2013 full year results

20 February 2014

Craig Meller
Chief Executive Officer

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Chief Financial Officer

Executive summary

- FY 13 net profit of A$672m (FY 12: A$689m) and underlying profit of A$849m (FY 12: A$950m)
  - Strong underlying earnings growth in wealth management, Bank, mature and NZ businesses
  - Stable earnings from AMP Capital, with good traction in strategy execution, particularly in 2H 13
  - Profit drag from poor claims and lapse experience in wealth protection
  - Also impacted by 40% reduction in underlying investment income on shareholder equity from lower interest rates
- A$2.2b in Australian wealth management net cashflows, almost triple FY 12, as business capitalised on improving investor sentiment
- Strong operational execution drove completion of integration, transition to new regulatory environment and consolidation of A$24.1b in AUM on North technology
- Established new funds management joint venture with China Life; raised A$2.2b for inaugural China mutual fund
- 2.6% fall in controllable costs, as a result of integration benefits and effective cost control
- Strong capital position, with surplus above MRR of A$2.1b
- Final dividend of 11.5 cents a share, franked to 70% (full year payout ratio of 80% of underlying profit)
  - For this dividend, dividend reinvestment plan will be offered with no discount, and shares will be bought on market rather than issued as new capital

Group overview

Section 2

Group overview – key performance measures

	FY 13	FY 12
Underlying profit (A$m)	849	950[1]
Cost to income ratio	49.4%	47.3%[1]
Growth measures		
AFS net cashflows (A$m)	1,319	308[2]
Total retail on AMP platforms (A$m)	2,470	739[2]
Total Australian wealth management (A$m)	2,166	821
AMP Capital external net cashflows (A$m)	(1,039)	(1,784)
AFS value of risk new business (A$m)	116	203
Underlying return on equity	10.7%	12.7%[1]

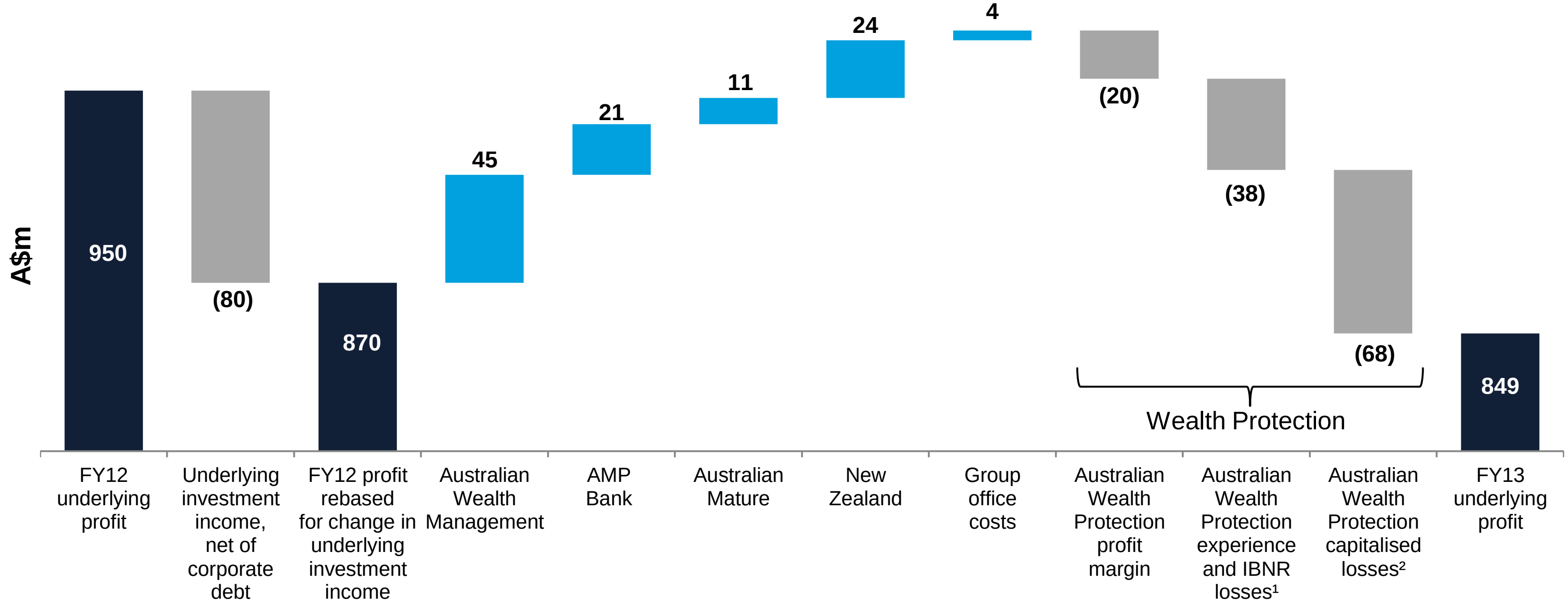
1. Prior period comparatives restated in accordance with changes in accounting standards and following reclassifications of controllable costs to variable. See p 15, 19 & 39 of FY 13 Investor Report for details.
2. Prior period comparatives changed following changes in reporting for SMSF and corporate superannuation cashflows. See p 20-23 of FY 13 Investor Report for details.

Group overview – FY 13 profit summary

A$m	FY 13	FY 12
Australian wealth management	330	285[1]
AMP Bank	83	62
Australian wealth protection	64	190
Australian mature	178	167
New Zealand	97	73
AMP Capital	99	99
BU operating earnings	**851**	**876**
Group office costs	(62)	(66)[2]
Total operating earnings	**789**	**810**
Underlying investment income	135	226
Interest expense on corporate debt	(75)	(86)
Underlying profit	**849**	**950**
Other items	(2)	21
AXA integration costs	(57)	(128)
Business efficiency program	(39)	-
Amortisation of AXA acquired intangible assets	(91)	(99)
Profit before market adjustments and accounting mismatches	**660**	**744**
Market adjustments[3]	24	(25)
Accounting mismatches	(12)	(30)
Profit attributable to shareholders of AMP Limited	**672**	**689**

1. Excluding Bank.
2. Prior period comparative restated because of changes in accounting standards. See p39 of FY 13 Investor Report.
3. Includes adjustments for investment income, annuity fair value and risk products. See chart 18 for more details.

