TRANSCRIPTION

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Howard Marks: Welcome everyone to AMP's 2014 full year results briefing. My name is Howard Marks and I'm director of investor relations. To my right sits the CEO, Craig Meller and CFO, Gordon Lefevre, who will take you through the results. Thereafter, we'll run through some Q&A.

If everyone's ready, I think we should begin. Thanks Craig.

Craig Meller: Okay, thank you Howard and good afternoon everybody. So today we've reported an underlying profit of $1.05 billion for the full 2014 financial year against an equivalent number of $849 million in 2013. All our contemporary businesses have contributed to this 23% lift in profit and that's enabled us to increase our total dividend for the year by 13%.

The recovery in our Wealth Protection business has continued and our focus is now on ensuring the impact of the changes that we've made are sustainable and long lasting. We generated very good growth in our AUM businesses through our strong domestic franchise and from our targeted offshore expansion, particularly in China and Japan.

We've successfully bedded down significant regulatory changes in superannuation and advice and we've also made considerable progress on

the strategy we set out on 18 months ago, establishing solid foundations for the customer-focused transformation of our core Australian business. We've continued to deliver on our business efficiency program, on time and on budget, while keeping underlying costs well controlled and our capital position is strong. Consequently, our business growth has continued to shift our underlying return on equity in the right direction, moving it up to 12.7% for the year.

The Board's declared a final dividend of $0.135 a share franked at 80%, up from 70% last time. This takes the total dividend for the year to $0.26 a share which represents a payout ratio of 74% of underlying profit. We're continuing to neutralise the impact of the DRP by buying shares back on the market.

Chart 3 sets out our profit summary for the year and as usual, I'll go through the top half of this in a bit more detail as we talk through the individual business results, while Gordon's going to comment on some of the adjustments reported below the line.

Chart 4 shows very clearly that the lift in the underlying profits has been driven by continued growth momentum across all of our contemporary businesses, so let's look at those business results in a little bit more detail, starting with Wealth Management on chart 6.

The operational leverage of our AUM based businesses comes through strongly here. We're driving growth in cash flows and AUM while tightly managing our costs, with the cost to income ratio below 50%. You can see that business growth dropping straight through to the bottom line with a 13% increase in operating earnings. AUM is up 9% over the year to $110 billion against a pretty flat Australian market and even more pleasingly, AUM on AMP platforms was up 11% on the year.

The combination of earnings growth and cost control has expanded the operating earnings to AUM margin in this business by 1 basis point to 36 basis points, and another key value driver of course is the revenue margin and you can see margins here continue to move broadly in line with our guidance. The combination of the growth in the North platform, fee rebates in the first year of the MySuper transitions, reduced revenue margins by 4 basis points over 2013. That's just under the bottom end of our guidance range.

As the transitions to MySuper accelerate over the next two years, we expect average margin compression to move to around 4.5% a year through to June 2017, as we previously flagged. Given the expected lumpy nature of the transitions going forward, the resulting margin compression may well be volatile from half to half. Post the MySuper transition period, at the present time, we see no reason why margin pressure wouldn't revert to the longer term averages after the period.

So taking a closer look at cash flows on chart 7, you can see that net cash flows on AMP platforms were up 35% from 2013, continuing the trends we've been driving for 18 months now. North now has almost $16 billion of assets under management, following its seventh consecutive quarter of net flows exceeding $1 billion with the fourth quarter last year North's biggest yet. AMP Flexible Super has just over $13 billion in assets under management, up 31% on 2013, with more than two-thirds of this growth driven by strong net cash flows.

Our contemporary Corporate Super products also had a strong year with a 16% lift in net cash flows, reflecting both new mandate wins and an ongoing recovery in discretionary contributions. Momentum in this part of the business is building, with a strong pipeline of new mandate wins to transition during 2015. Cash flows across AMP's retail and Corporate Super platforms have now reached just over 4% of opening AUM. We've been driving a steady lift in this measure over the last couple of years and it's one we target to shift higher still.

Turning to AMP Capital on chart 8, a 16% lift in operating earnings here was driven by an 8% increase in fee income and good investment returns, more than offsetting 4% growth in controllable costs. The substantial improvement in external net cash flows was generated by strong performances from our partnerships in China and Japan, as well as broader international growth. And as with our Wealth Management business, that growth is flowing through to the bottom line. AMP Capital remains well within its target cost to income ratio range and we're now targeting the lower end of this range over the medium term.

