

19 February 2015

AMP reports A\$884 million net profit for FY 14

AMP Limited has reported a net profit of A\$884 million for the full year to 31 December 2014¹, up 32 per cent on A\$672 million reported for FY 13.

Underlying profit² was A\$1,045 million compared with A\$849 million for FY 13, up 23 per cent year on year, driven by double digit growth in operating earnings across all contemporary businesses.

The Board has declared a 17 per cent increase to the final dividend to 13.5 cents per share compared with 11.5 cents per share for the 2013 final dividend. This represents a FY 14 payout ratio of 74 per cent of underlying profit and is within AMP's target range of paying 70 to 80 per cent of underlying profit.

Chief Executive Craig Meller said: "An increase of 23 per cent in underlying profit reflects a strong result in our domestic franchises of wealth and investment management, targeted offshore expansion and improving performance in our wealth protection business.

"In 2014 we made marked progress on our strategy to be an increasingly customer-driven organisation that is leaner and more efficient. The other element of AMP's strategy, to invest selectively in Asia and take our expertise into new markets, is starting to deliver good cashflows with strong long-term growth potential.

"These results demonstrate that we are executing well on our strategy and the potential of AMP's business model," Mr Meller said.

Performance against key measures:

- **Underlying profit:** A\$1,045 million in FY 14, up 23 per cent on FY 13.
- **Cost to income ratio:** The group cost to income ratio was managed tightly to 44.8 per cent for FY 14, down from 49.4 per cent in FY 13. Controllable costs increased 1.1 per cent and are tracking in line with guidance having been impacted positively by the business efficiency program.

¹ AMP's profit measures exclude MUTB's 15 per cent share of AMP Capital's earnings.

² Underlying profit is the basis on which the AMP Board determines the dividend payment and reflects the business performance of AMP. It is AMP's preferred measure of profitability as it removes one off costs, the impact of some investment market volatility and accounting mismatches.

- **Cashflows:**

- Australian wealth management net cashflows were A\$2.3 billion in FY 14, up A\$115 million on net cashflows of A\$2.2 billion in FY 13. AUM rose 9 per cent over the year to \$109.5 billion, against a relatively flat Australian market. Total net cashflows on AMP platforms continue to perform strongly, growing 35 per cent to A\$3.6 billion in FY 14.
- AMP Capital external net cashflows were A\$3.7 billion, a A\$4.8 billion improvement from net cash outflows of A\$1,039 million in FY 13.

- **Underlying return on equity:** Increased to 12.7 per cent in FY 14 from 10.7 per cent in FY 13, reflecting the 23 per cent increase in underlying profit.

In Australian wealth management, operating earnings for FY 14 were up 13 per cent compared with FY 13, reflecting higher net cashflows supporting good growth in AUM and disciplined cost control in a growing business.

Australian wealth protection has recovered well with operating earnings of A\$188 million compared with A\$64 million in 2013.

“Pleasingly the wealth protection business improvement plan is delivering results and our focus is now on ensuring the changes are sustained with continued improvement to processes, products and culture,” Mr Meller said.


Other key highlights include:

- **AMP Capital’s improved performance:** Operating earnings increased 16 per cent reflecting strong fee growth and investment returns. The internationalisation of the business drove this with global investors attracted by leading infrastructure and property capabilities alongside new inflows generated by the China Life AMP Asset Management joint venture and improved flows from the MUTB alliance. The cost to income ratio of 63 per cent was within AMP Capital’s target range of 60 to 65 per cent.
- **Seventh quarter of more than A\$1 billion net cashflows on North platform:** Net cashflows improved 34 per cent to A\$5.5 billion for FY 14 and North AUM grew 66 per cent to A\$16 billion since December 2013. North also had 50 per cent growth in customers with a total of over 76,000 customers on the platform in 2014.
- **AMP Bank:** The bank delivered A\$91 million in operating earnings, up 10 per cent compared with FY 13, reflecting an increase in residential mortgages with AMP growing above system in an intensely competitive environment and AMP aligned advisers contributing a quarter of new business.
- **New Zealand achieved improved cashflows:** Operating earnings of A\$110 million, up 13 per cent compared with FY 13, reflecting growth in profit margins, experience profits and favourable currency movements.
- **Future of advice strategy:** A package of measures to lift the quality of advice is being introduced along with a new approach to advice being piloted in five locations. AMP is also investing in services, platforms and digital capabilities to improve adviser quality and productivity. Australian adviser numbers are up slightly at 3,844 in a period of regulatory uncertainty.

