

18 February 2016

## AMP reports A\$972 million net profit for FY 15

AMP Limited (ASX: AMP; ADR: AMLYY) has reported a net profit of A\$972 million for the full year to 31 December 2015<sup>1</sup>, up 10 per cent on A\$884 million for FY 14.

Underlying profit<sup>2</sup> was A\$1,120 million compared with A\$1,045 million for FY 14, up 7 per cent year on year, with good earnings growth particularly in Australian wealth management, AMP Capital, AMP Bank and New Zealand.

The Board has declared a 4 per cent increase to the final dividend to 14 cents per share, compared with 13.5 cents per share for the 2014 final dividend. This represents a payout ratio of 75 per cent of underlying profit.

AMP Chief Executive Craig Meller said: "This is a very good performance against a backdrop of challenging markets in the second half.

"Momentum continued across Australian wealth management and AMP Capital, which delivered a particularly strong result as our international investment management profile expands, both in China and more broadly.

"Our business efficiency program is on track and we continue to focus on the improvement of our wealth protection business, with the new claims process providing a better outcome for customers and shareholders.

"AMP has a clear focus to be a more customer centric, efficient and international organisation. The execution of this strategy is unlocking the long-term potential of our business, which we are confident will continue to deliver value for our shareholders."

### Key performance measures

- **Underlying profit:** A\$1,120 million in FY 15, up 7 per cent on FY 14.
- **Cost to income:** the group cost to income ratio improved 1 percentage point from FY 14 to 43.8 per cent in FY 15. Total controllable costs rose A\$14 million to A\$1,329 million as increased investment in growth initiatives and currency movements were largely offset by the benefits of the business efficiency program.

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

<sup>2</sup> 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:**
  - Retail and corporate super net cashflows on AMP platforms increased 5 per cent to A\$3,784 million.
  - AMP Capital external net cashflows were A\$4,434 million, up 19 per cent from A\$3,723 million in FY 14, driven by stronger inflows generated through the China Life AMP Asset Management joint venture, institutional and retail domestic clients.
- **Underlying return on equity:** increased 0.5 percentage points to 13.2 per cent in FY 15 from FY 14, largely reflecting the increase in underlying profit.

Australian wealth management operating earnings for FY 15 were A\$410 million, up 10 per cent compared with FY 14, driven by strong net cashflows leading to a 10 per cent growth in AUM.

Australian wealth protection operating earnings were A\$185 million in FY 15 compared with A\$188 million in FY 14. Claims experience reflected the continued roll out of the new claims approach, reversion to long term assumptions and volatility in the second half of the year.

### Other key highlights

- **AMP Capital:** The delivery of key priorities for the year, coupled with strong investment performance, drove 20 per cent growth in operating earnings and improvement in total net cashflows of A\$1.4 billion compared to FY 14.
- **Expanding global footprint:** AMP Capital increased FUM managed on behalf of international institutional clients by more than A\$2.0 billion to A\$6.8 billion during the year, which included growth in the global infrastructure platform. AMP's relationship with China Life and MUTB remains strong. The financial performance of the joint ventures with China Life are ahead of expectations.
- **AMP Bank:** The bank's growth momentum continues with operating earnings increasing by 14 per cent to A\$104 million in FY 15 from an improved net interest margin and growth in the loan book.
- **New Zealand:** Operating earnings in New Zealand increased 9 per cent, reflecting strong growth in profit margins and experience. Learnings from Australian claims management were used to help drive good experience outcomes.
- **Business efficiency program:** The business efficiency program is on track to deliver A\$200 million pre-tax run rate savings by the end of FY 16, with the majority of planned initiatives completed or underway.
- **Face-to-face advice of the future:** The development of a new goals based face-to-face advice experience continued, with positive results in FY 15 from five pilot sites. The trial is being expanded in FY 16 as part of AMP's ambition to set a benchmark for high quality, professional advice.

### Capital management

AMP maintained its strong capital position with a surplus of A\$2.5 billion at 31 December 2015, above minimum regulatory requirements. The increase was driven by retained profits, the successful issuances of AMP Wholesale Capital Notes and AMP Capital Notes.

AMP intends to redeem the AXA Notes on 29 March 2016 when they cease to be eligible capital under the subordinated transitional arrangements provided by APRA. This will reduce capital resources above minimum regulatory requirements by A\$600 million.

AMP maintains a strong balance sheet, with little change to gearing and access to significant liquidity.

The 2015 final dividend will be franked at 90 per cent, up from 80 per cent in 2014 with the unfranked amount being declared as conduit foreign income. AMP has revised its future dividend policy to a target range of 70 to 90 per cent of underlying profit reflecting confidence in the financial strength of the group.

AMP will again offer a dividend reinvestment plan (DRP) to eligible shareholders. No discount will apply to the allocation price and shares will be bought on market to satisfy DRP allocations.