On chart 9 there are some more details on AMP Capital's cash flows and investment performance for the year. We've been very active in both China and Japan with new fund launches and this has underpinned the $2.2

billion net cash flow from those regions. We've also generated strong international cash flows outside of those two countries as demand grows for our core investment capabilities in property and infrastructure. Underpinning these flows is strong investment performance across key asset classes; 86% of our funds under management met or exceeded client goals over the three years to December 2014 and that's against our internal target of 60%.

Indeed, our flagship Future Directions Balance Fund has delivered top quartile investment performance over the past one and three years and, pleasingly, was one of the top three performing superannuation growth funds in Australia last year.

So on to Wealth Protection on chart 10. This business is continuing to recover as our actions to improve claims and lapses get more traction. The 13% improvement in profit margins half-on-half was driven by the Group scheme repricing we did mid-year, as well as a slightly more favourable business mix. However, given the ongoing investment we need to make in this business, profit margin growth is expected to be subdued in 2015.

2014 experience remains broadly in line with our best estimate assumptions. Our new approach to claims management, along with our strength and assumptions delivered positive experience in income protection and our lapse experience was a little bit better than expected. We're still seeing volatility in lump sum experience through some large life claims in both the AMP Life and NMLA books and whilst it's well within expected bounds at a portfolio level, we are monitoring that closely.

As encouraging as these results are, there's no doubt we have much more work to do in this business to make the changes we introduced last year sustainable and to develop insurance solutions that are more compelling for consumers. So that's really our work program for 2015 and we've set that out on chart 11. It involves taking both our new claims management approach and the new claims platform to scale across all of our claims teams and it means continuing to develop, test and refine new insurance offers for consumers that meet contemporary needs.

With this work in investments in front of us and market conditions largely unchanged, our best estimate assumptions remain in line with previous guidance. Lapse experience should be around the same as levels in 2014,

gradually reverting to levels more in line with our 2012 experience by 2017. Whilst lapse experience last year was a little better than our assumptions, we still believe there are no quick fixes for this issue.

I'll remind you again what these best estimate assumptions represent. They are our best estimate of the midpoint of what will undoubtedly be a broader range within which the 2015 result will fall. By definition, midpoint means there's a 50% chance that the outcome will be better than our assumptions and a 50% chance that they will be worse.

So overall for Wealth Protection we're encouraged with the progress we've made in stabilising this business and setting it on the road to recovery, but we continue to know that we still have much more work to do.

Okay, on to AMP Bank on chart 12 and it continues to be an important contributor to Group profits and to Group strategy. Operating earnings were up 10% and a 9% lift in residential mortgages was above system growth. We're continuing to see more of this growth being generated by our aligned advisers. They delivered a quarter of new business in 2014 compared with 19% in 2013. This is an important plank of our strategy to be more customer focused as debt management and mortgages are a core part of most customers' financial needs and we're keen to meet more of these needs as part of a holistic offer.

The Bank's net interest margin improved over the second half, supported by better wholesale funding costs and liquidity management and targeted use of discounting. We'll continue to manage that closely while targeting at or above system growth, subject to funding availability and our return on capital and credit quality targets being met.

The next chart, 13, sets out the results for both our New Zealand and Mature businesses. In New Zealand we're working hard to mitigate the profit impacts to changes to life insurance tax which come into effect on 1 July this year and the cash flow growth in KiwiSaver has been a highlight for this business over the past 12 months, but it does remain a tough market. The Mature business continues to generate good profits and a good return on capital, although lower bond yields did reduce operating earnings there by 2%.

So stepping back, you can see that all our contemporary business lines made significant contributions to this set of results with the momentum we saw at the half year being sustained through the full year.

Now I'll pass you over to Gordon to take you through some of our other key financials, including our capital position and costs. Over to you, Gordon.

Gordon Lefevre: Thank you Craig and good afternoon to you all. I'm going to pick up at chart 15 of the presentation pack. Our bottom line profit attributable to shareholders for the full year 2014 is $884 million, 32% up on last year. Consistent with prior periods, we report underlying profit - our key measure of business profitability, exclusive of any one-off items and other accounting adjustments that may distort the result.

