings volatility.*

*We've continued to drive strong growth in the bank, growing above system while maintaining a conservative lending approach.*

*In wealth management, we've delivered a solid performance, managing margin compression effectively and showing our strength as the market leader for superannuation during a period of heightened market activity due to MySuper transitions.*

*And we've driven international growth with AMP Capital growing strongly and underlining its emerging reputation as a global leader in real estate and infrastructure investments with strong flows to these asset classes. Our partnerships in China are also performing well, growing both cashflows and assets under management.*

*Overall, it's a solid performance underpinned by strong cost management that steps us toward our strategy of transitioning to a higher-growth, capital-light business with a more internationally diverse revenue profile.*

**Business unit results**

Operating earnings (A\$ million)	1H 17	1H 16	% change
Australian wealth management	193	195	(1.0)
AMP Capital	92	83	10.8
AMP Bank	65	59	10.2
Australian wealth protection	52	47	10.6
New Zealand financial services	65	62	4.8
Australian mature	75	69	8.7

**Australian wealth management**

Australian wealth management operating earnings, down 1 per cent to A\$193 million, were resilient. The result demonstrates effective margin management during the final transitions to low-cost MySuper funds and amid significant activity across the superannuation industry. MySuper transitions completed in 1H 17 with margin compression expected to continue to be around 5 per cent this year.

Net cashflows were significantly higher in 1H 17, with stronger inflows from discretionary super contributions ahead of 1 July changes to non-concessional caps. The transition of corporate super mandates also supported inflows, with one mandate bringing more than 3,700 new customers to AMP. During the period, AMP paid A\$1.3 billion in pensions to help customers through their retirement.

AMP's flagship North platform performed well in 1H 17, with flows up 8 per cent and AUM up 13 per cent on FY 16. North now has more than A\$30 billion in assets under management.

To offset the impact of margin compression, AMP is targeting additional revenue growth from its Advice and SMSF businesses, which is reported in the Other revenue line. AMP expects Other revenue to increase by 10 per cent in FY 17, with growth in Advice and SMSF revenues emerging in

2H 17 and accelerating into 2018. This will support the delivery of AMP's target of 5 per cent overall revenue growth in Australian wealth management through the cycle.

### **AMP Capital**

AMP Capital delivered strong growth in operating earnings, up 11 per cent to A\$92 million, benefiting from good growth in fee income. External assets under management fees rose by 6 per cent to A\$132 million and non-AUM based management fees also increased, benefiting from growth in real estate development fee revenue.

External net cashflows increased to A\$2.4 billion, with significant cash inflows into fixed income and higher-margin real assets. Real assets proved popular with investors wanting exposure to leading infrastructure and real estate investments.

Delivering on its strategy to expand internationally, AMP Capital grew its number of direct international institutional clients from 199 at FY 16 to 252 in 1H 17 and now manages A\$10 billion in assets on their behalf. In China, AMP Capital's asset management joint venture, China Life AMP Asset Management (CLAMP), continues to grow rapidly with AUM increasing 22 per cent to RMB 141 billion (A\$27.1 billion) in 1H 17. Total AUM for China Life Pension Company, the pensions joint venture in which AMP owns a 19.99 per cent stake, grew 8 per cent to RMB 408.2 billion (A\$78.5 billion) in 1H 17.

At 30 June 2017, AMP Capital had A\$3.5 billion of committed funds available for investment including funds raised in its Infrastructure Debt Fund III (IDFIII), which has attracted strong international interest.

### **AMP Bank**

Strong growth momentum continued in AMP Bank, with operating earnings up 10 per cent to A\$65 million, driven by 17 per cent growth in lending to A\$18.8 billion. The bank maintained a conservative credit policy and asset quality remains high. Mortgage sales through AMP's aligned adviser channel increased 49 per cent on 1H 16. Net interest margin declined 4 basis points from 1H 16 but improved 4 basis points on 2H 16.

