

# 2012 full year results

21 February 2013

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Chief Executive Officer

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## Executive summary

- FY 12 net profit of A\$704m and underlying profit of A\$955m
  - 2H 12 underlying profit of A\$464m up 3% on 2H 11
- Strong earnings growth in AFS wealth management and AMP Capital, underpinned by growing AUM and disciplined cost control
  - Partially offset by poor lapse and claims experience in risk insurance products
- Substantial turnaround in AFS net cashflows of A\$1.7b over prior year
- Total controllable costs 3% lower 2H 12 on 2H 11 in line with guidance
- Integration on track, with the timing of run rate synergies ahead of plan
- Robust capital position with strength and flexibility to capitalise on ongoing regulatory change
  - A\$2.4b\* surplus capital above MRR; well prepared for new capital standards
- Encouraging results from new growth initiatives, including MUTB alliance and establishment of SMSF business

Note: In most instances, comparisons have been provided between 2H 12 and 2H 11 as both periods include a full six months of AXA. FY 12 includes 12 months of AXA, but FY 11 includes only 9 months of AXA. AMP's FY 12 profit metrics also exclude MUTB's 15% share of AMP Capital's earnings from 1 March 2012.

\* Before allowing for the impact of LAGIC, which took effect 1 January 2013.



Group overview

Section 2

## Group overview – key performance measures

	FY 12	FY 11	2H 12	2H 11
<b>Underlying profit</b> <sup>1</sup>	A\$955m	A\$909m	A\$464m	A\$450m
<b>Cost to income ratio</b> <sup>1</sup>	47.3%	47.9%	48.4%	50.6%
<b>Growth measures</b>	<b>FY 12</b>	<b>FY 11</b>		
AFS net cashflows <sup>2</sup>	A\$1,152m	(A\$581m)		
Total retail on AMP platforms	A\$952m	A\$525m		
Total Australian wealth management	A\$821m	(A\$64m)		
AMP Capital external net cashflows <sup>2</sup>	(A\$1,784m)	(A\$1,166m)		
AFS value of risk new business	A\$203m	A\$215m		
<b>Underlying return on equity</b> <sup>3</sup>	12.8%	15.1%		

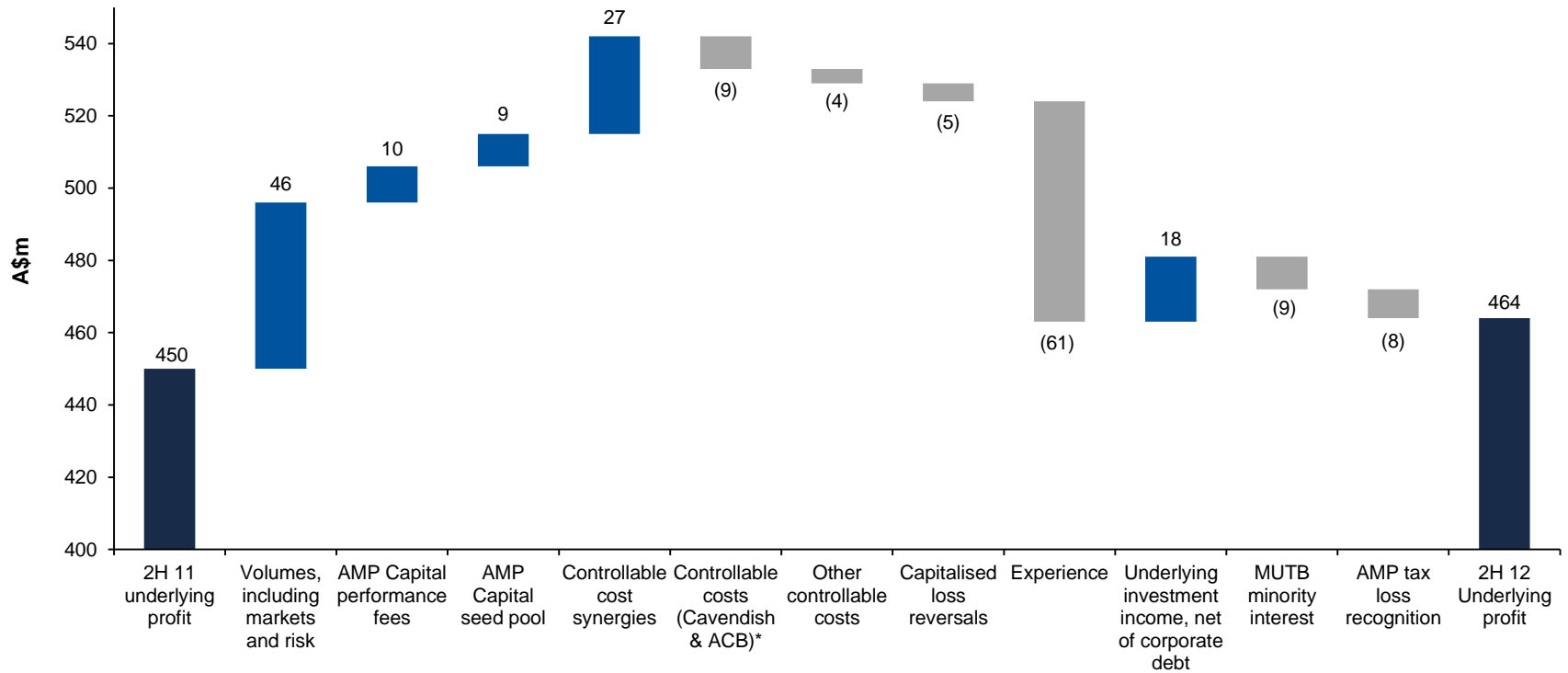
1. FY 11 underlying profit and cost to income ratio includes only nine months of AXA from 31 March 2011. Both 2H 12 and 2H 11 underlying profit include a full six months of AXA, although 2H 12 underlying profit excludes MUTB's minority interest in AMP Capital Holdings Ltd, acquired on 1 March 2012.
2. All cashflow comparatives include AXA for full 12 months.
3. FY 11 underlying RoE includes 9 months of AXA from 31 March 2011. FY 12 underlying RoE includes increased capital from MUTB sale of minority interest in AMP Capital Holdings Ltd. AMP has also issued additional shares as part of the AXA transaction and through its Dividend Reinvestment Program.