It's worth touching briefly on these items as, in aggregate; they're driving a higher growth rate and bottom line profit relative to underlying profit. Other items, which is up on the prior year, includes tax benefits associated with recognition and utilisation of prior period capital losses. This gain more than offsets charges for regulatory change projects in 2014 and the one-off transaction costs associated with our China Life Pension Company acquisition.

An increase in one-off business efficiency program costs in 2014 is partially offset by a reduction in AXA integration costs with that program now completed. This reflects increased activity with our cost-out initiatives which are an integral part of our overall transformation. Market adjustments increased relative to 2013 with declines in the long term bond rates over the course of the year impacting significantly on investment income.

We book and investment income both above and below the line.

Underlying investment income booked above the line accrues at 3% after tax. This is an internal benchmark which is an estimate of the expected returns over the long-term given the mix of invested assets that support shareholder funds. The difference between the 3% benchmark and actual investment income in this book below the line is a “market adjustment”. In 2014, this accounted for a $42 million gain or 70% of the total below the line market adjustments. It was significantly up on the $2 million gain booked in 2013.

Accounting mismatches were negative overall for the year although largely in line with 2013. High charges for mismatches relating to AMP Treasury shares are partly offset by net mismatch gains on investments backing policy holder liabilities which arose in the second half.

On chart 16, we've outlined some key balance sheet, capital and liquidity metrics. Our balance sheet remains strong, with gearing improved and lower liquidity levels reflecting our confidence in where the market is at - at this point in the cycle. This time last year, prior to redeeming the original AMP Notes, we had the benefit of the AMP Notes 2 issue in both Group cash and subordinated debt. The redemption took place early in 2014.

We believe the $2 billion capital held in excess of minimum regulatory requirements is appropriate, relative to current market conditions and our anticipated potential needs. These include regulatory changes from conglomerates. Our investment in China Life Pension Company settled in late January 2015 and our excess capital now stands at $1.8 billion. As previously flagged, APRA has deferred its implementation of capital frameworks for conglomerate groups pending the government's response to the recommendations of Financial System Inquiry. With the framework as currently proposed and as previously guided, we expect to absorb any additional capital required within the surplus we hold.

Continued improvement in underlying profits has resulted in the Board declaring a $0.135 final dividend, up 17% on the 2013 final dividend and franked to 80%, which has improved from the 70% at the half and prior year. Our dividend payout ratio remains within a 70% to 80% range based on underlying profit, which is in line with our policy as previously advised. The dividend re-investment plan remains in place and as with the last two dividends, we will purchase shares on-market to satisfy entitlements and neutralise any potential dilutive impacts of the DRP.

Now turning to costs, and an update on our business efficiency program. The waterfall on chart 18 shows that overall in 2014, controllable costs grew by 1.1%, within guidance. Benefits from the business efficiency program together with the incremental AXA integration benefits, enabled us to push in lower R&D credits and a higher New Zealand dollar exchange rate, whilst investing in a range of initiatives supporting our customer-centric strategy.

The cost outcome was also achieved despite higher short-term incentive awards incurred mainly as a consequence of good investment and returns in AMP Capital. We were able to absorb these higher incentive awards this year within overall cost guidance. Should this repeat in 2015, costs may be higher than guidance, but the benefits flowing in AMP Capital will compensate.

Business as usual operating costs declined by 1.6% year-on-year; reflecting solid progress with the business efficiency program. Project costs were up over 30% as we invested in various transformation initiatives. The $17 million of incremental business efficiency program benefits in 2014, shown on charts 18 and 19, is in line with guidance and net of reinvestment. As flagged previously, to the extent that we over deliver in any period, our intent is to reinvest these in transformation growth initiatives.

The $37 million of controllable and variable cost benefits shown on chart 19 are in line with our previous guidance, and we reconfirmed today that the business efficiency program is on track to deliver $200 million of pre-tax annual savings on a run-rate basis by the end of 2016. On a cumulative basis, one-off business efficiency costs relating to the program now total $139 million post-, and $199 million pre-tax, in line with our prior guidance and reflective of the good progress we're making overall with the initiative. We expect to book a total one-off cost of $320 million pre-tax by the time the business efficiency program completes in December 2016. This is in line with the guidance we gave when we announced that program in August 2013.

Chart 20 includes an outline of the work we've completed in 2014, and where we'll focus our efforts in 2015. In 2014, we made significant progress with a number of initiatives designed to reduce controllable costs. These included changes to our organisation's structure, moving to a more customer-centric model, rationalisation of finance and other support functions, and migrating to an IT cloud computing environment. We also completed phase 1 of the multi-asset fund consolidation project, reducing fee pay-aways, which resulted in a significant saving in variable costs.