The cost to income ratio rose slightly to 29 per cent, with controllable costs increasing by A\$4 million reflecting ongoing investment to support growth. Lending growth in the bank is expected to moderate in the second half as the market adjusts to new regulatory requirements.

### **Australian wealth protection**

Actions undertaken in 2016 to stabilise and reset the business are working and have delivered an improved result. Operating earnings rose 11 per cent, with improved experience offsetting lower profit margins.

The announcement of further reinsurance agreements, completing the strategic reinsurance program, lessens exposure to retail claims volatility and will further stabilise wealth protection earnings. AMP continued to support customers during their time of need, paying A\$575 million in claims during the six months to 30 June.

### **New Zealand financial services**

Operating earnings, up 5 per cent to A\$65 million, reflect higher experience profits. AUM increased 6.9 per cent to A\$15.5 billion on positive markets.


A strong focus on cost management supported a reduction in controllable costs by 3 per cent to A\$38 million and improved the cost to income ratio by 1.4 percentage points to 27.2 per cent.

### **Australian mature**

Operating earnings are up A\$6 million from 1H 16 to A\$75 million due to strong markets, lower controllable costs and improved experience.

### **Capital and dividend**

AMP's capital position remains strong, with level 3 eligible capital resources A\$1,887 million above minimum regulatory requirements at 30 June 2017, down from A\$2,195 million at 31 December 2016. The reduction largely reflects capital returned to shareholders through an on-market share buy back and investment in business growth during the period. The new reinsurance agreements are expected to release up to an additional A\$500 million from AMP Life (subject to regulatory approval).

The interim dividend has been increased to 14.5 cents per share, franked at 90 per cent. The 1H 17 dividend payout is within AMP's stated target range of 70 to 90 per cent of underlying profit. 

More detailed information on the 1H 17 result is available in the 1H 17 investor report and presentation, both accessible at [shareholdercentre.amp.com.au](http://shareholdercentre.amp.com.au).

### **Media teleconference**

A conference call for media with Craig Meller (CEO) and Gordon Lefevre (CFO) will be held at 9.15am (AEST) today, 10 August 2017. Dial in details:

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## Q2 17 cashflows

### Australian wealth management

Australian wealth management	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16
North <sup>1</sup>	5,727	3,998	(3,886)	(2,154)	1,841	1,844
AMP Flexible Super <sup>2</sup>	1,598	1,442	(1,618)	(1,306)	(20)	136
Summit, Generations and iAccess <sup>3</sup>	786	441	(1,255)	(809)	(469)	(368)
Flexible Lifetime Super (superannuation and pension) <sup>4</sup>	669	630	(976)	(921)	(307)	(291)
Other retail investment and platforms <sup>5</sup>	78	55	(96)	(679)	(18)	(624)
<b>Total retail on AMP platforms</b>	<b>8,858</b>	<b>6,566</b>	<b>(7,831)</b>	<b>(5,869)</b>	<b>1,027</b>	<b>697</b>
SignatureSuper and AMP Flexible Super - Employer	1,508	852	(649)	(637)	859	215
Other corporate superannuation <sup>6</sup>	475	458	(660)	(528)	(185)	(70)
<b>Total corporate superannuation</b>	<b>1,983</b>	<b>1,310</b>	<b>(1,309)</b>	<b>(1,165)</b>	<b>674</b>	<b>145</b>
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>10,841</b>	<b>7,876</b>	<b>(9,140)</b>	<b>(7,034)</b>	<b>1,701</b>	<b>842</b>
External platforms <sup>7</sup>	608	365	(1,087)	(834)	(479)	(469)
<b>Total Australian wealth management</b>	<b>11,449</b>	<b>8,241</b>	<b>(10,227)</b>	<b>(7,868)</b>	<b>1,222</b>	<b>373</b>

Australian wealth management cash inflow composition (A\$m)	Q2 17	Q2 16
Member contributions	2,075	1,079
Employer contributions	1,253	1,252
Total contributions	3,328	2,331
Transfers, rollovers in and other <sup>8</sup>	8,121	5,910
<b>Total Australian wealth management</b>	<b>11,449</b>	<b>8,241</b>

<sup>1</sup> North is a market-leading fully-functioning wrap platform, which includes guaranteed and non-guaranteed options.

