AMP Half Year Results Analyst Briefing
18 August 2016

HOWARD MARKS: Welcome everyone to AMP's 2016 half 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 before we move on to Q & A. If everyone's ready, which we almost are, I think we should begin. Thanks, Craig.

CRAIG MELLER: Great. Thanks, Howard, and good afternoon, everyone. So, in the first half, we've delivered good performance in AMP Capital, AMP Bank in New Zealand, and demonstrated resilience in the wealth management business. However, this has been overshadowed by a disappointing performance in wealth protection. As a result, underlying profit for the half year was done to $513 million. A return on equity also fell 1.6 percentage points to 11.9 percent.

The performance of our Australian wealth management business has held up well in the face of volatile investment markets and regulatory uncertainty, with investor confidence impacted by the proposed superannuation changes announced at the Federal Budget. AMP Capital and AMP Bank both performed strongly, delivering on strategy and driving double digit growth in challenging conditions.

New Zealand also performed well, with operating earnings up two percent despite the loss of transitional tax relief. Our wealth protection business was impacted by poor claims experience in the first half. As a result, we're accelerating the capital management components of our strategy to improve capital efficiency and reduce volatility in this business going forwards.

Across the business, we've continued to manage costs tightly, with controllable costs increasing less than one percent despite significant investment in growth initiatives. We've also been actively managing our capital position, which remains strong, with a surplus of $1.9 billion dollars despite the low interest rate environment. We're making substantial progress of the implementation of our strategy and, claims performance aside, we're continuing to drive short-term performance without sacrificing investment in long-term growth.

We're running our core Australia and New Zealand businesses hard in more difficult markets, capitalising on our market leading partnership while prioritising investment in higher growth, less capital intensive businesses. We're also making progress on future-proofing these businesses, transforming them to be more customer centred and adopting a differentiated end to end approach based on helping people achieve their

goals. Our international expansion strategy through AMP Capital continues to deliver growth and a more attractive asset mix and our focus on efficiency and agility continues, with the business efficiency program almost complete and delivering both operational leverage and a continued ability to invest in future growth.

The Board has declared an interim dividend of 14 cents a share franked at 90 percent. This represents a payout ratio of 81 percent of underlying profits, reflecting our confidence in the financial strength and future earnings potential of the group. We continue to neutralise the impact of the DRP by buying shares on market.

Chart 3 sets out the profit summary for the half year. As usual, I'll go through the top half of this table and talk you through our business unit results and Gordon will comment on some of the adjustments reported below the line, including the three percent increase in profit attributable to shareholders resulting from our strategy to manage exposure to falling bond yields.

In the face of challenging investment markets in the first half, chart 4 clearly shows continued growth momentum across AMP Capital, the Bank and New Zealand, and the resilience in wealth management offset by the impact of wealth protection claims. So, let's look at these businesses in more detail, starting with wealth management on chart 6. Our superannuation, investments and advice businesses demonstrated resilience in challenging conditions, with disciplined cost management helping to offset lower AUM driven revenue.

Operating earnings fell six percent from the first half of '15, reflecting the impact of markets and weaker investor confidence. The successful delivery of the business efficiency program partially offset this decline, driving a five million decrease in total controllable costs over the year, while allowing ongoing investment in future growth, including in our SMSF business, SuperConcepts.

Meanwhile, we continue to take a disciplined approach to the management of margins. High super transitions continued in the first half and, as predicted, given their lumpy nature, we've seen some variation from period to period. Specifically, in the first half, margin compression tracked below our guidance, at three and a half percent per annum, and with the largest transitions likely to occur in the second quarter of next year, compression is expected to increase to an average of around five percent per annum for the period through to December 2017. This means overall margin compression remains in line with our original guidance of an average of four and a half percent per annum. And, it's still expected to revert to a longer term average, after all the MySuper transitions are complete.

Chart seven sets out the cash flows for the half. Total net cash flows on platforms were subdued in the first half, being impacted by investment market volatility, reduced investor confidence given the uncertainty around the proposed superannuation changes announced in the Federal Budget in May, and a somewhat lower level of activity, both in the system, and our advice network, given the extensive regulatory change. Notwithstanding these challenges, assets under management on both North and Flexible Super platforms continue to grow. With strong growth on North, up 26 percent on the first half of '15, to 23.4 billion dollars. Flexible super was up seven percent on the same period to more than 15 billion dollars. We're also seeing the mix in cash flows to North and Flexible Super changing over time, with the launch of an expanded North offering improving market competitiveness, and proving attractive to customers. Net cash flows from our contemporary corporate superannuation business were up 123 million dollars on the first half of '15, as a result of flows from previous mandate wins by member consent. These flows are expected to continue in the second half, assuming the ongoing success of this member consent program.