Group overview – major drivers of underlying profit



Underlying profit driven by 15% increase in operating earnings ex wealth protection, offset by lower investment income and experience losses

1. Included is a strengthening of the incurred but not reported (IBNR) provision of A$15m in FY 13.
2. Of the total A$68m in AWP capitalised losses, A$48m relates to strengthened assumptions for the NMLA income protection book in FY 13. The balance is due to a capitalised loss reversal of A$20m in FY 12.

Business lines

Section 3

Wealth management – overview

Earnings growth driven by strong business from new and existing customers, as business capitalised on improving investment markets

Key performance measures	FY 13	FY 12
Operating earnings excluding Bank (A$m)	330	285
Controllable costs (A$m)	(510)	(509)
Investment-related revenue to AUM (bps)	121	125
Operating earnings to AUM (bps)	35	35
Cost to income ratio	50.4%	52.9%

- 16% lift in operating earnings from higher net cashflows, good growth in AUM and higher member fees from more customers
- Breadth and depth of contemporary superannuation products and capabilities, including SMSF, generating substantial new business
  - North net cashflows up 89% on FY 12
  - SMSF accounts grew at 9x system growth, to 14,835 from 9,100 in FY 12, from both organic growth and acquisitions, with A$16.5b funds under administration[1]
- Consolidated A$14.5b in AUM from older platforms (Summit, Generations, iAccess) onto contemporary North technology, to deliver scale; now managing A$24.1b on this technology
- Achieved APRA approval to launch new MySuper offers from 1 Jan 2014 for 500,000 existing customers
- Held FY 13 controllable costs steady despite full year impact of Cavendish business (only 6 months in FY 12), additional SMSF administration services acquired in October 2013, and ongoing investment to support growth of North
- Margin compression in line with lower end of medium term guidance of 3.5%-4.5% pa over 2011-2017 period, incorporating MySuper implementation
  - Average annual margin compression since 2011 has been 3.5%
  - With MySuper transitions now underway, average annual compression expected to be around higher end of guidance range, as previously flagged, through to 2017

1. SMSF includes all accounts for Cavendish, Multiport, Ascend, YourSMSF and SuperIQ (in which AMP has a 49% ownership stake).

Wealth management – cashflows and adviser network

Net cashflows on retail AMP platforms more than tripled to A$2.5b

Net cashflows summary (A$m)	FY 13	FY 12
AMP Flexible Super	1,958	2,338
North	4,125	2,188
Other products and platforms[1]	(3,613)	(3,787)
Total retail on AMP platforms	**2,470**	**739**
Signature Super and Flexible Super (employer)[1]	630	649
Other corporate superannuation[1]	(425)	(104)
Total corporate superannuation	**205**	**545**
External platforms[1]	(509)	(463)
Total Australian wealth management	**2,166**	**821**

- North net cashflows almost doubled to A$4.1b over 12 months, taking AUM to just under A$10b - a five-fold increase since acquiring North in 2011
- AMP Flexible Super generated almost A$2b in net cashflows, although more new business is flowing to North; Flexible Super now has A$10b in AUM
- 31% lift in discretionary contributions; encouraging trend in subdued corporate super flows
- Adviser network continued to grow in Australia, attracting a net 166 new advisers to total 3,802
  - Good growth in adviser and practice numbers across AMP Financial Planning, Charter and Hillross helped lift net cashflows substantially in all three licensees, with increases of between 85 -175% over FY 12

1. For more details on the products and platforms in these groupings, see p20 of FY 13 Investor Report.

AMP Bank - overview

Key performance measures	FY 13	FY 12
Operating earnings (A$m)	83	62
Controllable costs (A$m)	(50)	(47)
Cost to income ratio	29.6%	34.9%
Net interest margin	1.39%	1.23%
Residential mortgage book (A$b)	12.8	12.0
Deposits (A$b)	8.7	8.6
Return on invested capital	15.8%	13.8%

– AMP Bank making growing contribution to group profits, with 34% increase in operating earnings to A$83m
– Controlled growth in residential mortgage book and deposit book together with good cost control delivered significant value in FY 13
– 16 basis point lift in net interest margin reflecting lower funding costs
– Capital adequacy ratio of 11.8% (13.8% in FY 12) and Tier 1 capital ratio of 8.7% (9.1% in FY 12)
– Asset quality remains strong, with mortgages in arrears (90+ days) at 0.37% at December 2013, compared with 0.44% at December 2012

Wealth protection - overview

FY 13 operating earnings hit by increased levels of claims and lapses

Key performance measures (A$m)	FY 13	2H 13	1H 13	FY 12	2H 12	1H 12
Profit margins	199	102	97	219	110	109
Capitalised (losses)/reversals	(48)	(48)	-	20	-	20
Experience profits/(losses)	(87)	(54)	(33)	(49)	(54)	5
Income protection (IP)	(2)	9	(11)	(2)	(17)	15
Lump sum	(10)	(3)	(7)	1	2	(1)
Group[1]	(37)	(31)	(6)	(13)	(13)	-
Lapses	(33)	(21)	(12)	(29)	(20)	(9)
Other	(5)	(8)	3	(6)	(6)	-
Operating earnings	64	-	64	190	56	134
Individual risk API	1,448	1,448	1,395	1,389	1,389	1,328
Individual risk lapse rate	14.8%	15.5%	13.9%	13.9%	14.8%	12.9%
Cost to income ratio	53.8%	71.4%	44.1%	33.0%	40.3%	27.9%

- Targeting factors driving claims and lapses concurrently; claims more directly and immediately responsive to management actions
- Some actions, such as increased prices and more active management of advisers with high lapse rates, contributed to worsening short term lapse experience
- Individual claims showing some early signs of traction from management action, with more encouraging trends in Q4
- Group claims results largely driven by one client plan, due for renegotiation mid-year; strengthened incurred but not reported reserves (IBNR) by A$15m primarily in response to reporting delays in group claims
- Scaling up tactical campaigns and adviser intervention activities targeting lapses in FY 14; significant improvement not expected until FY 15; best estimate assumptions allow for deterioration during 2014 with improvements from 2015

1. Includes IBNR assumption changes and other experience losses.

Wealth protection profit improvement program

Progress and outcomes since FY 13 implementation

Pricing and claims management most immediate levers; lapse improvement activity scaling up in FY 14; developing new solutions to deliver sustainable outcomes