## Group overview – FY 12 profit summary

A\$m	FY 12	FY 11 <sup>1</sup>	2H 12	2H 11
AFS Wealth Management	347	322	183	151
AFS Wealth Protection	190	215	56	107
AFS Mature	167	153	91	77
AFS New Zealand	73	76	35	43
AMP Capital <sup>2</sup>	99	83	54	38
<b>BU operating earnings</b>	<b>876</b>	<b>849</b>	<b>419</b>	<b>416</b>
Group office costs	(61)	(57)	(30)	(31)
<b>Total operating earnings</b>	<b>815</b>	<b>792</b>	<b>389</b>	<b>385</b>
Underlying investment income <sup>2</sup>	226	183	113	100
Interest expense on corporate debt	(86)	(82)	(38)	(43)
AMP Limited tax loss recognition	-	16	-	8
<b>Underlying profit</b>	<b>955</b>	<b>909</b>	<b>464</b>	<b>450</b>
Market adjustment <sup>3</sup>	(25)	16	(37)	8
Other items <sup>4</sup>	34	4	24	21
<b>Profit after income tax before AXA merger adjustments and accounting mismatches</b>	<b>964</b>	<b>929</b>	<b>451</b>	<b>479</b>
AXA merger costs and accounting mismatches <sup>5</sup>	(260)	(241)	(130)	(137)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>704</b>	<b>688</b>	<b>321</b>	<b>342</b>

1. FY 11 includes nine months of AXA.
2. Net of minority interests for the period from 1 March 2012.
3. Includes market adjustments for investment income, annuity fair value and risk products.
4. Includes one-off and recurring items; refer to p38 of FY 12 Investor Report for more detail.
5. For more detail see chart 14.

## Group overview – major drivers of underlying profit



\* Represents after tax costs associated with acquisition of Cavendish and insourcing of the AMP Capital Brookfield joint venture.

## Integration delivering synergies faster than forecast

80% of total run rate synergies now delivered; integration well on track

- Integration well on track to deliver A\$150m post tax in synergies, for project spend of A\$310m post tax, by end June 2014
- A\$120m post tax cumulative annual run rate synergies delivered by December 2012, up from forecast A\$98m, reflects faster than anticipated capture of benefits – eg, property rationalisation benefits captured in Q3 2012, originally forecast in 2013
- Lower than forecast FY 12 project spend largely reflects timing differences; substantial number of inflight projects will absorb more than half of residual spend in 1H 13 (A\$40m - A\$50m of forecast \$77m spend)
  - Governance of integration program will shift to central BAU project management office in Q2 13, as remaining integration spend contracts

### Program achieving all key integration objectives:

- Increase in adviser numbers and strong sales results demonstrate **business momentum being maintained** – lifted superannuation market share to 26%, from 23%\*, including benefits of SMSF
- New AMP **sharper, more competitive organisation**, with broader and deeper distribution reach and quality set of competitive products across all key market segments
- New AMP has a **stronger growth platform** than either company had previously

\* Source: Plan for Life, 30 Sep 2012, QDS Retail & Wholesale.



Business lines

Section 3



## AMP Financial Services – overview

Robust sales and good growth in AUM driving results, along with falling costs

Key performance measures	FY 12	FY 11	2H 12	2H 11
Operating earnings (A\$m)	777	766	365	378
Australian wealth management	347	322	183	151
Australian wealth protection	190	215	56	107
Australian mature	167	153	91	77
New Zealand	73	76	35	43
Controllable costs (A\$m)	934	858	471	489
Wealth Management investment-related revenue to AUM (bps)	125	130	125	127
Wealth Management operating earnings to AUM (bps)	35	35	36	30

### AFS result driven by:

- strong performance in Wealth Management (WM), underpinned by robust sales of flagship products and good growth in AUM, as markets improved
- excellent cost control, with controllable costs down 4% in 2H 12 on 2H 11, despite the SMSF business adding around A\$7.5m to the cost base in 2H 12
- good contribution from AMP Bank (A\$62m in FY 12), 2H 12 up 10% on 2H 11
- partly offset by tough conditions in risk insurance market which compressed Wealth Protection (WP) operating earnings

### Strong net cashflows of A\$1,152m in FY 12

### Relatively steady net revenue margins in Wealth Management

- AMP continues to expect margin compression on investment-related revenue to AUM of 3.5%-4.5% pa (excluding SMSF) over MySuper implementation period to 2017, moving to higher end of the range towards the end of the guidance period

## AFS – Wealth Protection overview

Taking action to mitigate impact of poor industry trends on risk insurance business

### Australian risk insurance industry challenged by significant lapse and claims issues

- Industry lapse rates highest in more than a decade
- Poor industry-wide claims experience since 1H 11

### AMP's Wealth Protection earnings compressed by poor lapse/claims experience

- While AMP insurance margins remain above market average, Wealth Protection's FY 12 results impacted by higher lapses and claims costs leading to experience losses of A\$49m<sup>1</sup> in FY 12
  - Lapse losses A\$29m (2H 12 A\$20m; 1H 12 \$A9m) – claims losses A\$15m (2H 12 A\$29m; 1H 12 \$A14m gain)
- AMP has strengthened assumptions for lapses and income protection claims (AMP Life), impacting both EV and VNB and the expected mix between profit margins and experience results in FY 13<sup>2</sup>
  - Strengthening lapse assumptions was the major driver of the impact on EV
- AFS EV for FY 12 increased by 12% as the expected return, VNB, market impacts and management actions (product changes, repricing and cost control), more than offset assumption changes<sup>3</sup>

### Management has and will continue to take action to improve profit margins and lapse and claims experience, including:

- product redesign
- targeted pricing reviews
- increased investment in retention programs
- early claims intervention
- accelerating claims settlement

1. \$A49m experience losses includes \$A5m of other experience losses.
2. Strengthening of assumptions is expected to reduce profit margins by around \$A30m in FY 13, with an offsetting impact on experience.
3. Refer p13, 23 and 25 of FY 12 Investor Report for more detail on experience losses and changed best estimate assumptions.

## AFS – Wealth Management overview

Demonstrating significant operational leverage to improving markets

### Strong performance in Wealth Management marked by:

- 21% jump in operating earnings in 2H 12 on 2H 11
- 10% lift in AUM to A\$86b<sup>1</sup> in 2H 12
- strong net cashflows in flagship products – A\$2.6b generated by Flexible Super and A\$2.2b by North
- pleasing growth in planner numbers, with 209 net new advisers joining Australian networks in FY 12

### Momentum evident in increasing market share<sup>2</sup>

- Superannuation and rollovers: 26% (23% in Sep 11)
- Retail managed funds: 20% (19% in Sep 11)

Net cashflows summary (A\$m)	FY 12	FY 11
AMP Flexible Super	2,551	3,000
North	2,188	716
More traditional products and platforms	(3,787)	(3,191)
<b>Total retail on AMP platforms</b>	<b>952</b>	<b>525</b>
Total corporate superannuation	332	437
External platforms	(463)	(1,026)
<b>Total Australian wealth management</b>	<b>821</b>	<b>(64)</b>
<b>SMSF<sup>3</sup></b>	<b>844</b>	<b>202</b>

	FY 12	FY 11
<b>Bank deposits</b> (Supercash, Super and Platform TDs)	<b>1,115</b>	<b>1,405</b>

1. Ex-SMSF funds.

2. Source: Plan for Life, 30 Sep 2012, QDS Retail & Wholesale.

3. SMSF includes Multiport, SuperIQ (of which AMP has a 49% ownership stake) and Ascend administration platforms. See p20 and 21 of FY 12 Investor Report for more detail.