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## Financial summary

A\$m	FY 15	FY 14
<b>Profit and loss</b>		
Australian wealth management	410	374
AMP Capital	138	115
Australian wealth protection	185	188
AMP Bank	104	91
New Zealand financial services	120	110
Australian mature	158	174
<b>BU operating earnings</b>	<b>1,115</b>	<b>1,052</b>
Group Office costs	(61)	(62)
<b>Total operating earnings</b>	<b>1,054</b>	<b>990</b>
Underlying investment income	125	132
Interest expense on corporate debt	(59)	(77)
<b>Underlying profit</b>	<b>1,120</b>	<b>1,045</b>
Other items	(3)	7
AXA integration costs	-	(20)
Business efficiency program costs	(66)	(100)
Amortisation of AXA acquired intangible assets	(80)	(89)
<b>Profit before market adjustments and accounting mismatches</b>	<b>971</b>	<b>843</b>
Market adjustment - investment income	9	42
Market adjustment - annuity fair value	34	6
Market adjustment - risk products	2	11
Accounting mismatches	(44)	(18)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>972</b>	<b>884</b>

## Q4 15 cashflows

### Australian wealth management

Australian wealth management Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
North <sup>1</sup>	2,770	3,679	(1,656)	(1,966)	1,114	1,713
AMP Flexible Super <sup>2</sup>	1,671	2,607	(1,355)	(1,870)	316	737
Summit, Generations and iAccess <sup>3</sup>	393	713	(739)	(1,268)	(346)	(555)
Flexible Lifetime (superannuation and pension) <sup>4</sup>	503	626	(905)	(1,396)	(402)	(770)
Other retail investment and platforms <sup>5</sup>	129	108	(133)	(232)	(4)	(124)
<b>Total retail on AMP platforms</b>	<b>5,466</b>	<b>7,733</b>	<b>(4,788)</b>	<b>(6,732)</b>	<b>678</b>	<b>1,001</b>
SignatureSuper and AMP Flexible Super - Employer	1,304	823	(613)	(592)	691	231
Other corporate superannuation <sup>6</sup>	435	426	(681)	(560)	(246)	(134)
<b>Total corporate superannuation</b>	<b>1,739</b>	<b>1,249</b>	<b>(1,294)</b>	<b>(1,152)</b>	<b>445</b>	<b>97</b>
<b>Total retail and corporate super on AMP Platforms</b>	<b>7,205</b>	<b>8,982</b>	<b>(6,082)</b>	<b>(7,884)</b>	<b>1,123</b>	<b>1,098</b>
External platforms <sup>7</sup>	446	649	(750)	(1,057)	(304)	(408)
<b>Total Australian wealth management</b>	<b>7,651</b>	<b>9,631</b>	<b>(6,832)</b>	<b>(8,941)</b>	<b>819</b>	<b>690</b>
Genesys practices that have left AMP	3	102	(145)	(122)	(142)	(20)
<b>Total Australian wealth management (pro forma)<sup>8</sup></b>	<b>7,648</b>	<b>9,529</b>	<b>(6,687)</b>	<b>(8,819)</b>	<b>961</b>	<b>710</b>

<sup>1</sup> North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

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

<sup>3</sup> Summit and Generations are owned and developed platforms. iAccess is ipac badged on Summit.

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

<sup>5</sup> Other retail investment and platforms include Flexible Lifetime - Investments, AMP Personalised Portfolio and Synergy.

<sup>6</sup> Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

<sup>7</sup> External platforms comprise Asgard, Macquarie and BT Wrap platforms.

<sup>8</sup> Australian wealth management excluding cashflows relating to Genesys practices that have left AMP.

Australian wealth management AUM (A\$m)	Q3 15		Q4 15 Net cashflows				Total net cashflows	Other movements <sup>1</sup>	Q4 15 AUM
	AUM	Superannuation	Pension	Investment					
North	19,123	341	534	239		1,114	641	20,878	
AMP Flexible Super	14,440	187	129	-		316	282	15,038	
Summit, Generations and iAccess	12,797	(159)	(140)	(47)		(346)	503	12,954	
Flexible Lifetime Super (superannuation and pension)	23,866	(252)	(150)	-		(402)	752	24,216	
Other retail investment and platforms	2,939	(16)	(7)	19		(4)	136	3,071	
<b>Total retail on AMP platforms</b>	<b>73,165</b>	<b>101</b>	<b>366</b>	<b>211</b>		<b>678</b>	<b>2,314</b>	<b>76,157</b>	
SignatureSuper and AMP Flexible Super - Employer	13,717	678	13	-		691	347	14,755	
Other corporate superannuation	12,741	(246)	-	-		(246)	299	12,794	
<b>Total corporate superannuation</b>	<b>26,458</b>	<b>432</b>	<b>13</b>	<b>-</b>		<b>445</b>	<b>646</b>	<b>27,549</b>	
<b>Total retail and corporate super on AMP platforms</b>	<b>99,623</b>	<b>533</b>	<b>379</b>	<b>211</b>		<b>1,123</b>	<b>2,960</b>	<b>103,706</b>	
External platforms	11,473	(98)	(138)	(68)		(304)	252	11,421	
<b>Total Australian wealth management</b>	<b>111,096</b>	<b>435</b>	<b>241</b>	<b>143</b>		<b>819</b>	<b>3,212</b>	<b>115,127</b>	
<b>Australian wealth management - AMP SMSF<sup>2</sup></b>	<b>18,986</b>						<b>(232)</b>	<b>18,754</b>	
Assets under administration									

<sup>1</sup> Other movements include fees, investment returns and taxes.