	Claims			Lapses		
Immediate actions	Increased claims team sizes to reduce case load and increase customer focus	Repriced IP business to improve value	Improving claims finalisation pipeline management, reducing claims reserves	Increased retention teams to reach more customers with higher propensity to lapse	Tactical customer campaigns targeting new price options and value	Reviewed business terms for adviser practices with high lapse rates
Outcomes	• More resources & better processes driving encouraging early signs of traction, particularly in IP claims • Actively managing Group policies through 3-yr repricing cycle • Improving trend in claims closures			• Initial tactical campaigns, using increased resources, delivered insight into effective offers for scale up in FY 14 • Changed business terms for 21 adviser practices with high lapse rates; another 16 being reviewed • Some actions worsen lapse rates before they get better		
Medium term actions	Invest in new claims analytics tools, including risk prediction tools	Build new claims technology platform to embed new management model	Assist customers to return to work sooner by offering broader support, including rehabilitation	Improve tools to monitor and manage lapse experience and drive intervention with customers and advisers	Develop new retention management framework, including stronger capability around price elasticity and price/lapse trade-offs	Review remuneration structures at both industry and AMP levels (part of new product development)
	• Tackle customer motivation through re-engineered products designed to work more naturally with human behaviour: a new insurance proposition • Sustained improvement in wealth protection profitability will require focused activities over medium term					

Wealth protection – next steps

- Actions and tools to drive improved profit in wealth protection will include:
  - new processes, frameworks and systems for implementation from 2014
  - new data analytics tools and technology, to better monitor and manage claims and lapses, including use of propensity modelling and early interventions to target at risk customers and advisers, funded by group business efficiency program
- Progress and benefits to be achieved against backdrop of continuing challenging industry conditions
- Revised best estimate assumptions anticipate FY 14 claims will be broadly in line with FY 13 experience while expecting lapses to worsen in FY 14 before management actions take effect
  - FY 14 claims assumptions for IP and Group, on average, align with FY 13 experience, with gradual improvements from FY 14 from the expected impact of management actions currently underway
  - While significant action to remediate group risk business undertaken in 2013, one scheme which contributed over 70% of losses will be repriced in June 2014. Some negative experience expected until repricing actions flow through
  - FY 14 lapse assumptions around 1 percentage point worse than FY 13 lapse experience; gradually reverting to levels approximately in line with FY 12 experience by 2017
- Strengthening of assumptions across both retail income protection and lump sum products expected to reduce profit margins by around A$35m in FY 14

Mature

Key performance measures	FY 13	FY 12
Operating earnings (A$m)	178	167
Assets under management (A$b)	22.5	23.0
Persistency	89.6%	89.7%
Controllable costs (A$m)	62	77
Cost to income ratio	18.2%	21.8%

- 7% lift in operating earnings driven by higher investment markets and lower controllable costs, which offset the expected portfolio run-off and lower experience profits
- Controllable costs benefited from lower project costs, merger synergies and lower allocation of overheads as the portfolio runs off
- Remains a profitable, high returning part of business

New Zealand

Key performance measures	FY 13	FY 12
Profit margins (A$m)[1]	98	81
Experience profits/(losses) (A$m)	(1)	(8)
Operating earnings (A$m)[2]	97	73
Net cashflows (A$m)[3]	80	53
Individual risk API (A$m)	277	237
Individual risk lapse rate	12.8%	10.9%
Cost to income ratio[4]	36.0%	40.2%

- 33% lift in operating earnings as a result of good business growth, improving experience and good cost control, supported by an appreciating currency
- Improving experience driven by fewer claims incidence and continued improvement in claims management in income protection and lump sum, partly offset by worsening lapses as a result of price rises
- Lift in net cashflows as a result of ongoing success of KiwiSaver offer; AFS NZ now has just under 260,000 KiwiSaver members and AUM of NZ$2.9b, up 19% on FY 12
- Controllable costs down 9% in NZ dollar terms

1. Includes provisional tax relief of A$19m in FY 13 and A$18m in FY 12.
2. In NZ dollar terms, operating earnings in FY 13 were NZ$115m, up 24%.
3. In NZ dollar terms, net cashflows in FY 13 were NZ$94m.
4. FY 12 restated to reflect a reclassification of certain costs. See page 18 and 19 of Investor Report FY 13.

AMP Capital – overview

Key performance measures	FY 13	FY 12
Operating earnings after minority interests (A$m)	99	99
Operating earnings incl minority interests[1] (A$m)	117	114
Fee income (A$m)	473	462
Performance and transaction fees (A$m)	33	49
Controllable costs (A$m)	(318)	(324)
Cost to income ratio	65.2%	66.2%
AUM (A$b)	140.2	128.6

AMP Capital delivered stable operating earnings, while successfully executing strategy

– Operating earnings driven by increase in fee income, AUM growth and disciplined cost management, offsetting lower performance fees and external cash outflows
  - FY 12 performance fees benefited from one-off A$6m contributed from DUET

Continued progress in strategy execution, particularly in 2H 13

– Infrastructure Debt Fund II has raised more than A$450m, including commitments from 22 Japanese institutional clients through the alliance with MUTB - the first infrastructure fund marketed by MUTB to its clients

– Business alliance with MUTB at end FY 13 had 3 retail funds and 2 institutional funds in market with AUM of A$576m

– New asset management joint venture with China Life launched in November 2013

1. 15% minority interest acquired by MUTB on 1 March 2012.

AMP Capital – cashflows and investment performance

External AUM and cashflows (A$m)	FY 13 AUM	Cashflows 2H 13	Cashflows 1H 13
Australian equities	4,602	97	361
International equities	7,393	(71)	(987)
Fixed interest	10,458	148	(1,255)
Infrastructure	4,704	768	215
Direct investments	19	(2)	-
Property	13,065	66	(420)
Alternative assets	107	25	16
Total external	**40,348**	**1,031**	**(2,070)**

Encouraging turnaround in 2H 13 external cashflows

– External cash outflows driven by Japanese retail market in 1H 13; turnaround in 2H 13 driven by good flows into infrastructure funds and separately managed accounts, and slowing of outflows in Japan

Continued strong investment performance across most asset classes and capabilities

– 67% of AUM met or exceeded client goals over 3 years to Dec 2013, against a target of 60%; 86% over 1 year period to December 2013[1]

– 78% of flagship funds have a buy rating from their relevant consultant or research house