## AMP Capital – overview

Key performance measures (A\$m)	FY 12	FY 11	2H 12	2H 11
Operating earnings after minority interests	99	83	54	38
Operating earnings including minority interests	114	83	63	38
Fee income	462	426	239	214
Performance and transaction fees	49	32	26	12
Controllable costs	(324)	(318)	(165)	(166)
Cost to income ratio	66.2%	73.2%	64.2%	76.0%
AUM (A\$b)	129	123	129	123
Investment performance – % of funds at or exceeding benchmark 3 years to period end	71%	69%		

### AMP Capital's strong operating earnings, up 42% in 2H 12 on 2H 11, as a result of:

- higher internal management fees driven by the transfer in-house of funds previously managed by Alliance Bernstein
- performance fees up due to improved investment performance over the recent time horizon
  - these fees include A\$6m from DUET, which will cease once DUET management internalised at end of 1H 13\*
- strong contribution from seed pool investments
- cost ratio moving closer to target of 60% to 65% by 1H 14, despite impact of higher variable staff costs as profits improve and insourcing Brookfield joint venture (A\$11m pre tax in FY 12)

### Encouraging progress with commercialisation of MUTB strategic alliance

- Two funds now in-market, attracting A\$530m in net cashflows

\* Additional A\$28m profit from this transaction has been included in other items at Group level. For more details, see p38 of FY 12 Investor Report.



## Financial overview

Section 4

## Financial overview – key points on P&L

A\$m	FY 12	FY 11	2H 12	2H 11
<b>Underlying profit</b>	<b>955</b>	<b>909</b>	<b>464</b>	<b>450</b>
Market adjustment - investment income <sup>1</sup>	(12)	(50)	(11)	(47)
Market adjustment - annuity fair value	(9)	13	1	(3)
Market adjustment - risk products	(4)	53	(27)	58
Other items <sup>1,2</sup>	34	4	24	21
<b>Profit after income tax before AXA merger adjustments and accounting mismatches</b>	<b>964</b>	<b>929</b>	<b>451</b>	<b>479</b>
M&A transaction costs <sup>3</sup>	(4)	(42)	(2)	(8)
AXA integration costs	(128)	(105)	(57)	(69)
Amortisation of business acquired <sup>1</sup>	(99)	(75)	(49)	(50)
Accounting mismatches	(29)	(19)	(22)	(10)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>704</b>	<b>688</b>	<b>321</b>	<b>342</b>

**For 2013, assumed after tax underlying investment income return will be lowered from 4.25% to 3.0% for shareholder investments, and 1.8% for deferred acquisition costs, consistent with the substantial fall in interest rates over 2012**

1. Net of minority interests for the period from 1 March 2012.
2. Includes one-off and recurring items; refer to p38 in FY 12 Investor Report for more detail.
3. Primarily relate to the merger with AXA.

## Financial overview – maintaining tight control of costs

FY 12 costs driven lower through cost control and synergy benefits

### **FY 12 Group-wide controllable costs of A\$1,345m, down in line with guidance\***

- Underlying cost increase of A\$30m (ex-SMSF business and Brookfield joint venture) more than offset by A\$78m of synergies

### **2H 12 Group-wide controllable costs of A\$679m, down 3% on 2H 11**

- 2H 12 AFS controllable costs of A\$471m, down 4% on 2H 11, despite the addition of the SMSF business
- 2H 12 AMP Capital controllable costs of A\$165m, down 1% on 2H 11, despite insourcing of the Brookfield joint venture and higher variable staff costs in line with improving results

### **FY 13 Group-wide controllable costs expected to be around 2% lower than FY 12**

- AMP will continue to manage base costs tightly
- Opportunities for further efficiencies continue to be evaluated

\* At 1H 12, AMP forecast FY 12 controllable costs for the Group to be between A\$1,335m and A\$1,350m.

## Financial overview – balance sheet

Strong balance sheet, little change to corporate gearing ratios and access to significant liquidity

	FY 12	FY 11	Change
Shareholder equity	A\$7,744m	A\$7,014m	A\$730m
Total corporate subordinated debt	A\$879m	A\$879m	-
Total corporate senior debt	A\$700m	A\$657m	A\$43m
<b>Total capital resources</b>	<b>A\$9,323m</b>	<b>A\$8,550m</b>	<b>A\$773m</b>
<b>Debt metrics<sup>1</sup></b>			
Corporate gearing <sup>2</sup>	11%	11%	
Interest cover (underlying)	12.1 times	12.1 times	
Group cash	A\$604m	A\$626m	
Undrawn facilities <sup>3</sup>	A\$500m	A\$1,500m	

### Total capital resources of A\$9,323m

#### Total corporate debt increased by A\$43m to A\$1,579m

- A\$500m of the syndicated loan drawn in February 2012 to refinance the A\$398m Euro medium-term notes in June 2012 and A\$59m outstanding commercial paper
- AMP Group has no further corporate debt maturities for 12 months
- Corporate gearing and interest cover remains unchanged

**At 31 December 2012 AMP had access to significant liquidity through group cash of A\$604m and undrawn facilities of A\$500m**

1. For further details on AMP's debt overview, see p36 of the FY12 Investor Report.
2. Based on S&P methodology.
3. Undrawn syndicated loan at 31 December 2012.