<sup>2</sup> AMP SMSF includes Multiport, Cavendish, SuperIQ, Your SMSF, Ascend administration platforms. Comparatives reflect 100% ownership of SuperIQ. Q3 15 restated to update for underlying fund balance data issues identified during Q4 15.

Australian wealth management AUM (A\$m)	Q3 15 AUM	Q4 15 AUM
<b>AUM by product</b>		
Superannuation	65,084	67,343
Pension	32,947	34,144
Investment	13,065	13,640
<b>Total</b>	<b>111,096</b>	<b>115,127</b>
<b>AUM by asset class</b>		
Cash and fixed interest	32%	31%
Australian equities	32%	32%
International equities	25%	25%
Property	6%	6%
Other	5%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Australian wealth management AUM summary (A\$b)	Q3 15 AUM	Q4 15 AUM
Closing AUM	111.1	115.1
Average AUM	114.1	114.3

## AMP Capital

AMP Capital	Q3 15	Q4 15 Net cashflows			Total net cashflows	Other movements	Q4 15
AUM (A\$m)	AUM	Cash inflows	Cash outflows				AUM
External	52,741	3,362	(3,722)		(360)	782	53,163
Internal	104,753	6,320	(6,937)		(617)	2,586	106,722
<b>Total AMP Capital</b>	<b>157,494</b>	<b>9,682</b>	<b>(10,659)</b>		<b>(977)</b>	<b>3,368</b>	<b>159,885</b>

AMP Capital	Q3 15	Q4 15
AUM summary (A\$b)	AUM	AUM
Closing AUM	157.5	159.9
Average AUM	159.0	159.5

## New Zealand financial services

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
KiwiSaver	150	144	(84)	(71)	66	73
Other <sup>1</sup>	228	590	(237)	(686)	(9)	(96)
<b>Total New Zealand</b>	<b>378</b>	<b>734</b>	<b>(321)</b>	<b>(757)</b>	<b>57</b>	<b>(23)</b>

New Zealand financial services	Q3 15	Q4 15 Net cashflows				Total net cashflows	Other movements <sup>2</sup>	Q4 15
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other			AUM
KiwiSaver	3,403	66	-	-	-	66	181	3,650
Other <sup>1</sup>	9,897	9	(2)	(26)	10	(9)	368	10,256
<b>Total New Zealand</b>	<b>13,300</b>	<b>75</b>	<b>(2)</b>	<b>(26)</b>	<b>10</b>	<b>57</b>	<b>549</b>	<b>13,906</b>

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

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

New Zealand wealth protection	Q3 15	Q4 15
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	225	233
Individual income protection	44	47
Group Risk	35	37
<b>Total</b>	<b>304</b>	<b>317</b>

## Australian mature

Australian mature	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
Australian mature	154	194	(539)	(659)	(385)	(465)

Australian mature	Q3 15	Q4 15 Net cashflows				Total net cashflows	Other movements <sup>1</sup>	Q4 15
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other			AUM
Australian mature	21,970	(190)	(55)	(19)	(121)	(385)	271	21,856

<sup>1</sup> Other movements include fees, investment returns and taxes.

## AMP Bank

AMP Bank by product	Q3 15		Q4 15
Deposits and loans (A\$m)	end balance	Other movements <sup>1</sup>	end balance
Deposits (Supercash, Super TDs & Platform TDs) <sup>2</sup>	3,814	(247)	3,567
Deposits (retail)	5,934	117	6,051
Loans	15,260	(67)	15,193

<sup>1</sup> Represents movements in AMP Bank's deposits and loan books.

<sup>2</sup> At 31 December 2015, deposits include AMP Bank customer deposits (A\$6.1bn), AMP Super Cash and Super TD's (A\$2.2bn), platform and investment fund deposits (A\$0.9bn), and other deposits (A\$0.4bn).

## Australian wealth protection

Australian wealth protection Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
Individual risk	376	375	(180)	(187)	196	188
Group risk	109	113	(81)	(78)	28	35
<b>Total Australian wealth protection</b>	<b>485</b>	<b>488</b>	<b>(261)</b>	<b>(265)</b>	<b>224</b>	<b>223</b>

Australian wealth protection Annual Premium In-force – API (A\$m)	Q3 15 API	Q4 15 API
Individual lump sum	1,112	1,105
Individual income protection	414	410
Group Risk	446	443
<b>Total</b>	<b>1,972</b>	<b>1,958</b>