Capital management

AMP continues to hold an appropriate capital surplus, with A\$2.0 billion capital above minimum regulatory requirements at 31 December 2014, down from A\$2.1 billion at 31 December 2013. The decrease was driven by the redemption of AMP Notes and the impact of falling bond yields, partially offset by retained profits and other capital impacts.

AMP maintains a strong balance sheet and has access to significant liquidity.

AMP continues to offer a DRP to eligible shareholders and no discount will apply to the allocation price. Shares will again be bought on market and the dividend will be 80 per cent franked with the unfranked amount being declared as conduit foreign income. 

Important note:

Forward-looking statements in this release are based on AMP's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results to differ materially from those expressed or implied. They are not guarantees or representations of future performance, and should not be relied upon as such.

Attached below are AMP Limited's FY 14 financial summary, and for the quarter ending 31 December 2014 cashflows and AUM.

For more information:

Shareholders are invited to join a live webcast of the investment analyst briefing at 12.30pm today by visiting www.amp.com.au/shareholdercentre/webcasts.

A replay of the presentation will also be available shortly after the briefing has concluded.

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Financial summary

A\$m	FY 14	FY 13
Profit and Loss		
Australian wealth management	374	330
AMP Capital	115	99
Australian wealth protection	188	64
AMP Bank	91	83
New Zealand financial services	110	97
Australian mature	174	178
BU operating earnings	1,052	851
Group Office costs	(62)	(62)
Total operating earnings	990	789
Underlying investment income	132	135
Interest expense on corporate debt	(77)	(75)
Underlying profit	1,045	849
Other items	7	(2)
AXA integration costs	(20)	(57)
Business efficiency program costs	(100)	(39)
Amortisation of AXA acquired intangible assets	(89)	(91)
Profit before market adjustments and accounting mismatches	843	660
Market adjustment – investment income	42	2
Market adjustment – annuity fair value	6	27
Market adjustment – risk products	11	(5)
Accounting mismatches	(18)	(12)
Profit attributable to shareholders of AMP Limited	884	672

Q4 14 Cashflows

Australian wealth management

Australian wealth management Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 14	Q4 13	Q4 14	Q4 13	Q4 14	Q4 13
AMP Flexible Super ¹	2,607	1,617	(1,870)	(1,073)	737	544
North ²	3,679	2,222	(1,966)	(981)	1,713	1,241
Summit, Generations and iAccess ³	713	506	(1,268)	(942)	(555)	(436)
Flexible Lifetime (superannuation and pension) ⁴	626	556	(1,396)	(1,045)	(770)	(489)
Other retail investment and platforms ⁵	108	101	(232)	(154)	(124)	(53)
Total retail on AMP platforms	7,733	5,002	(6,732)	(4,195)	1,001	807
SignatureSuper and AMP Flexible Super - Employer	823	653	(592)	(501)	231	152
Other corporate superannuation ⁶	426	390	(560)	(506)	(134)	(116)
Total corporate superannuation	1,249	1,043	(1,152)	(1,007)	97	36
Total retail and corporate super on AMP Platforms	8,982	6,045	(7,884)	(5,202)	1,098	843
External platforms ⁷	649	519	(1,057)	(785)	(408)	(266)
Total Australian wealth management	9,631	6,564	(8,941)	(5,987)	690	577

¹ AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

² North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

³ Summit and Generations are owned and developed platforms. iAccess is ipac badged 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, AMP Personalised Portfolio and Synergy.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

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

Australian wealth management AUM (A\$m)	Q3 14		Q4 14 Net cashflows				Total net cashflows	Other movements ¹	Q4 14 AUM
	AUM	Superannuation	Pension	Investment					
AMP Flexible Super	11,883	103	634	-	-	737	463	13,083	
North	13,750	225	1,203	285	-	1,713	493	15,956	
Summit, Generations and iAccess	13,938	(255)	(214)	(86)	-	(555)	479	13,862	
Flexible Lifetime Super (superannuation and pension)	24,439	(480)	(290)	-	-	(770)	904	24,573	
Other retail investment and platforms	3,086	(30)	(33)	(61)	-	(124)	89	3,051	
Total retail on AMP platforms	67,096	(437)	1,300	138	-	1,001	2,428	70,525	
SignatureSuper and AMP Flexible Super - Employer	12,259	202	29	-	-	231	447	12,937	
Other corporate superannuation	12,904	(134)	-	-	-	(134)	404	13,174	
Total corporate superannuation	25,163	68	29	-	-	97	851	26,111	
Total retail and corporate super on AMP platforms	92,259	(369)	1,329	138	-	1,098	3,279	96,636	
External platforms	12,908	(148)	(197)	(63)	-	(408)	371	12,871	
Total Australian wealth management	105,167	(517)	1,132	75	-	690	3,650	109,507	
Australian wealth management - AMP SMSF² Assets under administration	18,494						400	18,894	

