

AMP provides update on 1H 20 results

AMP Limited today provides an update on its 2020 interim operating earnings, including the impact from market volatility and economic disruption due to COVID-19.

Whilst the 1H 20 results are still being finalised and subject to audit review, AMP expects to report underlying profit for retained businesses (Australian wealth management, AMP Bank, AMP Capital and New Zealand wealth management) in the order of A\$140-150 million. The results have been impacted by a range of factors including market volatility and a credit loss provision in AMP Bank.

AMP has prioritised servicing clients throughout this period, including temporarily increasing resources, as well as maintaining business resilience, which has resulted in additional costs. The pandemic has also impacted the pace of investment spend, including the cost reduction program, though AMP remains committed to delivering A\$300 million of annual run-rate cost savings and its transformation investment of A\$1.0-1.3 billion.

Despite challenging circumstances, AMP successfully completed the complex sale of AMP Life, simplifying the portfolio, freeing up capital and delivering a foundational element of its transformational strategy. AMP's remediation program remains on track and is expected to be 80 per cent complete by the end of FY 20.

1H 20 operating earnings

AMP expects to report retained business unit operating earnings of approximately A\$195 million, with further detail noted below:

Australian wealth management – 1H 20 expected operating earnings of approximately A\$60 million

- Expected average assets under management (AUM) of A\$126 billion; 6 per cent lower compared to 2H 19
- Net cash outflows estimated to be A\$4.4 billion, impacted by the government's early release of superannuation scheme of A\$900 million and the loss of corporate super mandates of A\$1.3 billion, as previously advised
- Expected North net cash inflows of A\$2.0 billion; 52 per cent increase on 1H 19

AMP Capital – 1H 20 expected operating earnings of approximately A\$70 million

- Expected average AUM of A\$198 billion; 2 per cent lower compared to 2H 19
- Performance and transaction fees estimated to reduce by around 40 per cent compared to 1H 19 due to market impacts
- Seed and sponsor income valuations estimated to reduce operating earnings by approximately A\$16 million reflecting a devaluation of equity and infrastructure sponsor investments

AMP Bank – 1H 20 expected operating earnings of approximately A\$50 million

- Credit loss provision expected to impact AMP Bank earnings by approximately A\$25 million, due to COVID-19 related macro-economic conditions
- Expected total loan book of A\$20.9 billion; around 3.5 per cent increase on 1H 19

Capital management

AMP will provide an update on its capital management strategy, including the expected use of net cash proceeds from the sale of AMP Life at the 1H 20 results on 13 August 2020.

At the interim results, AMP also intends to provide an update on its transformational strategy and new AMP Capital strategy.

AMP Chief Executive Francesco De Ferrari said:

“AMP has taken decisive action to support clients and employees and maintain a strong and resilient business, as COVID-19 continues to impact investment markets and the broader economy.

Our strong capital position and liquidity have positioned us well to respond, though our first half results have been impacted by the market volatility.

The pandemic has presented many challenges but has not distracted us from our mission to transform AMP into a simpler, client-led, growth orientated business.

In the first half, we have made significant progress in delivering our strategy including completing the highly complex sale of AMP Life which simplifies our portfolio and sets us up well for the future.”

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