## Financial overview – AMP’s capital position (as at 31 December 2012)

Regulatory capital resources above MRR increased A\$877m on FY 11

Prior to the impact of LAGIC	FY 12	FY 11	Change
<b>A\$m</b>			
<b>Total capital resources</b>	<b>9,323</b>	<b>8,550</b>	<b>773</b>
Intangibles	(3,808)	(3,841)	33
Tangible capital resources	5,515	4,709	806
Senior debt	(700)	(657)	(43)
Other deductions	(17)	-	(17)
<b>Regulatory capital resources</b>	<b>4,798</b>	<b>4,052</b>	<b>746</b>
<b>Shareholder minimum regulatory capital requirements (MRR)</b>	<b>3,154</b>	<b>3,062</b>	<b>92</b>
Shareholder regulatory capital resources above MRR	1,644	990	654
Participating policyholder capital resources above MRR	776	553	223
<b>Total regulatory capital resources above MRR</b>	<b>2,420</b>	<b>1,543</b>	<b>877</b>

### Total regulatory capital resources above MRR increased by A\$877m to A\$2,420m, driven by:

- A\$746m increase in regulatory capital resources primarily due to profits over the period, proceeds from the formation of the MUTB strategic business and capital alliance and additional share capital issued under the Dividend Reinvestment Plan<sup>1</sup>
- offset by a A\$92m increase in shareholder MRR driven by growth in risk business (A\$97m increase), growth in AMP Bank (A\$38m increase), offset by subordinated debt raised in AMP Bank in December 2012 (\$102m)<sup>2</sup>
- net impact on shareholder regulatory capital resources above MRR an increase of A\$654m
- participating policyholder capital resources above MRR increased by A\$223m, primarily driven by favourable investment markets

1. During 2012 AMP changed the estimated rates for discounting its Australian defined benefit plan liabilities, from using market yields on Commonwealth Government bonds to those on Commonwealth Government and State Government bonds resulting in an actuarial gain on the Australian defined benefit plan liabilities of A\$34m after tax. There was no profit impact. See p33 in FY12 Investor Report for more detail.
2. Tier 2 capital in AMP Bank is represented as a reduction in shareholder MRR.

## Financial overview – update on LAGIC

Capital disclosures will be impacted by LAGIC

	FY 12 (pre-LAGIC)	Pro-forma impact	1 January 2013 (post-LAGIC)
<b>A\$m</b>			
<b>Total capital resources</b>	<b>9,323</b>	-	<b>9,323</b>
Intangibles	(3,808)	-	(3,808)
Tangible capital resources	5,515	-	5,515
Senior debt	(700)	-	(700)
Other deductions	(17)	(1,850)*	(1,867)
<b>Regulatory capital resources</b>	<b>4,798</b>	<b>(1,850)</b>	<b>2,948</b>
Shareholder minimum regulatory capital requirements (MRR)	3,154	(1,578)	1,576
<b>Shareholder regulatory capital resources above MRR</b>	<b>1,644</b>	<b>(272)</b>	<b>1,372</b>
Policyholder surplus	776		

### Table above reflects expectation of impact LAGIC will have on AMP disclosures from 1 Jan 2013

- Certain items (such as deferred acquisition costs) will be deducted and reduce both regulatory capital resources and shareholder MRR by A\$1,850m
- In addition, as at 1 January 2013, LAGIC had the effect of increasing shareholder capital requirements by A\$272m
- Policyholder surplus does not form part of the capital adequacy tests under LAGIC
  - However, policyholder capital resources still available to absorb market and other impacts on participating business
- Disclosure may be subject to change as APRA's conglomerate proposals become clearer

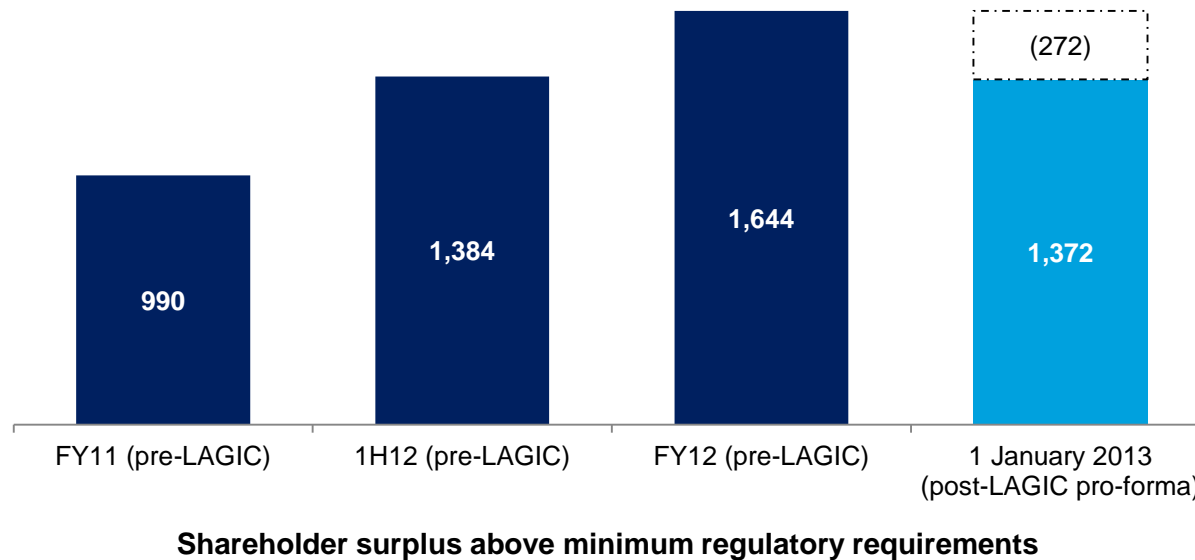
\* Deductions primarily related to implicit deferred acquisition costs.

## Financial overview – update on LAGIC

AMP strengthened its capital position ahead of new capital standards to manage the impact of LAGIC

### AMP's capital position remains strong after the impact of LAGIC

- Applying LAGIC at 1 January 2013 will lead to a A\$272m increase in shareholder capital requirements
  - Approximately A\$200m in statutory life funds; A\$72m in life companies' shareholder funds and North
- Impact larger than the \$200m originally forecast primarily due to the differing impact on MRR of changes in markets between the two standards



## Financial overview – final 2012 dividend

Final dividend of 12.5 cents per share, franked to 65%. No discount will apply to determine the DRP price

**Final dividend of 12.5 cents per share, franked to 65%, representing a total payout ratio for FY 12 of 76% of underlying profits**

- AMP Limited target dividend payout ratio of 70% to 80% of underlying profit

**New shares will continue to be issued under the Dividend Reinvestment Plan**

- Discount removed from the calculation of the DRP allocation price for the final 2012 dividend

## Financial overview – capital summary

AMP remains well capitalised

**AMP remains well capitalised after applying LAGIC, with shareholder regulatory capital resources in excess of MRR of \$1,372m**

- Strong capital position provides increased capital flexibility to manage market volatility and regulatory change, including conglomerates
- AMP has confirmed transitional arrangements with APRA on its subordinated debt held at the group level
- AMP Limited target dividend payout ratio of 70% to 80% of underlying profits, with 2012 payout ratio (underlying) of 76%; DRP discount removed



