

MEDIA RELEASE | 13 August 2020

AMP announces 1H 20 results and return of capital

1H 20 results

- 1H 20 underlying profit¹ of A\$149 million (1H 19: A\$256 million) reflects COVID-19 impacts, as previously advised. 1H 20 net profit attributable to shareholders of A\$203 million.
- Business unit 1H 20 operating earnings affected by COVID-19: Australian wealth management A\$59 million (-43 per cent); AMP Capital A\$72 million (-40 per cent); AMP Bank A\$50 million (-30 per cent); New Zealand wealth management A\$18 million (-18 per cent).
- Strong capital position post AMP Life sale with surplus capital (above Board target capital level) of A\$1.4 billion at 30 June 2020.
- Return to shareholders of up to A\$544 million comprising:
 - o A\$344 million via a fully franked, special dividend of 10 cents per share; and
 - o Up to A\$200 million via an on-market share buy-back during the next 12 months, subject to market conditions.
- Following payment of the special dividend the Board does not expect to declare a final FY 20 dividend.

Strategy update

- AMP Life sale complete, simplifying portfolio, releasing capital and positioning AMP for the future.
- Announced repurchase of MUTB's 15 per cent shareholding in AMP Capital to position business for next phase of growth under new leadership.
- New AMP Capital strategy increases focus on significant growth opportunity in global private markets – infrastructure, real estate and adjacent private markets; refocuses public markets business to better support strategic partners and increases scale to accelerate growth.
- Strong progress in delivering AMP's three-year transformational strategy while supporting clients through unprecedented COVID-19 period.
- Delivered client-focused strategic priorities in AMP Australia including super and platform simplification; continued focus on building a more professional and productive advice network.
- On track for target of A\$300 million annual run-rate savings by FY 22; increase in 1H 20 costs reflect investment in people to support clients during the pandemic.
- Client remediation on track to be 80 per cent complete by end of FY 20 and fully complete in 2021.

¹ Underlying profit is AMP's key measure of business profitability as it normalises investment market volatility.

AMP Chief Executive Francesco De Ferrari said:

“Supporting clients through the unprecedented COVID-19 pandemic has been our priority and true to our purpose. While the pandemic has created challenges, it has not distracted us from executing against our 2020 commitments to transform AMP.

“The AMP Life sale was a major milestone and opens the pathway to accelerate the next stage of our strategy. The proceeds have strengthened our capital position, enabling us to return up to A\$544 million to our shareholders via a special dividend and a A\$200 million share buy-back, subject to market conditions.

“As the Life sale progressed, we also turned our focus to AMP Capital’s strategy to maximise growth opportunities. Today we are sharing our plans to pivot increasingly towards private markets and improve our competitiveness in public markets.

“The purchase of MUTB’s 15 per cent stake in AMP Capital provides strategic flexibility for AMP to position the business for its next phase of growth under new leadership. We have an opportunity to build the best global private markets platforms in the world, underpinned by our strength in real assets.

“Driving cultural change is key to unlocking AMP’s potential and driving shareholder value. We’ve made progress in strengthening accountability and execution but know we have more to do. To accelerate change, we’ve implemented a number of immediate actions including establishing a Board culture working group and an employee-led inclusion taskforce, as well as working with an external expert to drive inclusive leadership.

“With the second wave of COVID-19 impacting the economy here and overseas, we expect conditions to remain challenging. However, we also see opportunities emerging over the longer term as we transform AMP to be a simpler, client-led and growth-oriented business.”

Business unit results

| Operating earnings (A\$ million) | 1H 20 | 1H 19 | % change |
|----------------------------------|------------|------------|---------------|
| Australian wealth management | 59 | 103 | (42.7) |
| AMP Bank | 50 | 71 | (29.6) |
| AMP Capital ² | 72 | 120 | (40.0) |
| New Zealand wealth management | 18 | 22 | (18.2) |
| Total operating earnings | 199 | 316 | (37.0) |

AMP Australia

Australian wealth management

Australian wealth management reported operating earnings of A\$59 million (1H 19: A\$103 million) in a challenging period. The business remained focused on supporting clients during the pandemic, including processing approximately 120,000 applications for early release of superannuation.

² AMP Capital is 15 per cent owned by MUTB. AMP Capital results, and any other impacted line items, are shown net of minority interests.

Cashflows on the North platform increased 52 per cent to A\$2.0 billion, driven in part by continued inflows from external financial advisers, which increased by 39 per cent to A\$700 million in 1H 20.