Turning to AMP capital on chart eight. Today, AMP capital is one of Asia Pacific's largest investment managers. The business had a good first half, with the successfully execution of the strategy, driving growth, and delivering a more attractive asset mix. Operating earnings were up 15 percent, reflecting strong fit income from both performance, and AUM based fees. First half '16 performance and transaction fees are up 56 percent to 61 million dollars, due to strong performance in our infrastructure funds. Typically, these fees accrue over a three-year period. And, assuming investment performance is sustained, may be expected to continue into 2017. External AUM based fees also grew 12 percent, reflecting a deliberate shift from lower to higher margin aspect classes, such as infrastructure and property funds. At around 58 percent, AMP capital's cost to income ratio fell below the guidance range, reflecting the impact of the improved fee income. But, full year cost to income ratio is expected to move back into the 65 percent guidance range. And, we continue to target the lower end of this range over the medium term.

Chart nine provides more detail on AMP capital's cash flows and investment performance for the first half of '16. Overall, external net cash flow has declined period on period, but reflect a deliberate shift from lower to higher margin asset classes. With infrastructure and property now representing over 50 percent of externally managed AUM. In our joint venture, China Life AMP Asset Management, or CLAM, as we call it, we've seen a trend emerging in cash flows to our money market funds, with clients redeeming their investments, and reinvesting the funds around period end. However, average AUM growth remains strong, up 11 percent on the second half of 2015. And, the business continues to go from

strength to strength overall. The joint venture launched 19 new products in the first half, and now manages almost 16 billion dollars, or BRMB equivalent of that. Japan continues to be challenging, given the prevailing market conditions, and you can see this reflected in the cash flows. The challenge remains largely a behavioural one, to convince investors to switch from very low risk, low return bank products, to fixed income products that offer a better return, but come with slightly higher risk. We continue to work closely with our partner, MUTV, to address the issue. And, remain confident in the long term growth fundamentals and attractiveness of the market. Strong international investor interest in infrastructure and property drove flows of more than 730 million in the first half. And, it's higher asset margin classes has contributed to the rise in external AUM based fees. Conversely, the decline in domestic cash flow has reflected the loss of low margin equity, and fixed income mandates. Over the three years to June 2016, nearly 70 percent of assets under management met, or exceeded, client goals. Investment market volatility clearly impacted the performance of listed assets, however real assets have continued to perform very well.

Turning now to chart ten, and our wealth protection business. And, clearly, we're disappointed with this result. Whilst world protection only accounts for nine percent of group earnings, I'm going to spend some time explaining what is happening and the actions that we're taking to drive improvements. The results in the first half have been impacted by poor claim experience across income protection, lump sum and group insurance. As it's a relatively complex story, I'm going to step you through each line individually, outlining first what's happened, secondly talking to the actions we're taking to fix the issues, and then thirdly, providing our updated guidance for the business.

So, looking first at what's happened – and I'll start with income protection. There are three factors underlying the income protection experience result: The high level of claims, attributable to both volatility and to the market environment, where we've seen an increased activity across the industry; a lower level of terminated claims, and this was below our expectations from the second half running, and, as it's taking longer than we expected to embed our new claims management processes across the function; and, thirdly, continued investment in people and processes to accelerate the delivery of the claims transformation, and in improving the long-term claims performance. This cost has been taken through IAP experience line, and the investment is expected to be self-funding, but as a lag effect, with the claims benefits emerging in later periods.

Turning to lump sum experience: Claims experience in this part of the book is volatile. You can see this volatility in the past three halves. Notwithstanding the strengthening of assumptions in the second half of

last year, we've seen increased claims across all sub-categories, death, trauma, and TPD. We believe the increase in claims in these areas also reflects the broader market environment. Indeed, this is the first half since 2013 that both retail trauma and retail TPD claims experience have been negative. At this stage we see no reason to alter our best estimate assumptions, although we'll continue to monitor this carefully. The group experience losses were largely driven by a single client plan, and lapse experience in the first half was broadly in line with our best estimate assumptions, albeit seasonally weaker than in previous first halves. Overall then, this is clearly a poor first half outcome, with claims losses in all categories.