AMP's growth strategy:  
sharpening competitive edge

Section 5

## Strong progress against strategic priorities

Goal	Competitive strength	2012 highlights
<b>Quality services and products that respond to the needs of fast-growing customer segments</b>	<ul style="list-style-type: none"> <li>– Award-winning superannuation, banking and risk products</li> <li>– Leading master trust, wrap and SMSF platforms</li> <li>– Internationally recognised infrastructure and property investment capabilities</li> <li>– SMSF offer targeting A\$459b market</li> </ul>	<ul style="list-style-type: none"> <li>– Flexible Super net cashflow A\$2.6b; AUM A\$7.3b</li> <li>– North net cashflows A\$2.2b; AUM A\$4.7b (more than doubled in FY 12)</li> <li>– Established new SMSF business unit to target fast-growing A\$459b market*</li> <li>– Acquired Australia's largest SMSF administrator, Cavendish, and Super IQ (49% owned by AMP) acquired Smartsuper</li> <li>– AMP Bank deposits up by 16% and mortgages up by 11%; named 2012 Bank of the Year by <i>Your Mortgage</i></li> <li>– AMP Capital received the 'Fixed Interest Award' from the Australian Fund Manager Foundation</li> <li>– Two AMP Capital funds rated A and AA by van Eyk; Corporate Bond Fund awarded 5 stars by van Eyk &amp; S&amp;P; multi-manager portfolios, in particular FDF, awarded '5 Apples' rating by Chant West</li> </ul>
<b>Professional planner force, with above market growth and productivity</b>	<ul style="list-style-type: none"> <li>– Australia &amp; NZ's largest adviser force, recognised externally for quality and number of CFPs</li> <li>– 4,200+ aligned advisers</li> <li>– Multiple advice brands</li> </ul>	<ul style="list-style-type: none"> <li>– Attracted 209 net new advisers to AMP networks in Australia</li> <li>– 106 new advisers graduated from Horizons Academy</li> <li>– 44 new external practices joined AMPFP in FY 12</li> </ul>
<b>A broader, more productive domestic distribution footprint</b>	<ul style="list-style-type: none"> <li>– Growing relationships within IFA market (AMP Capital, North, Elevate and Flexible Lifetime Protection risk insurance)</li> <li>– Largest provider of risk insurance products to IFAs in Australia</li> <li>– Market leader in SMSF administration</li> </ul>	<ul style="list-style-type: none"> <li>– AMP now managing 9,100 SMSF accounts – 3,000 in 1H 12</li> <li>– Broad SMSF distribution targeting AMP aligned advisers, EFAs, IFAs, stockbrokers, private bankers, accountants, mortgage brokers, SMSF trustees</li> <li>– AMP Capital managing assets for approx. 300 institutional clients in Australia and NZ</li> <li>– Almost 9,000 EFAs using AMP Capital/ipac products – 54% of market by number</li> <li>– 50+ platforms &amp; wraps host AMP Capital/ipac products; AMP Capital/ipac products on 50+ external dealer group APSLs</li> </ul>

\* Source: Quarterly Superannuation Performance September 2012, APRA.

## Strong progress against strategic priorities

Goal	Competitive strength	2012 highlights
<b>Pursuing targeted international expansion of investment management business</b>	<ul style="list-style-type: none"> <li>– Building Japanese distribution footprint,</li> <li>– Expanding presence in Asia and Europe -- distribution staff across Tokyo, London, Beijing, Hong Kong and Bahrain</li> <li>– Successfully commercialising strategic business and capital alliance with Mitsubishi UFJ Trust &amp; Banking Corporation (MUTB)</li> </ul>	<ul style="list-style-type: none"> <li>– Launched two new funds with MUTB, attracting A\$530m in net cashflows</li> <li>– Attracted new pension fund investors from China, Japan, Europe and Canada</li> <li>– AMP Capital awarded first mandate to manage global listed real estate by China's almost A\$150b National Council for Social Security Fund</li> <li>– AMP Capital's Infrastructure Debt Fund closed June 2012 with highest number of global clients in single AMP fund</li> <li>– Established new distribution arrangement with Japan Post Bank (Japan's largest bank) in 2H 12</li> <li>– Attracted A\$872m from Canada Pension Plan Investment Board and Abu Dhabi Investment Authority into AMP Capital Retail Trust to fund A\$2b retail redevelopment</li> </ul>
<b>Disciplined cost and capital management</b>	<ul style="list-style-type: none"> <li>– Strongly capitalised, well prepared for regulatory capital changes</li> <li>– Low cost manufacturer</li> <li>– Integration creating new scale benefits and efficiency opportunities</li> </ul>	<ul style="list-style-type: none"> <li>– Reduced group-wide costs by 3% through tight management and synergy delivery</li> <li>– Active management of capital position strengthened balance sheet – A\$2.4b surplus above MRR at 31 December 2012 (pre-LAGIC)</li> <li>– Well prepared for new capital standards and regulatory change</li> </ul>



## Positioning the business for the future – driving growth through a customer-focused AFS

Adapting business to capitalise on opportunities from changing consumer behaviour, digitalisation and regulatory change

### AFS sharpening competitive edge built through merger and regulatory change by:

- **innovating in financial advice and distribution, and improving the customer experience**
  - Building on successful 2012 pilot providing ‘scoped’ advice via phone and web in under 60 mins
  - Developing the next generation advice model, Advice for Life, using insights from behavioural economics
  - Launching new digital support services for advisers – eg Evolve, first fully integrated iPad app for advisers
  - Lifting service quality and efficiency through investments in Business Process Management System (BPMS) and Customer Relationship Management (CRM)
  - Increasing investment in our digital experience and mobile offerings
- **revitalising corporate superannuation offer to strengthen market leadership**
  - Invested in new management team to drive corporate super business
  - Improving customer retention by strengthening member engagement
  - Developing value-adding digital services for employers and members
  - Using customer and client insights to differentiate corporate super solutions for specific market segments, including SMSF
- **staying ahead of regulatory change curve**
  - Continuing to anticipate and adapt to regulatory changes and ensure business and business partners well equipped to take advantage of opportunities in change\*

\* For more details, see chart 38.