Net cash outflows of A\$4.4 billion in 1H 20 includes A\$1.2 billion in pension payments to clients in retirement and A\$900 million in early release of super payments. The previously announced exit of some corporate super mandates also impacted cashflows during the period by A\$1.3 billion. Despite these outflows, the underlying trends in cashflows are showing signs of improvement.

Assets under management (AUM) decreased 10 per cent from FY 19 to A\$121.0 billion reflecting the impact of COVID-19 on investment markets. Average AUM of A\$125.6 billion is 6 per cent lower compared to 2H 19.

Operating earnings were impacted by lower investment related revenue due to weaker investment markets, Protecting Your Super legislation, and product fee reductions. Controllable costs decreased A\$1 million to A\$246 million in 1H 20, reflecting additional COVID-related and regulatory costs, offset by cost savings in the business.

AMP Bank

AMP Bank continued to grow its mortgage book and retail deposits in a market impacted by COVID-19 uncertainty and strong competition. The residential mortgage book increased 2.9 per cent (annualised) to A\$20.5 billion, in the face of strong competition.

Total deposits increased A\$2.6 billion to A\$17.0 billion, lifting AMP Bank's deposit to loan ratio to 81 per cent, compared to 70 per cent at FY 19.

In 1H 20, AMP Bank supported approximately 4,700 clients with home loan repayment pauses, representing around 11 per cent of residential book value, in line with peers. AMP Bank has recognised a credit loss provision of A\$24 million (post tax) for potential mortgage defaults related to COVID-19, given uncertainty in the economic outlook.

Credit quality remains strong with mortgages in arrears (90+ days) representing 0.78 per cent of the mortgage book, which compares favourably to peers.

AMP Capital

AMP Capital's operating performance for the half was impacted by the unprecedented COVID-19 environment, which saw sponsor capital valuations and transaction fees reduce. Despite the challenging environment, AUM and non-AUM based management fees proved resilient.

Operating earnings of A\$72 million (1H 19: A\$120 million) reflects lower fee income, driven by a 39 per cent decline in performance and transaction fees due to a slowdown in transaction activity during the pandemic.

1H 20 net seed and sponsor losses of A\$16 million resulted from the unrealised devaluation of equity and real asset investments to reflect current market conditions.

Continued momentum in real assets contributed to an increase in external net cashflows of A\$2.6 billion, up from A\$818 million in 1H 19, as committed capital was deployed. Total net cash outflows of A\$3.9 billion (1H 19: A\$2.6 billion net outflows) reflect continued internal cash outflows.

New Zealand wealth management

New Zealand operating earnings decreased A\$4 million to A\$18 million, primarily due to the closure of legacy products in 2H 19, the conclusion of cost sharing agreements with AMP Life, and impacts of the COVID-19 lockdown on the ability to generate revenue in 1H 20.

AUM decreased 5 per cent to A\$11.6 billion from FY 19 due to weaker investment markets and foreign currency fluctuations. Net cashflows of A\$20 million in 1H 20 have improved from net cash outflows of A\$250 million in 1H 19.

KiwiSaver generated net cash inflows of A\$149 million in 1H 20. New Zealand wealth management is one of the largest providers of KiwiSaver with approximately 9 per cent of the NZ\$66.7 billion KiwiSaver market as at 30 June 2020.

Client remediation

AMP remains on track to complete its client remediation program in 2021 with 80 per cent of the program expected to be complete by the end of FY 20.

Total program spend to date is A\$328 million with A\$64 million paid in 1H 20³.

An additional provision of A\$15 million in 1H 20 primarily relates to recognition of additional lost earnings. Overall remediation costs remain broadly in line with original estimate provided in November 2018.

Capital position and dividend

AMP remains well-capitalised. The capital framework has been reset following the sale of AMP Life, reflecting lower regulatory capital requirements of the retained businesses. Surplus capital above target capital requirements was A\$1.4 billion at 30 June 2020.

A\$400 million in capital proceeds from the sale of AMP Life will be used to fund the repurchase of MUTB's 15 per cent shareholding in AMP Capital. The transaction is expected to complete in Q3 2020.

Following completion of the repurchase, pro forma surplus capital above target capital requirements is expected to be approximately A\$1.0 billion. Further detail on the repurchase is available in a separate ASX announcement AMP has lodged today.

The Board has announced a series of capital management initiatives to return up to A\$544 million to shareholders. These include A\$344 million via a special dividend of 10 cents per share, fully franked and up to A\$200 million via an on-market share buy-back during the course of the next 12 months, subject to market conditions. The ex-dividend date for the 2020 special dividend is 18 September 2020.