<sup>2</sup> AMP Flexible Super is a flexible all-in-one superannuation and retirement account for individual retail business.

<sup>3</sup> Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.

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

<sup>5</sup> Other retail investment and platforms include Flexible Lifetime - Investments, AMP Personalised Portfolio and Synergy. The Synergy platform was closed in Q2 2016, with customer accounts transferred to North.

<sup>6</sup> Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

<sup>7</sup> External platforms comprise Asgard, Macquarie and BT Wrap platforms.

<sup>8</sup> Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (e.g. retail superannuation to allocated pension/annuities) and external products.

Australian wealth management	Q1 17	Q2 17 Net cashflows			Total net cashflows	Other movements <sup>1</sup>	Q2 17
AUM (A\$m)	AUM	Superannuation	Pension	Investment			AUM
North	28,665	1,312	204	325	1,841	18	30,524
AMP Flexible Super	16,129	323	(343)	-	(20)	220	16,329
Summit, Generations and iAccess	12,120	151	(526)	(94)	(469)	65	11,716
Flexible Lifetime Super (superannuation and pension)	23,883	(80)	(227)	-	(307)	294	23,870
Other retail investment and platforms	2,482	-	-	(18)	(18)	16	2,480
<b>Total retail on AMP platforms</b>	<b>83,279</b>	<b>1,706</b>	<b>(892)</b>	<b>213</b>	<b>1,027</b>	<b>613</b>	<b>84,919</b>
SignatureSuper and AMP Flexible Super - Employer	16,469	847	12	-	859	194	17,522
Other corporate superannuation	12,814	(185)	-	-	(185)	140	12,769
<b>Total corporate superannuation</b>	<b>29,283</b>	<b>662</b>	<b>12</b>	<b>-</b>	<b>674</b>	<b>334</b>	<b>30,291</b>
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>112,562</b>	<b>2,368</b>	<b>(880)</b>	<b>213</b>	<b>1,701</b>	<b>947</b>	<b>115,210</b>
External platforms	10,227	34	(335)	(178)	(479)	87	9,835
<b>Total Australian wealth management</b>	<b>122,789</b>	<b>2,402</b>	<b>(1,215)</b>	<b>35</b>	<b>1,222</b>	<b>1,034</b>	<b>125,045</b>
<b>Australian wealth management - SuperConcepts<sup>2</sup></b>	<b>22,472</b>					<b>92</b>	<b>22,564</b>
Assets under administration							

<sup>1</sup> Other movements include fees, investment returns and taxes.

<sup>2</sup> SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms but does not include Multiport Annual, BPO Connect and JustSuper.

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Australian wealth management	Q1 17	Q2 17
<b>AUM summary (A\$b)</b>	<b>AUM</b>	<b>AUM</b>
<b>AUM by product</b>		
Superannuation	71,786	74,783
Pension	36,475	35,596
Investment	14,528	14,666
<b>Total</b>	<b>122,789</b>	<b>125,045</b>
<b>AUM by asset class</b>		
Cash and fixed interest	31%	31%
Australian equities	32%	31%
International equities	25%	26%
Property	6%	6%
Other	6%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Australian wealth management	Q1 17	Q2 17
<b>AUM summary (A\$b)</b>	<b>AUM</b>	<b>AUM</b>
Closing AUM	122.8	125.0
Average AUM	121.0	124.2

### AMP Capital

AMP Capital	Q1 17	Q2 17 Net cashflows			Total	Other	Q2 17
AUM (A\$m)	AUM <sup>1</sup>	Cash inflows	Cash outflows	net cashflows	movements <sup>2</sup>	AUM	
External	55,252	5,755	(3,544)	2,211	750	58,213	
Internal	120,761	8,531	(9,091)	(560)	477	120,678	
<b>Total AMP Capital</b>	<b>176,013</b>	<b>14,286</b>	<b>(12,635)</b>	<b>1,651</b>	<b>1,227</b>	<b>178,891</b>	

AMP Capital	Q1 17	Q2 17
<b>AUM summary (A\$b)</b>	<b>AUM<sup>1</sup></b>	<b>AUM</b>
Closing AUM	176.0	178.9
Average AUM	175.0	178.8

<sup>1</sup> Q1 17 AUM has been restated to include transitioned AUM of \$10.3b relating to two funds on which AMP Capital now earns investment management fees. Reflects reset of Investment Management Agreement between Australian wealth management and AMP Capital from 1 January 2017.