## Positioning the business for the future – SMSF

AMP SMSF business unit growing organically at twice system growth

### New SMSF business established in 2H 12 to target fast-growing A\$459b<sup>1</sup> SMSF market

- AMP already SMSF professional administration market leader; 9,100+ funds<sup>2</sup>; organic growth rate since July '12 is twice SMSF system growth
- Capitalising on:
  - technology disruption which is increasing economies of scale in SMSF administration
  - AMP's existing product capabilities – such as competitive term deposits, highly-rated wrap platform, strong risk insurance offers and specialist investment funds – to provide attractive options for trustees

### Recent activity and current focus

- Upgrading technology in administration businesses
- Enhancing advice capabilities in aligned distribution
- Launch of AMP branded online SMSF service (Dec '12)
- Redefined brand and pricing strategy focusing on targeting specific market segments
  - Ascend, targeting AMP-aligned planners and advisers
  - Cavendish, targeting external advisers, IFAs, stockbrokers and private bankers
  - Multiport, targeting accountants and associated advisers, and mortgage brokers
  - AMP SMSF Solutions, targeting SMSF trustees directly and available online
- Developing banking, investment and insurance products tailored to SMSF trustee needs
- Building complementary services to enhance AFS's corporate super offer
- Business also includes SuperIQ, market-leading technology and admin business, 49% owned by AMP

1. Source: Quarterly Superannuation Performance September 2012, APRA.

2. Includes 1,295 funds through SuperIQ

## Positioning the business for the future – growing opportunities offshore through reshaped AMP Capital

Driving targeted international expansion and deepening investment capabilities while controlling costs

### **Successfully commercialising the strategic business and capital alliance with MUTB**

- Two funds now in-market, attracting A\$530m in net cashflows
- Currently developing further opportunities with MUTB for both retail and pension clients in Japan

### **Strengthened global listed securities capability**

- Scaled up global listed property and infrastructure capability to deliver global portfolio management in-house, ending joint venture with Brookfield Investment Management
- Secured new global resources portfolio management team to create product for AMP Capital's international clients
- Won first mandate from China's almost A\$150b National Council for Social Security Fund (NCSSF)

### **Expanded and refocused equities business**

- Added a number of domestic and international investment professionals including an expanded Asian equities capability now located in Hong Kong
- Recently launched Equity Opportunities Fund has been awarded an 'AA' rating, the highest rating possible, by research house van Eyk

### **Taking global infrastructure capabilities to new markets**

- Infrastructure Debt Fund (IDF) closed 12 June 2012; secured commitments of €400m from 30 global institutional investors; largest closed end fundraising to date
- European Infrastructure team won Pension and Investment Providers Infrastructure Award in London

### **A\$1.75b restructure of management of retail property assets to enhance long term returns**

- Simplified co-ownership and management model of jointly owned shopping centres with Westfield
- Attracted A\$872m from two new international investors (Canada Pension Plan Investment Board and Abu Dhabi Investment Authority) into AMP Capital Retail Trust to fund A\$2b retail redevelopment
- Retail development pipeline sits alongside A\$1.7b commercial property development pipeline

## Summary

- Strong earnings growth in AUM-driven businesses underpinned by disciplined cost control demonstrates operational leverage to improving markets
- Integration continues to track ahead of plan – with larger advice franchise and North platform providing new growth opportunities
- Driving active change in our risk insurance business to improve outcomes
- Strong balance sheet means AMP is well placed to meet new capital standards and support growth
- Investing in growth by developing new ways to interact with our customers and advisers, entering new market segments such as SMSF and expanding internationally through AMP Capital



Appendix

Section 6

## Integration program well on track

**Synergy target: net A\$150m post tax; includes A\$10m net revenue benefits**

<b>Timing of net synergy delivery (post tax)</b>	<b>A\$m annual run rate (cumulative) (actual &amp; estimated)<sup>1</sup></b>	<b>A\$m realised in P&amp;L in each specific reporting period</b>	
30 June 11 actual	18	1H 11	3
31 December 11 actual	55	FY 11	25
30 June 12 actual	82	1H 12	20
31 December 12 actual (Estimate at 1H 12)	120 (98)	FY 12	65 <sup>2</sup>
31 December 13 forecast	142		
30 June 14 forecast	150		

### Forecast project spend: A\$310m post tax

#### Actual and forecast timing of integration spend (one-off)

FY 11 actual	33%	
FY 12 actual	42%	Estimate at 1H 12: 55%
FY 13 forecast	22%	Estimate at 1H 12: 11%
FY 14 forecast	3%	Estimate at 1H 12: 1%

- Major projects to be delivered in FY 13 include:
  - integration of the advice businesses
  - completion of IT infrastructure consolidation
  - completion of Operations streamlining

1. Based on current integration planning. Could vary in future to enable business flexibility to respond to changing business priorities and external markets.
2. Of the A\$65m cost and revenue synergy benefits realised in FY 12, A\$45m has been attributed to AFS operating earnings, A\$13m to AMP Capital and A\$7m to Group Office. This allocation of synergies should not be seen as a guide for future synergies achieved by business units. This includes A\$5m post-tax in variable cost synergies.

## AFS – strong and growing adviser force

	Dec 12	Jun 12	Dec 11	Change Dec 11 to Dec 12
AMP Financial Planning <sup>1</sup>	1,736	1,691	1,621	+115
Hillross	337	320	318	+19
SMSF Advice	17	1	-	+17
AMP Direct	40	33	27	+13
Charter Financial Planning	791	766	774	+17
Genesys Wealth Advisers	239	250	258	-19
ipac/Tynan Mackenzie	168	183	187	-19
Futuro Financial Services <sup>2</sup>	74	78	-	+74
Jigsaw Support Services	234	252	242	-8
<b>Total Australia</b>	<b>3,636</b>	<b>3,574</b>	<b>3,427</b>	<b>+209</b>
AMP New Zealand	640	685	704	-64
<b>Total financial advisers</b>	<b>4,276</b>	<b>4,259</b>	<b>4,131</b>	<b>+145</b>

### In FY 12:

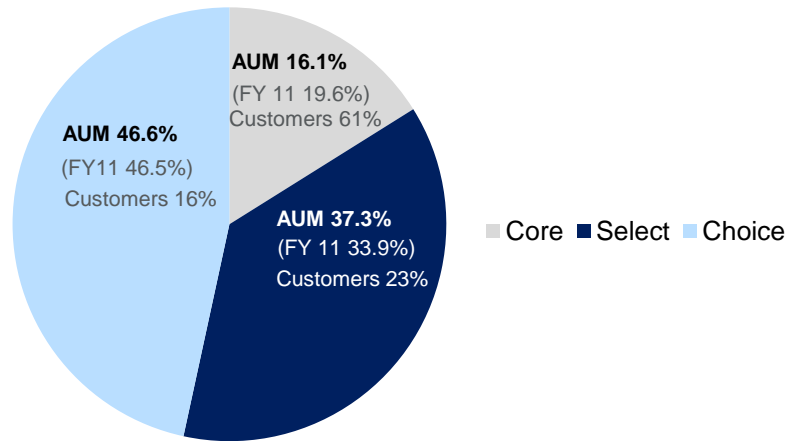
- 209 net new advisers joined AMP's Australian networks
- 44 external practices elected to join AMP Financial Planning
- 106 advice professionals graduated from Horizons Academy

1. Includes Horizons Academy students, graduates and employed planners.  
 2. In March 2012, AMP acquired 10% stake in Futuro Financial Services; stake expected to rise to 100% over five years.