AMP's primary focus is on investing in and delivering the transformational strategy and navigating through the current uncertain economic environment. Following the payment of the special dividend the Board does not expect to declare a final FY 20 dividend.

³ Payments include client payments and program costs

Update on strategy

AMP has provided a progress update on its strategic priorities to transform the business into a simpler, client-led, growth-oriented business.

Simplify portfolio

- Sale of AMP Life
 - Successfully completed transaction on 30 June 2020.
 - AMP maintains 20 per cent equity holding in Resolution Life Australia, the new owner of AMP Life.

- New Zealand wealth management
 - In May 2020 AMP announced its decision to retain New Zealand wealth management in order to preserve and maximise shareholder value.

Reinvent wealth management in Australia

- Reshape advice
 - In 1H 20, progress continued on reshaping aligned adviser network to be more professional, compliant and productive.
 - Advice reshape delivered to plan in 1H 20 with rehoming of clients to new practices
 - Ceased majority of grandfathered commissions in 1H 20 with all benefits returned to clients; remainder to cease in 2H 20 ahead of 1 January 2021 legislative requirement.

- Build best-in-class retail super business
 - Completed phase one of simplification in parallel with completion of AMP Life transaction; reduced around 70 superannuation products to 11 with further consolidation to 6 to be completed in FY 21.
 - Implemented a super executive accountability regime, improving governance and management responsibility.

- Grow successful platform business
 - Proactive focus on growing cashflows from external financial advisers.
 - Deployed updates in 1H 20 to deliver new benefits to advisers and clients, including the launch of a first-to-market sustainable investment portfolio.
 - In 2H 20, focus remains on continued improvement to platform features and capability, including new functionality to improve adviser efficiency.

- Maintain growth momentum in AMP Bank
 - Modernisation of the bank's core system on track for completion by FY 20, including increased utilisation of automation for credit decisioning and opening of deposit accounts.
 - Launching 'whole of wealth' offer with integrated banking and superannuation propositions in 2H 20.

AMP Capital: grow successful asset management franchise

- New strategy launched to reposition AMP Capital for next phase of growth
 - Build world-leading private markets business, leveraging strong expertise and track record in real assets.
 - Build distribution powerhouse to expand AMP Capital’s capabilities in key international growth markets, develop client base in existing markets and increase cross-sell and wider platform partnerships.
 - Support continued success of global infrastructure and Australian real estate platform, and grow the business through new opportunities in adjacent private markets strategies.
 - Refocus public markets business to support strategic partners and explore opportunities to scale the business and accelerate growth.

- MUTB shareholding repurchase
 - AMP has today announced it has entered into an agreement to repurchase MUTB’s 15 per cent shareholding in AMP Capital.
 - The transaction, expected to complete in Q3 20, provides AMP Capital with strategic flexibility and ability to drive growth.
 - AMP Capital and MUTB will continue to cooperate strategically, building on their mutually beneficial business relationship in Japan, with AMP Capital continuing to deliver its investment products through MUTB’s network.

Media teleconference

A conference call for media with Francesco De Ferrari (CEO) and James Georgeson (CFO) will be held at 9.15am (AEST) today, 13 August 2020.

Dial in details:

Australia: Toll free 1800 220 860

New Zealand: Toll free 0800 453 540

Metered number for all other countries: +61 7 3107 6320

An analyst briefing starting at 11.00am can be viewed via webcast at amp.com.au/webcasts.

More detailed information on the 1H 20 result and strategy update is available in the 1H 20 investor report and presentation available at amp.com.au/shares.

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Approved for release by the AMP Limited Board.