2015 will reflect further savings in controllable and variable costs as we complete these various initiatives, drive further service efficiencies, test new

approaches in advice, and deliver phase 2 of the multi-asset fund consolidation project. Overall, our guidance is to deliver a controllable cost outcome in 2015 which reflects 2.5% to 3% growth on 2014 costs, less the previously announced $50 million incremental benefit for 2015 from the business efficiency program, all as set out on chart 19.

I'll hand you back to Craig to complete this afternoon's presentation before we both take questions.

Craig Meller: Thanks Gordon, and now let's turn to an update on strategy. Our strategic intent and direction remain unchanged. In a nutshell we're capitalising on the already strong position we have in a very attractive market. We're investing more than $100 million a year to develop products, services and advice solutions to meet the contemporary needs of our customers. We're also intent on remaining the most efficient wealth manager in the market, with a program to drive a step change in our cost base. Combined with our expanding offshore business, we believe this mix of growth and efficiency will deliver superior returns to shareholders, and as we've moved deeper into the execution of our strategy, our level of conviction about the strategy has only been strengthened.

As set out on chart 23, the transformation of our core Australian business is essentially about creating stronger capabilities right across the value chain, and aligning them by design behind the customer, so our customers get the full benefit of our integrated model. We're building new capabilities in four areas. First, in designing the face-to-face advice model of the future so it's more efficient, more productive and more accessible, and we can reach more people with more advice, more often.

Second, in building out our channel capabilities so that customers have much broader choice in how and when they interact with us, and we can meet some of their simpler, more transactional needs more cost effectively. I stress this isn't instead of face-to-face advice; it's about complementing our current advice capability or it's an added strategy, if you like. Third, in building better solutions to meet the contemporary needs of our customers. Fourth and finally, in radically improving our service quality in all the areas of our business.

The details of what we've built and delivered so far are set out on this chart, number 23, and our next steps for 2015 are outlined on chart 24. We're

very pleased with the progress we've made in all four areas over the past 12 months, while being well aware of the work still ahead of us in order to reach all of our customers with better solutions.

Gordon's already given you an update on the progress we're making on our efficiency program, the third leg of the strategy, so on chart 25 is an update on the steps we've taken to execute the fourth leg, expanding our business offshore. After spending considerable time and investment building a trusted relationship with China Life, we were able to move very quickly last year to launch five new funds through our Asset Management JV at the beginning of the year, and agree a pension company partnership towards the end of the year. We see both these ventures as having very significant long-term potential.

Our partnership with MUTB in Japan is also proving very rewarding. It helped us increase the value of the assets we're managing for Japanese clients last year by 34% to more than $7 billion. Our strategy of targeting global pension funds using the skills and capabilities developed in Australia is also delivering results. We now have 119 global pension funds, with over $4.7 billion in funds under management, as the demand for property and infrastructure investments, in particular, increases around the world.

So, in summary, we've grown our contemporary businesses strongly in 2014, underpinned by significant traction in the execution of our strategy. The wealth protection business is recovering well, and we know what we need to do to make that recovery sustainable and move back into profitable growth. Our business efficiency and customer transformation programs are going well; and our offshore expansion made real progress in 2014. At the same time we're controlling costs tightly and maintaining a strong balance sheet. So we continue to maintain this focus on improved financial performance and successful strategy execution in 2015 and beyond.

That's all I have to say. Howard, I'll hand back to you for Q&A.

Howard Marks: Thanks Craig. Just before we start with the Q&A I'd like to remind everyone that today's briefing is being webcast live. So if you do have a question, please raise your hand, wait for the microphone, and then state your name and company clearly. I think in terms of protocol, what we'll do is we'll start from the floor first and then move to the phones. We should start. Nigel.