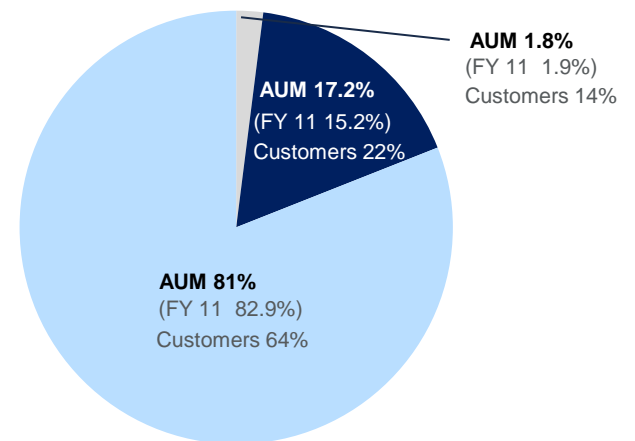
# Flexible Super and North create powerful product set

Flagship products hold almost A\$12b in AUM and have grown strongly in tough markets

**AMP Flexible Super superannuation acct**  
AUM A\$3.2b, customers 149,285, avg balance A\$21,500



**AMP Flexible Super retirement acct**  
AUM A\$4.1b, customers 22,827, avg balance A\$179,900



## AMP Flexible Super

- AUM of A\$7.3b as at 31 Dec 2012
- 172,112 customers, up from 106,500 in Dec 2011
- FY 12 net cashflows A\$2.6b: superannuation account A\$1.3b, pension account A\$1.25b
- Strong growth in employers using AMP Flexible Super – more than 3,900 employer plans, compared with 2,000+ in December 2011

## North

- Launched late 2007 as guarantee product on basic platform; upgraded to full wrap capability in Mar 2011
- FY 12 net cashflows of A\$2.2b; 35% of these flows have been generated by AMPFP and Hillross networks since full rollout in March 2012
- 97% of FY 12 net cashflows were in non-guaranteed products
- North now has A\$4.7b in AUM – 68% AUM in non-guarantee business; 12% AUM placed by IFAs; and 59% AUM managed internally, principally through ipac multi-manager

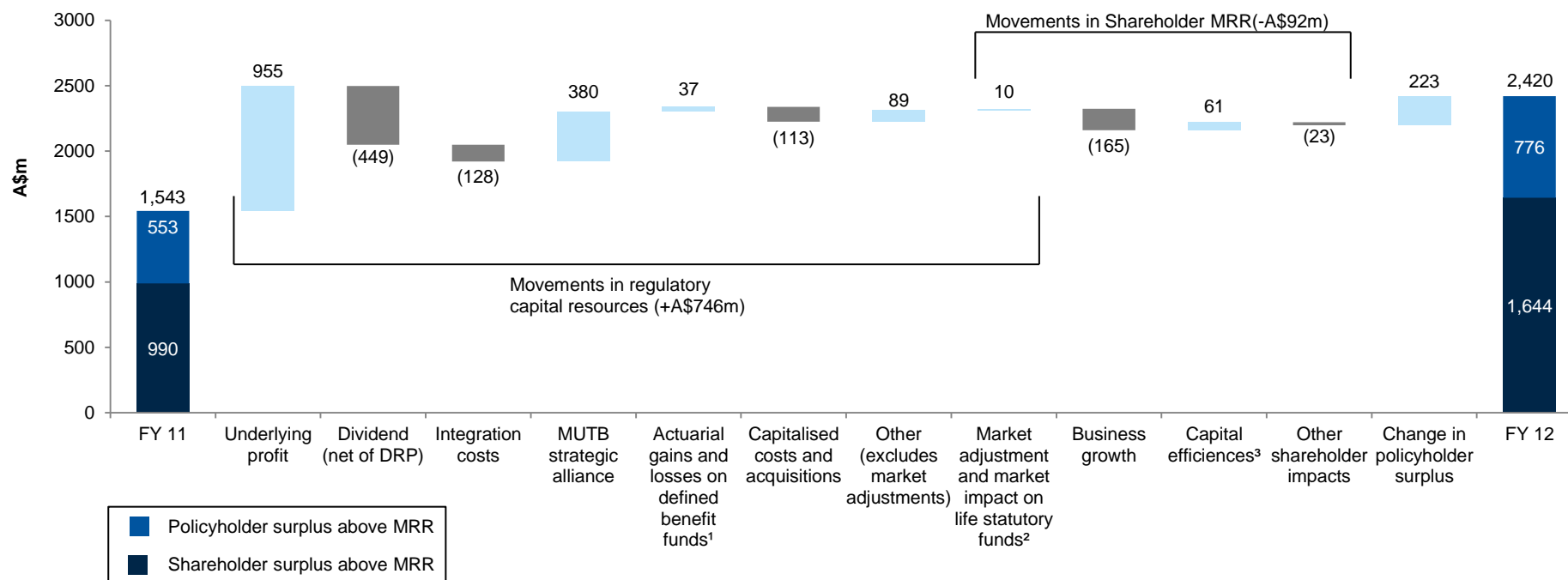


## AMP Bank – strong contributor to AFS Wealth Management earnings

- 2H 12 operating earnings of A\$33m (A\$30m in 2H 11) reflects assets growth (up 10% on 2H 11) tempered by lower net interest margin (down 7 bps on 2H 11)
- Return on capital of 14.0% in 2H 12, down from 15.2% in 2H 11
- Residential mortgage book up 11% on 2H 11
- Deposit book up 16% on 2H 11
- Cost to income ratio 34% in 2H 12 (33% in 2H 11)
- Well positioned with capital adequacy ratio of 13.8% (11.5% in 2H 11) – Tier 1 is 9.1%
- AMP Bank's funding comprises a combination of on-balance sheet (73%) and off-balance sheet (27% securitisation) funding
  - On-balance sheet funding includes retail and on-platform superannuation and investment deposits, as well as short- and long-term wholesale funding
- Successfully completed RMBS issues in May 2012 (A\$650m) and August 2012 (A\$800m)
- Growth will continue to be managed in line with funding capacity
- Asset quality remains strong, with 90+ day arrears of 0.44% at 2H 12 (0.46% at 2H 11); loans with LVR greater than 80% are mortgage insured; weighted average LVR of portfolio is 58% (2H 11 58%)
- Almost 100,000 customers

# Financial overview – regulatory capital

Regulatory capital resources above MRR of \$2,420m at 31 December 2012, up \$877m on FY 11



1. Includes the impact of discount rates and markets on defined benefit deficit/(surplus). During FY 12, AMP changed the estimated rates for discounting Australian defined benefit plan liabilities from using market yields on Commonwealth Government bonds to those based on Commonwealth Government and State Government bonds. This resulted in a decrease in the Australian defined benefit plan liabilities of A\$34m after tax. There was no profit impact.
2. This impact reflects the impact of market adjustments (-A\$25m) offset by impacts on shareholder MRR (+A\$35m).
3. Capital efficiencies includes the impact of the sale of AMP Bank B Notes and restructure of internal loan arrangements.