¹ Other movements include fees, investment returns and taxes.

² AMP SMSF includes Multiport, Cavendish, SuperIQ, Your SMSF and Ascend administration platforms. SuperIQ is 49% owned by AMP, however 100% of assets under administration are included.

Australian wealth management AUM (A\$m)	Q3 14 AUM	Q4 14 AUM
AUM by product		
Superannuation	62,862	64,554
Pension	29,711	31,897
Investment	12,594	13,056
Total	105,167	109,507
AUM by asset class		
Cash and fixed interest	31%	30%
Australian equities	34%	33%
International equities	24%	25%
Property	6%	6%
Other	5%	6%
Total	100%	100%

Australian wealth management AUM summary (A\$b)	Q3 14 AUM	Q4 14 AUM
Closing AUM	105.2	109.5
Average AUM	105.4	107.0

AMP Capital

AMP Capital	Q3 14	Q4 14 Net cashflows			Total	Other	Q4 14
AUM (A\$m)	AUM	Cash inflows	Cash outflows	net cashflows	movements	AUM	
External	43,852	4,955	(3,598)	1,357	1,675	46,884	
Internal	101,557	7,075	(8,375)	(1,300)	4,331	104,588	
Total AMP Capital	145,409	12,030	(11,973)	57	6,006	151,472	

AMP Capital	Q3 14	Q4 14
AUM summary (A\$b)	AUM	AUM
Closing AUM	145.4	151.5
Average AUM	146.0	147.9

New Zealand financial services

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 14	Q4 13	Q4 14	Q4 13	Q4 14	Q4 13
KiwiSaver	144	126	(71)	(68)	73	58
Other ¹	590	175	(686)	(221)	(96)	(46)
Total New Zealand	734	301	(757)	(289)	(23)	12

New Zealand financial services	Q3 14		Q4 14 Net cashflows				Total	Other	Q4 14
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements ²	AUM	
KiwiSaver	2,941	73	-	-	-	73	271	3,285	
Other ¹	9,486	(54)	(1)	(53)	12	(96)	919	10,309	
Total New Zealand	12,427	19	(1)	(53)	12	(23)	1,190	13,594	

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

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

New Zealand wealth protection	Q3 14	Q4 14
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	221	236
Individual income protection	46	49
Group Risk	37	41
Total	304	326

Australian mature

Australian mature	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 14	Q4 13	Q4 14	Q4 13	Q4 14	Q4 13
Australian mature	194	158	(659)	(543)	(465)	(385)

Australian mature	Q3 14		Q4 14 Net cashflows				Total	Other	Q4 14
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements ¹	AUM	
Australian mature	22,239	(275)	(59)	(24)	(107)	(465)	490	22,264	

¹ Other movements include fees, investment returns and taxes.

AMP Bank

AMP Bank by product	Q3 14		Q4 14	
Deposits and loans (A\$m)	End balance		Other movements ¹ End balance	
Deposits (Supercash, Super TDs & Platform TDs) ²	4,279		37	4,316
Deposits (retail)	4,806		122	4,928
Loans	14,165		326	14,491

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

² At 31 December 2014, deposits include AMP Supercash and Super TD's (A\$2.4bn), platform deposits (A\$1.3bn), investment fund deposits (A\$0.3bn) and other deposits (A\$0.3bn).

Australian wealth protection

Australian wealth protection	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 14	Q4 13	Q4 14	Q4 13	Q4 14	Q4 13
Individual risk	375	348	(187)	(147)	188	201
Group risk	113	85	(78)	(82)	35	3
Total Australian wealth protection	488	433	(265)	(229)	223	204

Australian wealth protection	Q3 14	Q4 14
Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	1,083	1,077
Individual income protection	423	421
Group Risk	429	438
Total	1,935	1,936