1. See p31 of Investor Report FY 13 for more information on investment performance goals.

Financial overview

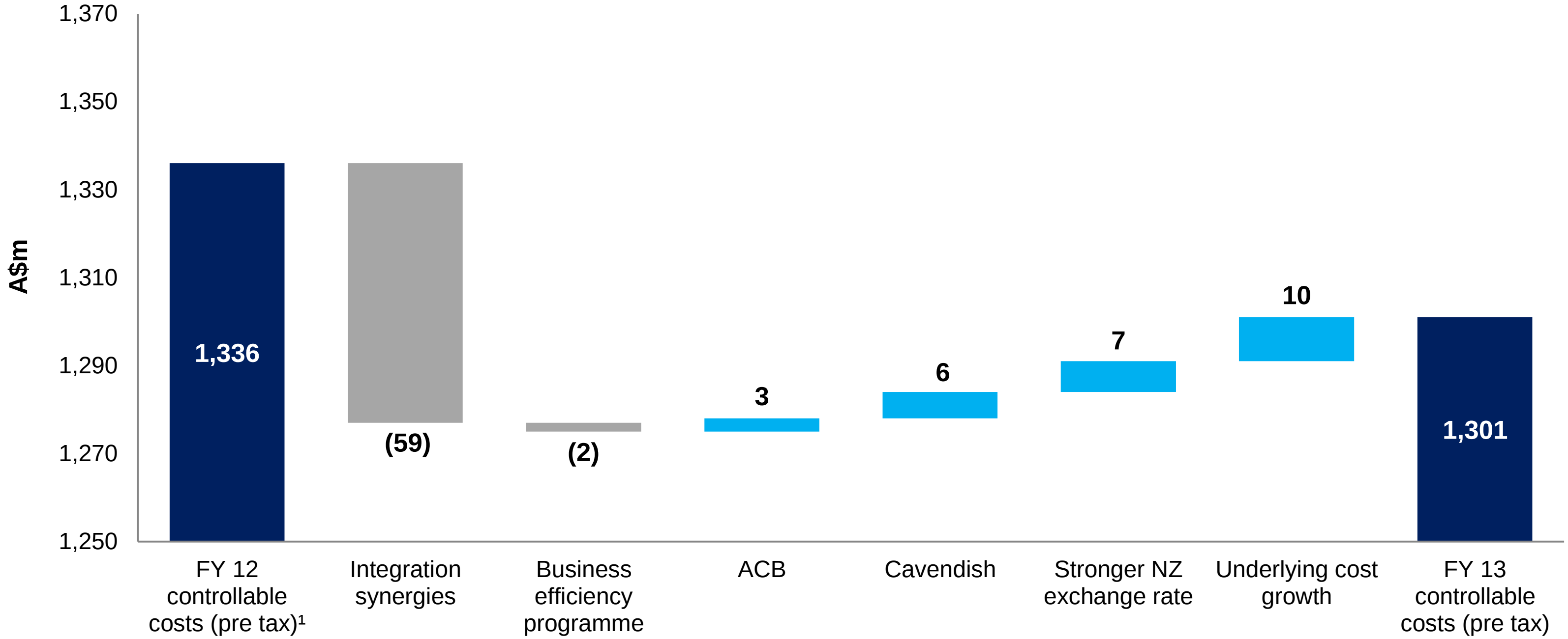
Section 4

Financial overview – key points on P&L

A$m	FY 13	FY 12[1]
Underlying profit	**849**	**950**
Other items	(2)	21
AXA integration costs	(57)	(128)
Business efficiency program	(39)	-
Amortisation of AXA acquired intangible assets	(91)	(99)
Profit before market adjustments and accounting mismatches[2]	**660**	**744**
Market adjustment - investment income	2	(12)
Market adjustment - annuity fair value	27	(9)
Market adjustment - risk products	(5)	(4)
Accounting mismatches	(12)	(30)
Profit attributable to shareholders of AMP Limited	**672**	**689**

1. Prior period comparatives have been restated in accordance with changes in accounting standards. See pages 39 and 40 of the Investor Report FY 13 for more details.
2. For more detail, see p 40 of the Investor Report FY 13.

Financial overview – maintaining cost control



FY 13 Group-wide controllable costs of A$1,301m

– 2.6% reduction in controllable costs, despite underlying cost growth and adverse impact of NZ dollar exchange rate movement

FY 14 Group-wide controllable costs expected to rise by around 1.5% from FY 13

– Underlying controllable costs expected to remain flat in 2014, as benefits of business efficiency program offset CPI and wage cost growth. Any outperformance in business efficiency program likely to be directed to further investment in customer and growth initiatives
– Removal of research and development tax credits (FY 13: A$15m; FY 12: A$13m) and anticipated stronger NZ foreign exchange rate will lift nominal costs by around 1.5%

Section 4

1. Restated following reclassification of claims expenses to variable. See p15 & 19 of FY 13 Investor Report for more details.

Financial overview – balance sheet and regulatory capital

Maintained low corporate gearing and increased regulatory capital surplus above MRR by A$708m to A$2.1b

A$m	FY 13	FY 12	Change
Shareholder equity	8,154	7,744	410
Total corporate subordinated debt[1]	1,274	879	395
Total corporate senior debt	700	700	-
Total capital resources	**10,128**	**9,323**	**805**
Regulatory capital resources	3,698	2,948	750
Shareholder regulatory capital resources above MRR	**2,080**	**1,372**	**708**
Debt metrics			
Corporate gearing[2]	13%	11%	2
Interest cover (underlying)	12.3 times	12.1 times	0.2
Group cash (A$m)	796	604	192
Undrawn syndicated loan (A$m)	500	500	-

- Corporate gearing ratios remain strong
- Regulatory capital in excess of minimum regulatory requirements increased by A$708m
- A$325m AMP Notes 2 (subordinated debt) raised in December 2013; A$300m of which injected into regulated entities and meets new capital guidelines[3]
- Intend to redeem remainder of AMP Notes (A$266m) for cash, subject to APRA approval, on step-up date in May 2014
- At 31 December 2013, AMP had access to significant liquidity through group cash of A$796m and undrawn facilities of A$500m

1. For further details on AMP's debt overview, see p38 of the FY 13 Investor Report.
2. Based on S&P methodology.
3. See chart 32 in Appendix for more details.