<sup>2</sup> Other movements include investment returns, distributions, taxes and foreign exchange movements.

### New Zealand financial services

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16
KiwiSaver	157	143	(98)	(87)	59	56
Other <sup>1</sup>	234	199	(262)	(242)	(28)	(43)
<b>Total New Zealand</b>	<b>391</b>	<b>342</b>	<b>(360)</b>	<b>(329)</b>	<b>31</b>	<b>13</b>

New Zealand financial services	Q1 17	Q2 17 Net cashflows				Total	Other	Q2 17
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>2</sup>	AUM
KiwiSaver	4,184	59	-	-	-	59	194	4,437
Other <sup>1</sup>	10,605	(11)	(1)	(32)	16	(28)	530	11,107
<b>Total New Zealand</b>	<b>14,789</b>	<b>48</b>	<b>(1)</b>	<b>(32)</b>	<b>16</b>	<b>31</b>	<b>724</b>	<b>15,544</b>

<sup>1</sup> Other New Zealand financial services cashflows and AUM include New Zealand wealth protection, mature and non-KiwiSaver wealth management products.

<sup>2</sup> Other movements include fees, investment returns, taxes, as well as foreign currency movements on New Zealand AUM.

New Zealand wealth protection	Q1 17	Q2 17
<b>Risk Insurance Annual Premium In-force – API (A\$m)</b>	<b>API</b>	<b>API</b>
Individual lump sum	231	241
Individual income protection	43	44
Group Risk	36	38
<b>Total</b>	<b>310</b>	<b>323</b>

## Australian mature

Australian mature Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16
Australian mature	188	161	(589)	(529)	(401)	(368)

Australian mature AUM (A\$m)	Q1 17		Q2 17 Net cashflows				Total net cashflows	Other movements <sup>1</sup>	Q2 17 AUM
	AUM	Superannuation	Pension	Investment	Other				
Australian mature	21,111	(198)	(47)	(22)	(134)	(401)	370	21,080	

<sup>1</sup> Other movements include fees, investment returns, distributions, and taxes.

## AMP Bank

AMP Bank by product	Q1 17		Q2 17	
Deposits and loans (A\$m)	end balance	Other movements <sup>1</sup>	end balance	
Deposits (super and platform) <sup>2</sup>	5,112	57	5,169	
Deposits (retail) <sup>2</sup>	6,272	207	6,479	
Deposits (other) <sup>2</sup>	782	5	787	
Loans	17,907	870	18,777	

<sup>1</sup> Represents movements in AMP Bank's deposits and loan books.

<sup>2</sup> At 30 Jun 2017, deposits include AMP Bank retail deposits (A\$6.5b), AMP Supercash and Super TDs (A\$2.1b), North and platform deposits (A\$3.1b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.1b).

## Australian wealth protection

Australian wealth protection Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 17	Q2 16	Q2 17	Q2 16	Q2 17	Q2 16
Individual risk	367	363	(145)	(178)	222	185
Group risk	111	112	(91)	(86)	20	26
<b>Total Australian wealth protection</b>	<b>478</b>	<b>475</b>	<b>(236)</b>	<b>(264)</b>	<b>242</b>	<b>211</b>

Australian wealth protection Annual Premium In-force – API (A\$m)	Q1 17	Q2 17
	API	API
Individual lump sum	1,107	1,094
Individual income protection	396	396
Group Risk	440	440
<b>Total</b>	<b>1,943</b>	<b>1,930</b>