So, let's move on to chart eleven and our response. As we said previously, this programme has three simple aims: To improve margins by fixing claims and lapses; to reduce the capital intensity and volatility of the wealth protection business; and thirdly, to re-engineer life insurance products to drive profitable growth in the future. We've stepped activity across all three streams in the first half, looking first at improving margins. So, I've mentioned, we're speeding up work to fix claims and lapses. This investment includes changing management, and appointing a new Head of Claims, and employing more claims assessors to provide greater focus on delivery, and free up capacity to continue re-training the claims team. We're also starting to drive better outcomes by using enhanced data and analytics capabilities in both claims and lapses. In the second quarter we concluded that it was appropriate to adjust the IPS incidents assumptions to a higher ongoing level, and move to strengthen them at the 30th of June. The impact of these strengthened assumptions on profit margins will be offset through re-pricing of the IP book. In the group business we are re-pricing for value over volume, and expect that this may result in the exit of unprofitable business in the next twelve months. The second priority is delivering a less capital intensive business. So, in the past six months, we've also prioritised and brought forward two key initiatives to deliver a more capital efficient, less volatile business going forwards. We've made strong progress on the part 9, bringing together our two life businesses, AMP Life and NMLA. Although subject to regulatory approvals, which are pending, we're targeting completion for the 1st of January 2017, and the process is expected to release in the order of $100 million in capital in the business, with no impact to customer security or terms and conditions. As we highlighted at the release of our first quarter cash flows in May, we are also looking to accelerate the implementation of a re-insurance programme. Whilst protecting customer outcomes, this will benefit shareholders in two ways: releasing capitals in this business at an acceptable cost, and reducing the volatility of group profits. So, we've been actively testing the market. There's significant interest and capacity to deliver an initial tranche of re-insurance in the $100's of millions of

dollars. We've engaged a number of interested counter-parties, negotiations are progressing, and timing and completion will be subject to achieving acceptable commercial terms. Thereafter, we will continue pursuing further tranches of re-insurance when the time and conditions suit. This could lead to re-insuring a significant proportion of the book to optimise value and mitigate risk over time.

The third and final component of the recovery program is around the introduction of a new insurance offer. In quarter three we're launching a new insurance product designed to better meet the needs of today's consumers and to address the underlying challenges in the industry.

The new product is simpler for customers to understand, moves away from medical definitions and provides holistic cover. Meaning you longer have to choose between life, TPD and trauma. The products will be more capital efficient and will be launched in the first instance by the new AMP advice founding practices. It may take some time for sales to gain traction more broadly as advisers and consumers come to fully understand the product.

But, that summarises how we've stepped activity to fix the business. Now, let's turn to future guidance.

It's very challenging to provide guidance in wealth protection given this is by nature a volatile business operating in a very difficult market environment. But, hopefully we can provide some insight into what we may see in the second half and beyond.

As I have said previously our best estimate assumptions are our best view of where the midpoint of future experience will land and this continues to hold for the medium term. However, in the second half we think it's unlikely that a neutral experience outcome will be achieved. So, let's look at our short term view line by line.

In IP as I mentioned earlier we strengthened instance assumptions of the 30th of June. All other things being equal this is expected to reduce experience losses by $10 million per annum with the impact on profit margins largely offset by premium rate increases.

The increased investment required to fix claims will continue into the second half. We expect to see continued lower levels of terminations throughout the half. This means that it is less likely that there will be a significant improvement in income protection experience in the second half beyond the assumption improvement.

In lump sum we anticipate the broader market conditions will remain challenging and so negative experience is more likely in the second half.

In group the action we've taken to reprice the value over volume has a lag effect and is expected to resolve in either the improvement in experience or exit of unprofitable business in the next 12 months. But, not before the end of this year. And, lapses are typically seasonally higher in the second half reflecting the impact of age and annual CPI increases. But, we're still on track to meet our full year '17 targets.

So, taking all of this into consideration and setting aside the strengthening of incidents assumptions in IP there's a potential scenario where the experience across the board may reach the levels seen in the first half. However, as you know, experience is by its nature volatile.

Summarising more broadly. This has been a poor half of experience driven by market issues, volatility and some issues of our own making. Stepping back three years ago we set a strategy for insurance to deliver a less capital intensive, less volatile business with better growth characteristics.