Q2 20 Cashflows

Australian wealth management

| Cashflows by product (A\$m) | Cash inflows | | Cash outflows | | Net cashflows | |
|---|--------------|--------------|-----------------|----------------|----------------|----------------|
| | Q2 20 | Q2 19 | Q2 20 | Q2 19 | Q2 20 | Q2 19 |
| North ¹ | 4,100 | 4,110 | (3,083) | (3,173) | 1,017 | 937 |
| AMP Flexible Super ² | 1,243 | 569 | (1,032) | (1,061) | 211 | (492) |
| Summit, Generations and iAccess ³ | 118 | 224 | (561) | (659) | (443) | (435) |
| Flexible Lifetime Super (superannuation and pension) ⁴ | 527 | 412 | (1,163) | (1,052) | (636) | (640) |
| Other retail investment and platforms ⁵ | 17 | 25 | (88) | (111) | (71) | (86) |
| Total retail on AMP platforms | 6,005 | 5,340 | (5,927) | (6,056) | 78 | (716) |
| SignatureSuper and AMP Flexible Super - Employer | 662 | 761 | (1,653) | (761) | (991) | - |
| Other corporate superannuation ⁶ | 1,473 | 361 | (2,696) | (495) | (1,223) | (134) |
| Total corporate superannuation | 2,135 | 1,122 | (4,349) | (1,256) | (2,214) | (134) |
| Total retail and corporate superannuation on AMP platforms | 8,140 | 6,462 | (10,276) | (7,312) | (2,136) | (850) |
| External platforms ⁷ | 112 | 215 | (390) | (692) | (278) | (477) |
| Total Australian wealth management | 8,252 | 6,677 | (10,666) | (8,004) | (2,414) | (1,327) |

| Cash inflow composition (A\$m) | Q2 20 | Q2 19 |
|--|--------------|--------------|
| Member contributions | 971 | 1,064 |
| Employer contributions | 1,040 | 1,131 |
| Total contributions | 2,011 | 2,195 |
| Transfers, rollovers in and other ⁸ | 6,241 | 4,482 |
| Total | 8,252 | 6,677 |

¹ North is an award-winning fully functioning wrap platform which includes guaranteed and non-guaranteed options. Includes North and MyNorth platforms.

² AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

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

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

⁵ Other retail investment and platforms include Flexible Lifetime - Investments and AMP Personalised Portfolio.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super. Business Super was closed in May 2020 with members migrated to CustomSuper or AMP Flexible Super.

⁷ External platforms comprise Asgard, Macquarie, BT Wrap platforms and Challenger annuities.

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

| AUM (A\$m) | Q1 20 | Q2 20 Net cashflows | | | | | Total net cashflows | Other movements ¹ | Q2 20 |
|---|----------------|---------------------|------------------|---------------|--------------|----------------|---------------------|------------------------------|-------|
| | AUM | Super-annuation | Pension payments | Other pension | Investment | AUM | | | |
| North | 42,308 | 544 | (348) | 623 | 198 | 1,017 | 2,696 | 46,021 | |
| AMP Flexible Super ² | 12,198 | 612 | (122) | (279) | - | 211 | 901 | 13,310 | |
| Summit, Generations and iAccess | 7,273 | (150) | (51) | (124) | (118) | (443) | 517 | 7,347 | |
| Flexible Lifetime Super (superannuation and pension) ³ | 18,610 | (524) | (39) | (73) | - | (636) | 1,331 | 19,305 | |
| Other retail investment and platforms | 1,815 | - | - | - | (71) | (71) | 163 | 1,907 | |
| Total retail on AMP platforms | 82,204 | 482 | (560) | 147 | 9 | 78 | 5,608 | 87,890 | |
| SignatureSuper and AMP Flexible Super - Employer ⁴ | 17,160 | (947) | (8) | (36) | - | (991) | 1,000 | 17,169 | |
| Other corporate superannuation ⁵ | 10,800 | (1,223) | - | - | - | (1,223) | 511 | 10,088 | |
| Total corporate superannuation | 27,960 | (2,170) | (8) | (36) | - | (2,214) | 1,511 | 27,257 | |
| Total retail and corporate superannuation on AMP platforms | 110,164 | (1,688) | (568) | 111 | 9 | (2,136) | 7,119 | 115,147 | |
| External platforms | 6,100 | (38) | (32) | (60) | (148) | (278) | 70 | 5,892 | |
| Total Australian wealth management⁶ | 116,264 | (1,726) | (600) | 51 | (139) | (2,414) | 7,189 | 121,039 | |
| Australian wealth management - SuperConcepts ⁷ | 16,915 | | | | | | 519 | 17,434 | |
| Assets under administration | | | | | | | | | |

¹ Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

² AMP Flexible Super includes A\$0.8b in MySuper (Q1 20 A\$0.3b).

³ Flexible Lifetime Super (superannuation and pension) includes A\$5.0b in MySuper (Q1 20 A\$4.8b).

⁴ SignatureSuper and AMP Flexible Super – Employer includes A\$9.1b in MySuper (Q1 20 A\$9.0b).

⁵ Other corporate superannuation includes A\$5.0b in MySuper (Q1 20 A\$5.4b).

⁶ At Q2 20, 76% of AUM is ultimately externally managed, while 24% is internally managed.