Question:	(Nigel Pittaway, Citigroup) Thank you. It's Nigel Pittaway, here from Citi. A few questions on wealth protection if I may? First of all from an industry perspective, you've previously said I think, Craig, that you thought it would be unlikely to see an industry solution on adviser remuneration. Obviously, since you said that, you've had the ASIC report and also the Trowbridge Review. So does that make you more optimistic?
Craig Meller:	I hope so. John's due to report in a month or so's time. I'm very hopeful that he will come up with very pragmatic suggestions on how we can move, over time, to a solution that would take us away from high upfront commissions, and that we'll get an industry consensus around that. Once we see the details of his report we'll be in a much better position to decide whether or not it's appropriate for us to start some sort of unilateral move at the same time, so expect to hear more from us over the next few months.
Question:	(Nigel Pittaway, Citigroup) Secondly, do you have any worries about the way the Australian economy is heading in terms of your claims and lapse position?
Craig Meller:	Yes, it's an interesting question and one that we've been debating internally. The natural skew of our business, partly because of history of AMP and NMLA, and also because of the types of corporate super schemes particularly that we've written, means that we're more exposed to the New South Wales and Victorian economies and less exposed to, let's call it, the mining-related economies. So our expectation is that the improvements that we're seeing in those economies is likely to be, but that's just a perception, more of a benefit to our protection business than a headwind, if you like.
Question:	(Nigel Pittaway, Citigroup) Thirdly, just on capitalised loss reversals. I think six months ago you were saying to see any reversal from there you'd need to have significantly more confidence.
Craig Meller:	Yep.
Question:	(Nigel Pittaway, Citigroup) I appreciate they're only really small at $2 million, but what does that say about your level of confidence compared to six months ago?

Craig Meller: Well firstly I'll let our CFO explain why capitalised loss reversal has happened, but I'd say overall neutral. But Gordon, you can give an explanation.

Gordon Lefevre: Nigel, those reversals in fact were just profitable business that we'd written in those product categories. It's relatively small because it's not reflective in any way of any changes to our best estimate assumptions that gave rise to those capitalised losses being written off. So we continue to write business there. The good news is it's actually been written on a term that's more profitable. As a consequence of that, the way in which the accounting works, that drops through in the period that you actually write that business. We would expect similar, very small amounts in future periods.

Craig Meller: In order to get capitalised loss reversals, we've got to drop below our long-term best estimate assumptions. Now we performed ahead of what we call the guide path, which is the higher assumptions we've got between now and 2017. I think we've got to get below the long-term assumptions before we'd be in a position to do that, and there's a way to go before we get there.

Question: (Nigel Pittaway, Citigroup) Maybe the final question just connects with that. What gives you confidence, I guess, that that improvement in lapses that your best estimate assumptions are forecasting, moving forward, is realistic?

Craig Meller: Well firstly I think on the lapse side we're probably moving at a slower rate than the rest of the industry. We very much took an approach that was solve the claims issue first, because it gives you greater degrees of freedom. You get your claims rate down, you have potentially more pricing freedom, which is a component of the lapse rate.

Secondly, during the course of last year, we ran a series of small pilots that - with a smaller number of customers to see if we could give effect to a change of behaviour. Whilst they were in pilot, some of those results were encouraging. So as we sit here now we've got a strong degree of confidence that between now and 2017 we'll get, at worst, to the long-term best estimate assumption.

Question: (Nigel Pittaway, Citigroup) Thank you.

Question: (Kieren Chidgey, Deutsche Bank) Thanks. Kieren Chidgey, Deutsche Bank. Just a couple of follow-on questions on the wealth protection business;

obviously your lapse assumptions, I think you pointed out for 2015 they assume a similar experience to 2014. I'm just hoping you could remind us what your claims assumptions are - from memory it was an improvement in 2015 from 2014 - and whether or not, when those assumptions were set back in December 2013; that they envisaged a higher unemployment rate like we are poised to see over the course of this year.

Craig Meller: No, they were set on our view of the economic assumptions at the time and they were expecting the economy to play out perhaps in the way that it has, which is that shift from an economy being driven by a mining boom and heavy levels of mining investment up at 8%, 9% of GDP, winding back to a long-term average of 3%, that sort of transition of growth to the more traditional south-eastern states where low interest rates benefit the housing market, high levels of immigration stimulate growth. That was our base case economic picture and I think by-and-large that's happening and that restructuring of the economy is happening pretty well.

On the claims rate and the rundown in the expectations, by the beginning of next year we expect to be operating and our best estimate assumptions are set at the long-term claims assumption and we're very confident that we'll achieve that.

Question: (Kieren Chidgey, Deutsche Bank) Just following on, on the mortality, which you referred to in the presentation. We saw another year of above-normal losses coming through there but we'd note over the last six halves, five out of six we've seen experience losses through mortality which is starting to look like a bit more than just bad luck. Why are you confident that those assumptions don't need re-basing?