This is a challenging transformation and clearly there have been some significant bumps along the way. But, we remain convinced that this strategy is right. In stepping up our efforts in investments in business recovery we're accelerating actions to deliver this less volatile business to shareholders while improving the outcome for customers through better claims processes and more contemporary product design.

Turning to chart 12. Banking products are integral to our customer centred strategy. That management solutions and mortgages helping our customers achieve their financial goals.

The bank continues to deliver strong earnings growth with operating earnings up 18 percent driven by expansion of the net interest margin with [0:04:02] basis point benefiting from active liquidity and balance sheet management in a low interest rate environment. The bank maintained a competitive market position with the total loan book growing above system to $16 billion. This growth was largely in owner occupied mortgages with strong growth from brokers and advisors. Growth in investment property lending is continuing to build since the bank recommenced investment lending in November last year.

As at the full year controllable costs in the bank have increased as we continue to invest in the systems and experience improvements necessary to support long term growth. However, this cost increase has been more than offset by top line growth.

Credit quality remains strong and the bank also continues to enjoy strong capital and liquidity positions.

Chart 13 sets out the results with both our New Zealand and mature businesses. In New Zealand we've had to offset the loss of transitional tax

relief. Operating earnings were up two percent reflecting stronger profit margins. A mature business continues to generate good profits although operating earnings were down 11 million dollars due to a combination of expected run off, bond rates and better persistency.

Stepping back what we've seen in the first half is strong performances from AMP Capital, AMP Bank in New Zealand which are all delivering on strategy and driving growth. We've seen resilience in wealth management despite challenging market conditions but this has been overshadowed by disappointing results in [0:00:37] protection where we've accelerated our capital management initiatives to improve capital efficiency and reduce volatility in this business going forwards. So now I'll pass over to Gordon to take you through some of our key financials, including our capital position end costs.

GORDON LEFEVRE: Thanks Craig, and good afternoon to you all. I'll pick up at Chart 15 in your presentation packs. Bottom line profit attributable to shareholders is 523 million for the half, up three percent on the first half of 2015. The difference between this and the reduction in underlying profit reflects reduced business efficiency program costs which are 21 million dollars down on this time last year as the program nears completion. Investment income that is well in excess of our long term three percent benchmark rate, driving 54 million higher market adjustments half and half. This was mainly due to hedging activities which have helped preserve capital levels in a falling interest rate environment.

We've also reported higher risk product market adjustments due to falling bond rates. Both of these positives were offset to some extent by negative adjustments when fair valuing annuities. This was as a result of widening credit spreads. Finally, accounting mismatches were 40 million dollars better than we reported in the first half of 2015, primarily due to positive adjustments for treasury shares.

On Chart 16 we outline our key balance sheet, capital and liquidity metrics. Our balance sheet remains strong with gearings slightly improved at nine percent. Reduced interest cover reflects declined earnings but remains well within acceptable limits. The lower gearing is as a consequence of reduced subordinated debt and reflects our decision in March to redeem the 600 million dollars of AXA subordinated notes. This was previously flagged and followed loss of transitional regulatory relief. Replacing these instruments as part of our capital management approach are hybrid notes issued over the last 18 months. These are included in subordinated debt at the holding company level. Although recognised by the regulator as eligible capital in the life companies and AMP Bank. But to the extent permissible these funds are on-leant to those subsidiaries as detailed in the investor report.

Our excess capital has reduced to 1.9 billion since the 2015-year end and a more normal level consistent with our capital management framework. As in prior periods we report excess capital before dividends declared. The level three eligible capital held in excess the group's minimum regulatory requirements is appropriate given market conditions that are anticipated to future potential needs. As per previous guidance we expect to absorb any additional level three eligible capital requirements from the new conglomerate standards from within existing surpluses. It's worthwhile noting that we continue to actively hedge against declines in bond rates and our strategies and actions to date have been effective in maintaining capital levels, despite sustained low long term interest rates.

Turning to Chart 17. The Board has declared an interim dividend to 14 cents in line with the first half of 2015. Dividends franked to 90 percent. The dividend is within the 70 to 90 percent payout range, advised at the 2015 full year results announcement. The dividend reflects the Board's confidence in the financial strength and cash generation potential of our business. The dividend reinvestment plan remains in place and consistent with prior periods we'll purchase shares on market to satisfy entitlements. We'll thereby neutralise any diluted impacts from the DRP.