Financial overview – final 2013 dividend

Final 2013 dividend of 11.5 cents per share, franked to 70%, representing a full year payout ratio of 80% of underlying profits

- AMP Limited target dividend payout ratio of 70% to 80% of underlying profit
- In determining the final 2013 dividend, the Board considered the fact that capitalised losses are non-cash items and do not reduce AMP's overall capital position
- For the final 2013 dividend, no discount will apply to the DRP allocation price. Shares will be acquired on-market to satisfy entitlements under the DRP
- DRP reviewed every six months as part of Board review of capital position and dividend payments

Delivering AMP's promise

Section 5

Charting a path to stronger growth

Build on current strengths, re-orient organisation around customer to drive transformative change

Growth strategy framed by four key decisions:

1. Prioritise **investment in A$2.2t[1] Australian wealth management** market
   - Build on leading market positions to capture growth as industry doubles in size[2] to 2022

2. Transform core Australian business **to centre on customer,** driving stronger revenue growth from target segments
   - To remain relevant in a fast-changing world, we will:
     - provide multi channel access and services, including digital platforms
     - redesign our advice model, giving more Australians access at a range of price points
     - invest in data analytics to better target high value customer segments
     - build new capabilities in human centred design (HCD) and behavioural economics (BE)
     - build a more agile, efficient operating model, including reducing management layers

3. Reduce costs to maintain **market-leading efficiency** and reinvest in new customer solutions
   - Profitable wealth management growth will require a lower cost base and more efficient processes to meet customer value expectations
   - More efficient organisation able to capture full benefit of planned revenue growth

4. Invest selectively in **Asia and internationally** through AMP Capital
   - Leveraging business model experience and investment capabilities in demand globally to move profitably into new markets

Notes

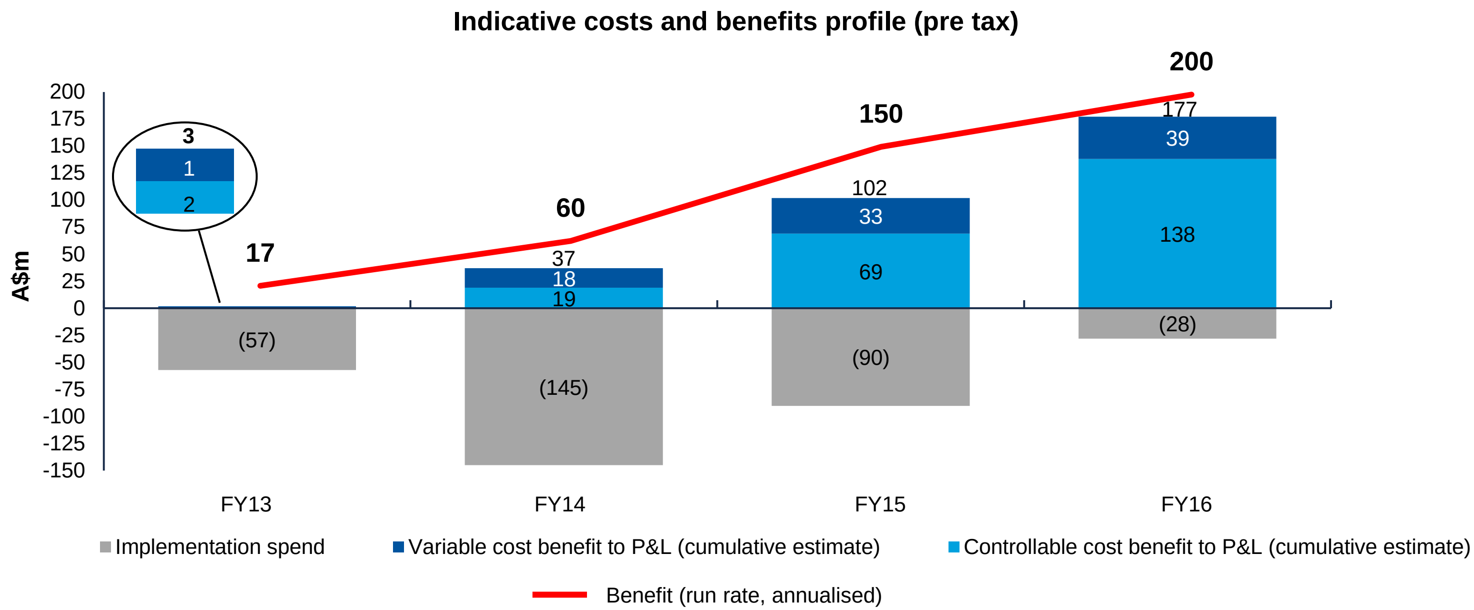
1. Australian Bureau of Statistics managed funds industry in Australia, September 2013.
2. DEXX&R projections May 2013.

Why pursuing a customer-led strategy creates value

Transformation lever	Links to value creation
Provide multi channel access and services, including digital platforms	• Improved accessibility will enable solutions for unmet needs; Customers holding 5 or more products/services provide 10x more gross margin than customers who hold 1 product/service • Strong correlation between frequency of digital interaction and value of customer
Diversify advice models, to provide more access and a broader range of price points	• Average balance of an advised customer is 1.6x that of an unadvised customer • Significant unmet demand for advice within AMP customer base
Data analytics and propensity modelling to better identify and target unmet needs in high value customer segments	• Direct correlation between meeting unmet needs and value; 93% of customers holding 5+ products/services remain as customers over a 5 year period compared to 69% where customers only hold 1 product or service • Lowers cost of lead/new business generation
New capabilities in human centred design (HCD) and behavioural economics (BE)	• Creation of experiences grounded in a deep understanding of customer needs (HCD) has the potential to increase customer advocacy and therefore retention and new business opportunities • Embedding BE principles improves likelihood of getting customers to act
Agile operating model to meet customer needs more efficiently	• Cross functional design teams work to build solutions focused on unmet customer needs driving improved relevance of solutions • Lowers cost of development of new revenue streams • Reduced spans and layers aid information flows and speed up decision making

Reduce costs to maintain market leading efficiency and reinvest in better customer solutions

Ahead of plan to achieve A$200m run rate savings by end 2016



- Business efficiency program tracking well; early results slightly ahead of schedule with strong program disciplines delivering operating model benefits faster than plan; A$3m P&L benefit for 2013 vs A$2m expected
- No change to program economic profile outlined at 1H 13 results
- Acceleration of efficiency program creating capacity to reinvent wealth protection business and invest in growth; factored into program guidance
- One-off program costs of A$320m over 3 years funded through combination of future retained earnings and existing capital surplus