Craig Meller: Well, firstly whilst I know the market is really valued as splitting out the experience results so there's much greater clarity as to where the experience is happening; on a portfolio that's getting close to $2 billion we ended up with I think $1 million of positive experience last year. Rocco and the actuarial team are pretty happy that they got their numbers right in the year in that respect and are always very quick to warn us that as soon as you get more granular, you're likely to see volatility because that's the nature of the life insurance book and that's what we're seeing.

There's nothing that we're seeing in a more granular analysis of that mortality position at the present time that says anything other than, this is ordinary volatility, but as you point out, it's happened on a recurring basis over the last couple of years and so we're keeping a pretty tight watch on it. But in the context of the size of the term book, which is very profitable, any change wouldn't be significantly consequential.

Question: Thanks. Just a quick question for Gordon on the investment return assumption on the implicit back-asset which is unchanged for 2015 at 1.8%. Are we potentially looking at a downwards revision to that given I assume we're actually seeing one-year bond yields below that at the current point?

Gordon Lefevre: We are, Kieren. We're not going to change it at this point. We think the best thing to do is to leave it at, really, what the long-term assumption should be and so we're comfortable with where it's at at the moment, recognising that there are, at the moment, rates that are lower than that.

Question: Okay, thanks.

Howard Marks: James.

Question: (James Coghill, UBS) James Coghill, UBS. Craig, a couple of questions just on the plan margin volatility from half to half in both Australia and New Zealand. I'll ask a question separately. So firstly, in Australia the wealth protection margin, you said looking into 2015 you expect minimal growth in that but quite a big step-up from first half to second half to $99 million. So I'm just interested to understand if that's similar conservatism to what you expressed at the first half when you said that the plan margin wouldn't grow? What are the drivers behind that?

Craig Meller: Gordon? Could you have a go at that one, Gordon?

Gordon Lefevre: Sure. James, we think the second half is probably a good reflection of what will be in the first and the second halves of this year. As Craig had said, growth is subdued in that area. We do also have some variable costs that are coming through and negatively impacting on the margins, but the repricing on the Group policy that we had in the second half has impacted positively, and we think those levels that the second half of this year, it's probably right to assume that for the first two halves of next year.

Question: (James Coghill, UBS) Okay, that's clear. Thanks. And Gordon, perhaps you can deal with the second one as well. New Zealand, we had the opposite happen. The plan margin actually dropped quite a lot sequentially into the second half. I'm interested to understand the outlook there. Perhaps you can comment specifically on just lapses which seem to have sequentially lifted for the last four halves. I appreciate the seasonality between first half and second half but those lifted to quite a high level in the second half in New Zealand.

Gordon Lefevre: So we're not seeing in New Zealand any concerning signs of lapses that necessarily translate into the same magnitude that we experienced here in Australia. The nature of the book is slightly different in New Zealand but across the board there we are reasonably comfortable with the way in which we've set our best estimate assumptions. The margins for New Zealand have been a little down and the business there is in a difficult trading environment, pretty competitive and the margins reflect that.

Howard Marks: Dan.

Question: (Daniel Toohey, Morgan Stanley) Thanks. Daniel Toohey from Morgan Stanley. Just a couple of questions, firstly on the corporate super business. With the Future Directions fund performance improving top quartile on a three-year view, you talked about the pipeline of mandates. Perhaps can you give some sort of indication as to is it sizeable, is it a number of small accounts, when we should perhaps expect them to roll through. And alongside that, how the new on-boarding experience is tracking.

Craig Meller: If we start with the pipeline, it's a very healthy pipeline as I've already said. It's hundreds of millions of dollars. The exact time when those will land and the exact certainty of how much it is, is difficult to give you tight guidance on, for a couple of reasons. One is there's the odd big scheme and if that came in before the half year then it will be before the half year, if it comes in after the half year it will after it, so that's just the way it is.

There are two ways schemes transfer. One is what's called a successive fund transfer where essentially the trustee of the prior scheme determines that all of the default money moves over and the other form is where each member transfers the money by member consent, and the member consent transitions, it's much less easy to determine how much of the default funds will switch over. That's why we're a little less determinate around the exact

amount and timing because those types of transfers can drip in over time rather than come in as one big lump. But as I say, even in that context it's going to be several hundred million dollars.