Shifting to costs, at Chart 18 in an update on our business efficiency program. Benefits from our business efficiency program continue to enable ongoing investment in both transformation projects and growth businesses. Controllable costs were up by point nine of a percent and, on an equivalent basis more than two percent down, half on half. This reflects continued cost control and that's been achieved despite international expansion in AMP Capital's business, investment in technology and operating capacity in AMP Bank and underlying wage and inflation growth.

We show separately cost uplifts attributable to both the revised incentive awards in AMP Capital and the full consolidation for the first time this year of Super Concepts. One-off integration costs for the various acquired businesses that now make up Super Concepts have been included in controllable costs. In both instances these cost increases were accompanied by revenue uplifts from the business units in the half.

Cost guidance for AMP Capital remains unchanged with a 60 to 65 percent cost-income ratio. It is this measure, in preference to absolute costs that where we place our focus.

For the group overall, today we're revising downwards our cost guidance for the full year and now expect overall cost growth of three percent for 2016. This improvement reflects better underlying cost growth and a five million reduction in the previously advised Super Concepts uplift.

Chart 19 shows that in excess of $140 million of cumulative benefits have now been delivered by the business efficiency programme. The programme will deliver $200 million of pre-tax annual savings on a run-rate basis by the end of 2016.

We confirm today that the programme will complete as scheduled in December 2016 and that, on a cumulative basis, one-off implementation costs will total $320 million.

Consistent with prior periods and as we flagged, in any period where we over-deliver savings these are being reinvested in transformation growth initiatives.

In summary, we have strong capital levels and, in the face of falling rates, proactive and dynamic hedging has preserved this position. Gearing, interest cover and liquidity are sound. Flexibility in our payout ratio has enabled the dividend to be maintained and we continue to tightly manage costs and successful trade off the realisation of business efficiency gains against investing for future growth.

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

CRAIG MELLER: Thanks, Gordon. Now, let's turn to chart 21 and our strategy update. Despite the short term headwinds facing the industry at the moment we operate in a highly attractive sector with mandated growth. The underlying long term thematics are strong and we have highlighted those that represent the greatest opportunity for AMP. To capitalise on these thematics there are a number of critical success factors, many of which are competitive advantages for AMP and provide opportunity to provide future growth.

These thematics and our core competitive advantages underpin our strategy which remains unchanged. We're focused on running our core Australia and New Zealand businesses hard while future-proofing them for tomorrow by transforming them to centre on the customer, recognising changing consumer needs and the impact of technology.

We retain our focus on efficiency and agility, acknowledging that technology is also fundamentally changing the way businesses need to manage their cost base and we're capitalising on the rise of Asia and growing international investor appetite for real assets and fixed income through AMP Capital.

Turning to chart 22, we take great pride in being Australia's leading provider of financial advice, superannuation, life insurance and SMSF services and see significant opportunities for longer term growth.

To call out two, the five-year growth story around AMP Bank is impressive. The bank's contribution to group profits doubled in the last five years and today it represents more than ten percent of our operating profit. Its return on capital is in line with larger competitors and it's evolved to become a core part of our value proposition to customers and advisors.

We also see enormous potential in the self-managed superannuation sector. We entered this market just over four years ago and since then we've grown our business into a market leader with more than $18 billion in assets under administration. At the half year we had relationships with more than 39,000 funds, providing full professional administration services to over 16,500 funds and software services to more than 26,000.

The recent acquisition of Desktop Super will take our total fund relationships to more than 55,000 representing a ten percent share of the overall SMSF market.

The increased scale is reflected in top line growth with top line contribution of 18 million dollars for the half. We continue to grow in scale and increase penetration in this space. Chart 23 sets out our approach to future-proofing our business by transforming it to centre on the customer. We found exploring customers' broader goals to be a very powerful way of engaging our customers in their finances. We're therefore reshaping our business, our solutions, systems, and processes to be focused on helping our customers achieve their goals. We're well advanced on this goals base transformation, and are building it on the channel model to strengthen and broaden distribution. We put the core technology and infrastructure in place to make it easier and more convenient for our customers to deal with us, and we continue to roll out our new goals base face-to-face advice model, leveraging this infrastructure. At scale, this is expected to deliver improvements and advise of productivity, share of customer wallet, and practice profitability. And to ensure our culture remains firmly aligned to customer outcomes, we've aligned 25 percent of our short term incentive scheme for all employees, to improvements in customer experience. Chart 24 summarises our approach to efficiency and agility. Gordon has already provided an update on the successful delivery of the business proficiency program, and going forward, we're actively pursuing a range of initiatives to sustain the efficiency benefits that we've been delivering over many years. Turning to chart 25 and our international growth strategy. In Asia, our focus is on the long-term growth markets of China and Japan. Our approach to doing business in these markets is unique in Australian financial services. It's based on forging partnerships with national champions, and we have formidable partners in both China Life, and MUTB, part of the Mitsubishi Financial Group. While other Australian financial service companies are pulling back from China, our partnership with China Life is going from strength to strength, with our two joint