Reduce costs to maintain market leading efficiency and reinvest in better customer solutions

Planning and foundations set in 2013; focus on execution in 2014

- **FY 13 business efficiency program delivered:**
  - detailed design of future organisation
  - phase one of multi-asset fund consolidation
  - early rationalisation of selected group functions
  - projects initiated to improve, modernise and reduce cost of core IT infrastructure
  - detailed planning and contract negotiations with core outsourcing partner
  - run rate savings of A$17m vs guidance of A$10m

- **FY 14 business efficiency program focus areas:**
  - full implementation of organisation design to create customer focused organisation with wider spans and fewer layers
  - complete the multi-asset fund consolidation to reduce asset management pay-away
  - further rationalisation of group functions
  - implementation of IT infrastructure projects to include data, storage and system support
  - major phases of outsourcing and automation of back office processes
  - capture of process efficiencies driven through customer value lens

Invest selectively in offshore growth

Gaining traction with strategy to build strong partnerships in key markets to link large savings pools in Australia and Asia with attractive investment opportunities around the world

Build partnerships with national champions in core Asian markets

Strong distribution partnerships in China and Japan built on Australian business model experience

- A$2.2bn raised for inaugural mutual fund in China with JV partner China Life
  - Total mutual fund market in China now A$700b; projected to reach A$1t within 3 years
- Three fixed income funds for retail clients and two institutional funds now in-market with MUTB, with A$576m in funds under management
- Managing A$5.3b for clients in Japan; managing AUM for 1 in 6 corporate pension Japanese plans >A$100m
- New retail and institutional products planned for launch with MUTB in 1H 14

Target pension funds market domestically and internationally

Use expertise honed in fourth largest and fastest-growing pension market in world

- Now managing over A$2.6b on behalf of 63 global pension fund clients
- More than A$450m raised for Infrastructure Debt Fund II from 29 clients across multiple countries
- Strong property development pipeline, with A$5b in projects, including redevelopment of Pacific Fair and Macquarie shopping centres, attracting international client demand
- A$6.2b in infrastructure funds under management, with investments across 9 countries
- A$1.7b in transactions executed by infrastructure business in FY 13
- 7% of AMP Capital's AUM currently sourced from international investors
- 71 investment professionals in Hong Kong, Singapore, China, India, the UK and US

Summary

– Growth momentum in wealth management, bank and New Zealand, improving investment performance and tight cost control delivering strong underlying earnings growth in these business lines
– Actively addressing challenges in life insurance, with some encouraging early signs of progress, although sustained improvements will require focused activity over medium term
– Strong executional capabilities delivering major change programs effectively and cost efficiently
– Well-capitalised, with flexibility to meet regulatory change and support business growth and insurance turnaround
– Continuing to drive hard on strategy execution to create more agile, efficient business centred on the customer, while growing selectively offshore

Appendix

Section 6

Guidance

- **Controllable costs**
- FY 14 Group-wide controllable costs expected to rise by around 1.5% from FY 13
    - Underlying controllable costs expected to remain flat in 2014, as benefits of business efficiency program offset CPI and wage cost growth. Any outperformance in business efficiency program likely to be directed to further investment in customer and growth initiatives
    - Removal of research and development tax credits (FY 13: A$15m; FY 12: A$13m) and anticipated stronger NZ foreign exchange rate will lift nominal costs by around 1.5%
  - Business efficiency program estimated cumulative controllable cost benefit to P&L of A$19m in FY14, FY 15 A$69m, FY 16 A$138m (see chart 25 for estimated variable cost savings)
  - AMP Capital is targeting a cost to income ratio of 60% to 65% by 1H 14
- **Other cost** related guidance
  - Expected business efficiency program gross costs of A$145m in FY 14, A$90m in FY 15 and A$28m in FY 16 (pre-tax)
  - Estimated incremental integration cost synergy benefit of A$17m (post-tax) expected in FY 14
  - Remaining spend on regulatory change in FY 14 is anticipated to be approx A$4m (post-tax)
  - Amortisation of acquired intangibles of approximately A$89m in FY 14 (post-tax)
- **Wealth management**: AMP continues to expect average margin compression of 3.5% to 4.5% per annum over the MySuper implementation period to 2017; as MySuper plan transitions have now commenced, average compression is expected to be around the higher end of this range, as previously guided, through to 2017
- **Wealth protection**:
  - FY 14 claims assumptions for IP and Group, on average, align with FY 13 experience, with gradual improvements from FY 14 from the expected impact of management actions currently underway
  - While significant action to remediate group risk business was taken in 2013, one scheme which contributed over 70% of losses will be repriced in June 2014. Some negative experience expected until repricing actions flow through
  - FY 14 lapse assumptions around 1 percentage point worse than FY 13 lapse experience; gradually reverting to levels approximately in line with FY 12 experience by 2017
  - Strengthening of assumptions across both retail income protection and lump sum products expected to reduce profit margins by around A$35m in FY 14
- **Mature** business: expected to run off between 4% - 6% per annum; in volatile investment markets this run-off rate can vary substantially
- **Dividend policy**: full year payout ratio of 70% to 80% of underlying profit
- **Capital**:
  - APRA is developing capital standards for conglomerate groups which will apply to AMP and are expected to take effect from 1 January 2015. Based on the draft standards, AMP's current capital levels will be sufficient to meet the requirements on the implementation date
  - The rate of return used for calculating underlying investment income on total shareholder assets in FY14 will be unchanged from FY13 (3.0% pa after tax on total shareholder assets, except for DAC which will be 1.8%pa after tax)
  - The average volume of corporate debt will be elevated over 1H 14 due to the issue of A$325m of AMP Notes 2 in December 2013; It is AMP’s current intention to redeem AMP Notes (A$266m) on 15 May 2014 subject to APRA approval

Advice overview – strong and growing adviser force

	Dec 13	Jun 13	Dec 12	Change Dec 12 to Dec 13
AMP Financial Planning	1,706	1,662	1,616	90
Hillross	367	359	337	30
Horizons Practice and Academy	142	122	120	22
SMSF Advice	57	16	17	40
AMP Direct	30	38	40	(10)
Charter Financial Planning	852	811	791	61
Genesys Wealth Advisers	219	237	239	(20)
ipac/Tynan Mackenzie	176	173	168	8
Futuro Financial Services	82	79	74	8
Jigsaw Support Services	171	183	234	(63)
Total Australia	**3,802**	**3,680**	**3,636**	**166**
AMP New Zealand	604	606	640	(36)
Total financial advisers	**4,406**	**4,286**	**4,276**	**130**