## Financial overview – sensitivity to markets

Sensitivity of capital position to market movements changed under LAGIC

### LAGIC impacts the sensitivity of the AMP capital position to market movements

- While available to absorb market and other impacts on participating business, the policyholder surplus does not form part of the capital adequacy tests in the revised life insurance capital standards; as such, the capital sensitivities provided below are based on the shareholder regulatory capital surplus above MRR

Capital sensitivities – shareholder regulatory capital resources above MRR (A\$m)	1 Jan 2013 (post-LAGIC pro forma)
Impact of 20% increase in equity values (ASX 200: 5,579)	170
Impact of 20% decrease in equity values (ASX 200: 3,719)	(160)
Impact of 100bps increase in bond yields (bond yield: 4.3%)	20
Impact of 100bps decrease in bond yields (bond yield: 2.3%)	(210)
Impact of 10% increase in unlisted property values	50
Impact of 10% decrease in unlisted property values	(50)

These sensitivities are point in time and do not make any allowance for subsequent management actions.

## Financial overview – derivative protection

AMP continues to actively manage its capital position

**AMP continues to use tactical protection to manage market risk. As at 31 December 2012, AMP had in place:**

- equity futures to reduce the equity exposure in AMP Life's guaranteed business by A\$0.5b and tactical down-side equity protection covering A\$1.5b of equities
- A\$1.6b protection in AMP Life's mature portfolio to protect against falling bond yields and a combination of futures and swaps to increase the duration of AMP Life's fixed income assets

**In addition, there are a number of long-term strategies involving derivatives in place within both AMP Life and NMLA to manage market risks**

**These derivative positions continue to be actively monitored and managed**

## Financial overview – regulatory capital reviews update

AMP has confirmed transitional arrangements for all existing subordinated debt instruments with APRA

### APRA is developing a supervision framework for conglomerate groups (Conglomerates)

- Implementation 1 January 2014, with no changes to existing supervision until that date; draft capital standards relating to conglomerates are expected to be available in 1H 2013 (deferred from Q4 2012)
- APRA is yet to confirm how LAGIC requirements will affect the Conglomerate proposals
- AMP is currently engaging with APRA on Conglomerate proposals
- AMP has confirmed with APRA that subordinated debt held at the Group level will continue to be 100% recognised as eligible capital under the revised standards until the earlier of the relevant instrument's first call date or March 2016

## AMP in a post-FoFA and Stronger Super world

AMP strategically well placed for regulatory change

- AMP implemented key elements of regulatory change, including removal of commissions on new superannuation, investment and pension products, and shift to fee for advice, more than 2 years ago
- AMP has the scale, integrated advice model, efficiency and flexibility to fully capitalise on opportunities from introduction of Future of Financial Advice (FoFA) and Stronger Super laws in FY 13
- Operationally, some challenges inherent in compression of implementation timeframe
  - Legislative and regulatory framework for both FoFA and Stronger Super still being finalised, despite 1 July 2013 start date for FoFA and 1 January 2014 for Stronger Super
- AMP expects one-off costs to the company of implementing FoFA, Stronger Super and other regulatory changes to be A\$60m - A\$75m
  - A\$59m of this was provisioned in FY 12
- **For FoFA, this involves:**
  - training approximately 3,500 AMP-aligned planners and advisers, 1,600 practice support staff and more than 500 AMP staff who support planners in new systems and processes
  - managing a highly complex data retrieval process (involving internal and external data feeds, products codes and transaction types) to extract and collate information for annual fee disclosure statements
- **For Stronger Super, this involves:**
  - assisting with more than 100,000 employer superannuation plans
  - communicating with 4 million+ superannuation account holders impacted by the changes
  - training more than 1,000 staff on new systems and processes
  - updating 70 product disclosure statements and fact sheets, and more than 150 letter templates
- AMP is currently building components for competitive MySuper offers

## Regulatory outlook

MySuper is a new low-cost, simple default superannuation product

### Stronger Super

- Legislating simple, low-cost default superannuation product and auto-consolidation of multiple superannuation interests
- From 1 January 2014, default superannuation contributions will have to be paid into a commission-free MySuper product; existing balances can remain in options that pay commissions until 2017
- Tailored pricing allowed for larger employers (>500 members)

### When

- Most MySuper legislation has been passed, with 1 of 4 tranches still outstanding; expected to be passed early 2013
- Regulations expected early 2013
- APRA began accepting MySuper applications from 1 January 2013

### Future of Financial Advice (FoFA)

- Legislating removal of commissions on new superannuation, investment and pension business (from July 2012 with transitional arrangements until 1 July 2013) and on default risk insurance in default/MySuper products (from July 2013)
- Fiduciary duty requiring advisers to act in the best interests of the client
- Prospective requirement for advisers to ensure clients opt in to ongoing service arrangements every two years (unless subject to an approved code of conduct); annual fee disclosure statements required for all clients in ongoing fee arrangement
- Prospective ban on volume-based payments to financial advice licensees

### When

- Legislation came into effect 1 July 2012 with compliance voluntary; compliance compulsory from 1 July 2013
- Regulations have been gazetted during 2012
- ASIC has released guidance for consultation on best interests duty and scaled advice, with more guidance due early 2013 on conflicted remuneration and codes of conduct

FoFA aims to improve trust and confidence in financial advisers

### Other

- Government's response to Productivity Commission's final report on role of default funds in modern awards legislated in the Fair Work Amendment Act 2012; each award will have 2-10 default funds selected from eligible MySuper funds under a review process conducted by the Fair Work Commission
- Increase in Superannuation Guarantee from 9% to 12% passed Parliament; incremental increases commence from 1 July 2013, when SG moves to 9.25%
- Potential changes to contribution taxes for higher income earners, co-contributions for low income earners and low income super contributions
- Election year commitments and potential change of government

Other changes could affect market growth opportunities