⁷ SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF, Justsuper, Ascend and SuperConcepts platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

| AUM (A\$m) | Q1 20 | Q2 20 |
|---------------------------|----------------|----------------|
| AUM by product | AUM | AUM |
| Superannuation | 70,617 | 73,411 |
| Pension | 31,496 | 32,840 |
| Investment | 14,151 | 14,788 |
| Total | 116,264 | 121,039 |
| AUM by asset class | | |
| Cash and fixed interest | 33% | 32% |
| Australian equities | 27% | 29% |
| International equities | 29% | 28% |
| Property | 6% | 6% |
| Other | 5% | 5% |
| Total | 100% | 100% |

| AUM (A\$b) | Q1 20 | Q2 20 |
|-------------|------------|------------|
| | AUM | AUM |
| Closing AUM | 116.3 | 121.0 |
| Average AUM | 131.3 | 120.0 |

AMP Capital

| AUM (A\$m) | Q1 20 | Q2 20 Net cashflows | | | | Q2 20 | |
|--------------------------|----------------|---------------------|-----------------|---------------------|------------------------------------|------------------------------|------------------|
| | AUM | Cash inflows | Cash outflows | Total net cashflows | AMP Life transitioned ¹ | Other movements ² | AUM ³ |
| External | 80,765 | 4,177 | (2,883) | 1,294 | 29,514 | (4,546) | 107,027 |
| Internal ⁴ | 111,675 | 51,200 | (55,238) | (4,038) | (29,514) | 4,714 | 82,837 |
| Total AMP Capital | 192,440 | 55,377 | (58,121) | (2,744) | - | 168 | 189,864 |

| AUM (A\$b) | Q1 20 | Q2 20 |
|-------------|------------|------------|
| | AUM | AUM |
| Closing AUM | 192.4 | 189.9 |
| Average AUM | 203.4 | 191.9 |

¹ AUM transitioned from internal to external AUM category following the sale of the AMP Life business to Resolution Life, effective 30 June 2020.

² Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

³ AUM is invested capital. Committed real asset capital is excluded from AUM.

⁴ Internal cash inflows and outflows include A\$47.1b AUM transferred between internal portfolios in preparation for the AMP Life sale transaction. Excluding these one-off transfers, internal cash inflows were A\$4.1b and internal cash outflows were A\$8.1b.

AMP Bank

| AMP Bank by product | Q1 20 | Other | Q2 20 |
|--|--------------------|------------------------------|--------------------|
| Deposits and loans (A\$m) | end balance | movements¹ | end balance |
| Deposits (super and platform) ² | 6,433 | 480 | 6,913 |
| Deposits (other) ³ | 8,754 | 1,322 | 10,076 |
| Loans | 20,846 | 83 | 20,929 |

¹ Represents movements in AMP Bank's deposits and loan books.

² At 30 June 2020, Super and Platform deposits include AMP Supercash and Super Term Deposits (A\$2.7b), North and platform deposits (A\$4.2b). Super Term Deposits include a reclass of the Super Directions Fund A\$0.2b (Q1 20 A\$0.3b) from Deposits (other).

³ Deposits (other) includes retail deposits, internal deposits, wholesale deposits and other deposits. Super Directions Fund A\$0.2b (Q1 20 A\$0.3b) has been reclassified to Deposits (super and platform).

New Zealand wealth management

| Cashflows by product (A\$m) | Cash inflows | | Cash outflows | | Net cashflows | |
|--|--------------|------------|---------------|--------------|---------------|--------------|
| | Q2 20 | Q2 19 | Q2 20 | Q2 19 | Q2 20 | Q2 19 |
| KiwiSaver | 197 | 143 | (85) | (150) | 112 | (7) |
| Other ¹ | 96 | 107 | (132) | (298) | (36) | (191) |
| Total New Zealand wealth management | 293 | 250 | (217) | (448) | 76 | (198) |

| AUM (A\$m) | Q1 20 | Q2 20 Net cashflows | | | Q2 20 | |
|--|---------------|---------------------|-------------|---------------------|------------------------------|---------------|
| | AUM | Superannuation | Investment | Total net cashflows | Other movements ² | AUM |
| KiwiSaver | 5,210 | 112 | - | 112 | 200 | 5,522 |
| Other ¹ | 5,886 | (13) | (23) | (36) | 249 | 6,099 |
| Total New Zealand wealth management | 11,096 | 99 | (23) | 76 | 449 | 11,621 |

¹ Other includes superannuation, retail investment platform and legacy products.

² Other movements include fees, investment returns, distributions, taxes, as well as foreign currency movements on New Zealand AUM.