- Adviser numbers up 181 across AMP Financial Planning, Charter and Hillross as a result of strong recruitment activity among existing planners and practices, and development of new planners through Horizons Academy
- SMSF Advice also benefiting from strong recruitment activity; under FOFA, accountants providing SMSF financial advice have transitional period from July 2013 to July 2016 to either obtain an Australian Financial Services License or become an authorised representative of a licensee

Financial overview: impact of AMP Notes 2

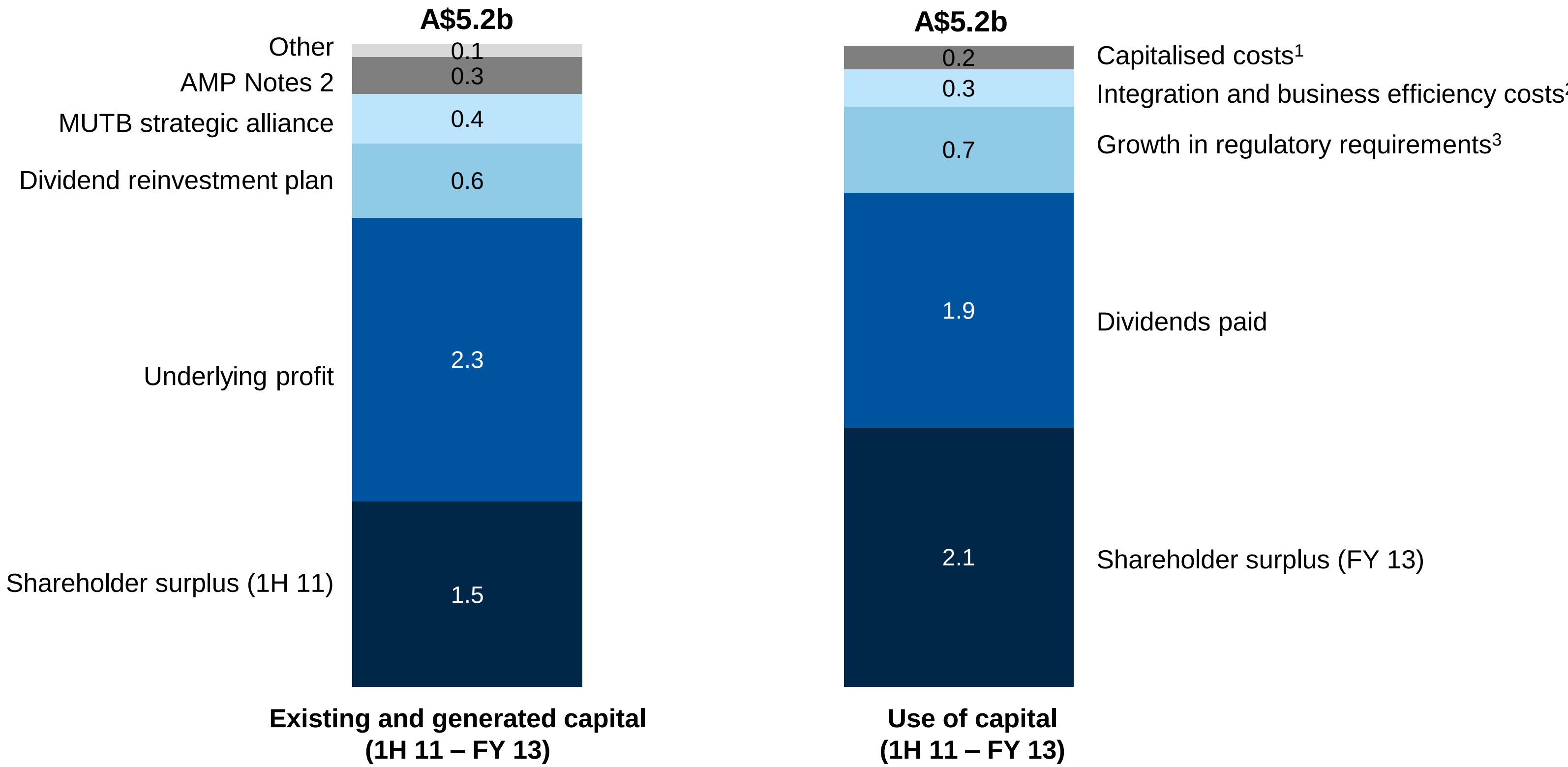
A$m	FY 13 (prior to AMP Notes 2)	Impacts: AMP Notes 2 issued	AMP Notes reinvested[1]	Loan to life companies	Transition arrangements	FY 13
Total capital resources	**9,833**	**325**	**(30)**	**-**	**-**	**10,128**
Intangibles	(3,857)	-	-	-	-	(3,857)
Tangible capital resources	5,976	325	(30)	-	-	6,271
Senior debt	(700)	-	-	-	-	(700)
Subordinated debt not eligible as regulatory capital	-	(325)	-	-	25	(300)
Other deductions[2]	(1,573)	-	-	-	-	(1,573)
Regulatory capital resources	**3,703**	**-**	**(30)**	**-**	**25**	**3,698**
Shareholder minimum regulatory capital requirements (MRR)	1,879	-	-	(261)	-	1,618
Shareholder regulatory capital resources above MRR	**1,824**	**-**	**(30)**	**261**	**25**	**2,080**

AMP Notes 2 were issued in December 2013

- AMP Notes 2 are not recognised as regulatory capital for AMP group (except for transitional arrangements); as advised by APRA given the release of the draft conglomerate capital prudential standards in May 2013
- A$300m of AMP Notes 2 was lent to AMP Life and NMLA, where these instruments are recognised as Tier 2 regulatory capital within those businesses
- At the AMP group level, this is recognised as a reduction in MRR of A$261m, consistent with the draft conglomerate capital prudential standards
- The residual $25m is allowed as effective regulatory capital resources under transitional arrangements approved by APRA

1. Relates to reinvestment by original AMP Notes holders into AMP Notes 2, which reduces AMP Notes subordinated debt to be repaid from A$296m to A$266m
2. Deduction primarily relates to implicit deferred acquisition costs following impact of LAGIC (Life and General Insurance capital review)

Financial overview – sources and use of capital since 1H 11



1. Net of amortisation.
2. For the period from 1H 11 – FY 13. Net of tax.
3. Change in shareholder MRR and other deductions. This includes impact of business growth, changes in regulatory capital standards and other impacts. For 1H 11, the shareholder MRR was adjusted to removed the policyholder portion of the MRR.