Question: (Daniel Toohey, Morgan Stanley) And the on-boarding experience?

Craig Meller: Yes, we've been very pleased with that. What we've found is that we've had quite a significant uplift in super consolidation when we make contact with the new employee of any of the schemes and then set them up through the new digital capability. So we're expecting that to be a contributor to growth in our net cash flows this year. Again, it's a difficult one to give you a definitive quantum of but it's certainly - that program has proven the business case.

Question: (Daniel Toohey, Morgan Stanley) And just on the margin squeeze, you had $2 billion net inflows into - that's new monies - into MySuper products managed by AMP Capital. The back book of default monies actually fell by $2 billion, presumably transitioning elsewhere, yet the margin was off 3.3%. Now there's other factors, obviously the growth in AMP internal platforms is helping, but is that a normal track that you'd expect to continue or do you see it being hugely - will there be large swings, will we see excessive numbers in that back book transitioning in big heads?

Craig Meller: The guidance is - and as we get closer to the 2017 date we can get more determinate around what's the contribution of that, of what's left to transition-making and that's why we're clearer, much around - it's going to be around 4.5%. That's still built on an expectation that the underlying margin squeeze, if you like, is around about 2% to 3%. Nothing that we're seeing is giving us any reason to change that view. So the 4.5% between now and 2017 is the consequence of the rest of the default money switching over to the MySuper funds. Does that answer your question?

Question: (Daniel Toohey, Morgan Stanley) Yes, but to the extent you exceed - I mean, you're coming below the 4.5% - the bigger the yield.

Craig Meller: Yes, so less transitions than we expected during the course of last year for it to be 4.5%. So if you like, most of the 'it was a good year' came from the fact that there were lower MySuper transitions rather than any other changing characteristics of the book.

Question:	(Daniel Toohey, Morgan Stanley) Does that put at risk the - if it continues to drip at the current rate then in FY17 are we facing a bigger squeeze than 4.5%?
Craig Meller:	Yes. We made reference to the point that it could be lumpy through the period. I think the most likely lumpiness is in the first half of 2017.
Question:	(Daniel Toohey, Morgan Stanley) Okay, thank you.
Howard Marks:	Ross.
Question:	(Ross Curran, CBA) Hi, James. It's Ross Curran from CBA. Sorry just to come back to James's question earlier on, on profit margins. So the change from the first half to the second; that extra $11 million, that's from repricing one Group risk policy, is it?
Gordon Lefevre:	Not solely, Ross. There also were pricing increases that tend to come in in the second half. So they were inflationary increases, they were aged increases, and that actually gets your plan margins up in the second half traditionally. So those, plus the repricing of that one Group policy were the impacts that had the higher plan margins in the second half and we're expecting that to flow through into the first half and then there'll be some pricing increases again in the second half. There'll be some age increases and some inflationary increases in the second half.
Question:	(Ross Curran, CBA) So there'll still be seasonality again next year?
Gordon Lefevre:	There'll be seasonality next year.
Question:	(Ross Curran, CBA) But the average will be - the sum for the full year will be about $200 million. Is that the way to think about it?
Gordon Lefevre:	Well, what we're saying is there's subdued growth, plus on top of that, we have additional variable costs. We're saying the best assumption is that the two halves will be about the same as the last half of this year, for next year.
Question:	(Ross Curran, CBA) Are there any other big policies that are due to re-price?
Gordon Lefevre:	No, they're not.
Question:	(Siddharth Parameswaran, JP Morgan) Hi there. Siddharth Parameswaran from JP Morgan. A couple of questions, if I can. The first just relates to your new planner education centres. Could you just give us some idea of whether there's been any pushback from planners on this and just how

many people are actually affected in terms of not actually having these requirements and whether you could see any planner fallout?

Craig Meller: So roughly, a third of the advisors have already got their qualification, a third are on their way to getting the qualification and probably were going to anyway and a third are considering whether maybe sometime in the next five years they'll retire. That level of retirement over a five-year period would only be slightly higher than we'd expect over a five-year period anyway and one of the drivers behind us having a five-year transition period. So our expectation is that we're going to be able to manage the transition very effectively. Those planners who are continuing to stay in the industry are very positive about the changes.

Question: (Siddharth Parameswaran, JP Morgan) Just one more question just relating to financial protection. I think you said last year that you were looking at or considering bringing out a new product in 2015. Is that still on the cards?