Regulatory update

MySuper

- Launched MySuper offers to meet the different retirement needs of our customers
- More than half a million AMP superannuation customers have a MySuper investment option from 1 January 2014

FOFA (Future of Financial Advice)

- Series of legislated reforms to the financial services sector to improve trust and confidence in financial advisers; began implementation on 1 July 2012 and largely completed in 2013
  - included removal of commissions on new superannuation, investment and pension business from 1 July 2012, and on default risk insurance in default or MySuper products from 1 July 2013
- In December 2013, Australian Federal Government proposed 15 reforms to FOFA to reduce compliance costs for small business, financial advisers and consumers accessing financial advice. Key reforms include:
  - fee disclosure statements need to be provided to clients only where an ongoing fee arrangement has been entered into after 1 July 2013
  - removal of the 'catch-all' step of the best interests duty
  - removal of the opt-in requirements
  - explicit allowance of the provision of scaled advice
  - amend existing grandfathering provisions to ensure advisers can move between licenses
  - exemption of general advice from the ban on conflicted remuneration

FSI (Financial System Inquiry)

- Review of Australia's financial system, examining how it should be positioned to best meet the nation's evolving needs and support economic growth
  - initial submissions due 31 March
  - interim report scheduled for release end June
  - final report scheduled for release November 2014

APRA

- Prudential standard APS 210 requires an authorised deposit-taking institution to adopt prudent practices in managing its liquidity risks:
  - 'name crisis' scenario requirement until 31 December 2014
  - Liquidity Coverage Ratio requirements from 1 January 2015
- Capital standards for conglomerates groups are being developed and are expected to take effect from 1 January 2015. Based on the draft conglomerates standards, AMP's current capital levels will be sufficient to meet the requirements on the implementation date

Australian wealth management historical information

A$m	FY 13	2H 13	1H 13	FY 12	2H 12	1H 12	FY 11[1]	2H 11	1H 11[1]
Profit and loss									
Revenue									
Investment related	1,127	581	546	1,026	524	502	956	504	452
Other	106	55	51	101	57	44	104	55	49
Total revenue	1,233	636	597	1,127	581	546	1,060	559	501
Investment management expense	(252)	(131)	(121)	(213)	(111)	(102)	(200)	(103)	(97)
Controllable costs	(510)	(259)	(251)	(509)	(259)	(250)	(489)	(283)	(206)
Tax expense	(141)	(74)	(67)	(120)	(62)	(58)	(111)	(52)	(59)
Operating earnings	330	172	158	285	150	135	260	121	139
Underlying investment income	21	9	12	33	16	17	27	15	12
Underlying operating profit after income tax	351	181	170	318	166	152	287	136	151
RoBUE	43.0%	44.0%	39.8%	42.0%	41.2%	42.9%	41.5%	35.8%	48.3%
End period tangible capital resources - after transfers (A$m)	760	760	724	788	788	719	651	651	715
Net cashflows (A$m)	2,166	783	1,383	821	588	233	(64)	(446)	382
AUM (A$b)	100.5	100.5	91.8	85.7	85.7	80.4	77.9	77.9	81.5
Average AUM (A$b)	93.5	96.8	90.1	82.0	83.5	80.6	73.5	78.7	68.3
Persistency	88.0%	88.5%	88.2%	86.6%	86.8%	86.8%	87.1%	86.3%	88.0%
Cost to income ratio	50.4%	49.9%	50.9%	52.9%	52.2%	53.5%	54.4%	59.3%	48.9%
Investment related revenue to AUM (bps)	121	119	122	125	125	125	130	127	133
Investment management expense to AUM (bps)	27	27	27	26	26	25	27	26	29
Investment related revenue less variable costs to AUM (bps)	94	92	95	99	98	100	103	101	105
Controllable costs to AUM (bps)	55	53	56	62	62	62	67	71	61
Operating earnings to AUM (bps)	35	35	35	35	36	34	35	30	41

Section 6

1. Includes AXA operating earnings from the date of acquisition (31 March 2011).

AMP Bank historical information

A$m	FY 13	2H 13	1H 13	FY 12	2H 12	1H 12	FY 11	2H 11	1H 11
Profit and loss									
Net interest income	209	108	101	175	92	83	168	85	83
Fee and other income	10	6	4	10	5	5	10	5	5
Total revenue	219	114	105	185	97	88	178	90	88
Bank variable costs	(51)	(25)	(26)	(49)	(25)	(24)	(48)	(25)	(23)
Controllable costs	(50)	(25)	(25)	(47)	(24)	(23)	(43)	(22)	(21)
Tax expense	(35)	(19)	(16)	(27)	(15)	(12)	(26)	(13)	(13)
Operating profit after income tax	83	45	38	62	33	29	61	30	31
Return on Capital	15.8%	16.2%	15.4%	13.8%	14.0%	13.4%	16.5%	15.2%	18.0%
Total capital resources (A$m)	565	565	520	482	482	451	425	425	373
Net Interest Margin (over average interest earning assets)	1.39%	1.38%	1.39%	1.23%	1.23%	1.22%	1.37%	1.30%	1.44%
Mortgages new business - AMP aligned channel %	19%	17%	20%	17%	18%	16%	16%	19%	14%
Total loans (A$m)	13,322	13,322	12,756	12,384	12,384	12,036	11,173	11,173	10,992
Mortgages - existing business weighted avg loan to value ratio (LVR)	67%	67%	66%	66%	66%	65%	65%	65%	65%
Mortgages - 90+ days in arrears	0.37%	0.37%	0.51%	0.44%	0.44%	0.45%	0.46%	0.46%	0.51%
Total deposits (A$m)	8,741	8,741	8,427	8,615	8,615	8,898	7,460	7,460	5,834
Cost to income ratio	29.6%	27.8%	31.5%	34.9%	33.9%	35.9%	32.7%	33.4%	32.0%

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