Craig Meller: Yes. We're in market at the moment with some micro pilots of new styles of product. When we've got more to talk about, we'll talk about it, but we're actually selling a new type of product, albeit it would be hard for you to find it just at the minute.

Question: (Brett Le Mesurier, BBY) Thanks. Brett Le Mesurier from BBY. Question on the wealth management business, the investment-related revenue to AUM in the second half was 115 points. How much below that is the comparable margin for the North product?

Craig Meller: It's difficult to get an average for the North product because there's so much variance in the investment management product for North. So, because North is a wrap platform and you can have direct shares on a wrap platform, there are components of North where there's an admin fee and no investment management fee. So it really depends which part of North you're on as to what pricing it is, but once you take the investment management fee off, the average investment management fee off and look at that, 115 investment management fees I think it's about 26. Is that right? Yes I think it's 26. So you're talking about 89 is what we get in the platform space. North and Flexible Super would average below that but not a long way below.

Howard Marks: From the floor? Let's go to the phones.

Operator: Thank you. We have a question from Lafitani Sotiriou from Bell Potter Securities. Go ahead, thank you.

Question: (Lafitani Sotiriou, Bell Potter Securities) Hi, good afternoon everyone. Just one quick question from me and it's in relation to AMP Capital. Now the - I'm just trying to better understand the step up during the half in the cost base. Gordon, I think you mentioned something to do with performance-based increase for employees but there's also comments around some teams being expanded. Could you just provide a little bit more detail as to what that $10 million on step up employee cost is?

Craig Meller: Yes so there's two components to it as we're building our global capabilities. So the overseas costs in AMP Capital go up and there was also a currency impact there. One of the challenges with employing a lot of very capable investment managers is when they deliver great results, they want bigger bonuses. So they got bigger bonuses, because otherwise they'll run off and go to our competition which we don't want them to do, so it's just the way that model works, fortunately or unfortunately, depending on which way you look at it.

Question: (Lafitani Sotiriou, Bell Potter Securities) Yes, I guess there's things to add. One would be, I understand if the performance is picking up but why is that not seen coming through into higher performance and transaction fees for that half? But yes, there's a higher proportion going out and just trying to understand how much of that is variable versus a permanent step up.

Craig Meller: Gordon, yes?

Gordon Lefevre: Yes, so a fair portion of it is variable because it's performance-related. The other thing is that it's paid in relation to investment performance. So the investment performance ultimately should translate into better flows and to better fee generation, but sometimes there may be a gap between the actual investment performance and the flows that come off the back of it.

Question: (Lafitani Sotiriou, Bell Potter Securities) Cool, I understand that the performance-based fees are variable, but in terms of the split of expansion or currency and the new teams that are coming through, out of the 10, would 5 be from expansion and currency and 5 be performance fee, or you're not going to go to that detail?

Gordon Lefevre: It was probably biased a little bit more towards variable performance-related costs.

Question: (Lafitani Sotiriou, Bell Potter Securities) Okay cool, thank you.

Howard Marks: Any further from the floor? And from the phones? Sorry, we have Dan.

Question: (Daniel Toohey, Morgan Stanley) Just a follow-up on the outlook for income protection. If we look at the fourth quarter APRA quality stats, you can see a savage drop in industry profitability, which seems to be due to an agreed top-up of the reserves in the fourth quarter on a whole of portfolio basis. Within that line of business, do you see further support for strengthening of returns and lifting premiums?

Craig Meller: I think our experience if you look offshore is it's a line of business that generalists, if you like, have got out of and the specialists have stayed in. The specialists are the ones who have really focused on how do you have the world best practice claims management capability? So I wouldn't be surprised if that trend over time doesn't become adopted in the Australian market and that competition around income protection becomes less intense.

You're always living in an environment where the terms in the in-force book are the terms in the in-force book and we don't have the right to change those without the client's agreement. So that change that may occur would either be prospective or a customer-by-customer negotiation to move them from an old policy to a new one, so any changes are certainly going to be medium-term in coming about rather than being something you can click your fingers and it's done.

Question: (Daniel Toohey, Morgan Stanley) Thanks.

Howard Marks: No more? In that case, if that's the end, I'd like to just bring the briefing to a close. Thank you all very much for coming. If you do have any other questions as the afternoon wears on, please feel free to call either myself or Stephen Daly and we'll be happy to help. Thank you.

[END OF TRANSCRIPT]