ventures profitable, and exceeding expectations. China Life AMP Asset Management Company is one of the fastest growing asset management companies in China, now managing 79 billion RMB, or 16 billion Aussie. Up 13 percent from [0:02:15]. Our pension is JB, China Life Pension Company also continues to enjoy strong growth, with AUM increasing 13 percent from the end of last year, to 340 billion RMB, or 69 billion Aussie. As I mentioned earlier, the situation in Japan is more challenging given the prevailing market conditions and traditional investor behaviour. But we remain confident in our partnership with MUTB and in the long term growth fundamentals. More broadly, we're also capitalising on the increasing demand from global pension funds and institutional clients for our investment capabilities in infrastructure, property, and fixed income, which is driving the positive shift in asset mix from lower to high margin assets across the business. We've attracted new investors, taken the number of international institutional clients to 157, and growing assets under management to almost 9 billion dollars. We continue to see strong interest from investors around the world in our infrastructure funds, and our property pipeline in Australia remains strong. The number of high-profile redevelopments attracting significant investor interest, both domestically, and internationally. So finally to chart 26. In summary, what we see in the first half is continued growth momentum from AMP Capital, AMP Bank in New Zealand. All of which are delivering on the strategy and driving growth. Wealth management has demonstrated resilience despite challenging market conditions, but this has been over shadowed by disappointing performance in wealth protection. While we've accelerated our capital management initiatives in order to improve capital efficiency, and reduce volatility in this business going forwards. We are seeing early signs of growth from the execution of our broader strategy, particularly from the bank, SMSF, and AMP Capital. Our balance sheet remains strong and well capitalised, and we continue to maintain our focus on delivering better out comes for our customers, while improving overall financial performance for our shareholders. Okay. Back to you, Howard, for Q and A.

UNIDENTIFIED MALE: Thanks Craig. Before we move onto Q and A, I'd just like to remind everyone that today's briefing is being webcast live, so if you do have a question, please wait for the microphone and then mention your name and company clearly, and then we'll get to it. In terms of protocol, I think we'll take questions from the floor first, and then we'll move to the phones. Simon.

SIMON FITZGERALD: Hi there, Simon Fitzgerald here from Evans and Partners. Just a really quick question firstly on the reinsurance deal potential. Am I thinking about this too simplistically to think that a three or four hundred million dollar reinsurance deal could release capital in the order of 700 million? I'm just thinking about the size of the enforceable, versus the capital that you have under that business at the moment.

CRAIG MELLER: Gordon, do you want to take that one?

GORDON LEFEVRE: Thank you, Simon. I'm not sure whether you're thinking about it too simplistically. But, we've not yet seen how much capital would be released, or indeed how big the deal would be. We've simply said that the first try that we're looking at is somewhere in the hundreds of millions. Once we've further progressed with the actual terms of the deal, we can then get to the actual total amount that we'll reinsure. And, then the consummate – the capital release that will come as a consequence of that.

SIMON FITZGERALD: Sure. Also, it's wondering if you can just, sort of, explain the mechanics of how this deal might work? Would it be a, you know, share quota, or something? And, maybe you can just give us a little bit more detail. And, will it – could it be EPS dilutive in the first year, but ROE decretive? Is there something like a measure like that that you're thinking about?

GORDON LEFEVRE: Yeah. Thank you, Simon. Yes, certainly we're contemplating a quota share. If we had our timing exactly right, we'd probably have recaptured a range of other treaties that we have in place right now. There are a number of them. A relatively small part of our book is reinsured, but there are a number of treaties. In those circumstances, given that we're accelerating this, we're going to put in place a quota share over the top of those existing treaties. What we certainly will see with a quota share, is a reduction in the earnings. Because, you're selling some of your earnings forward. And, that would have a, you know, modest, if nothing else were to happen, EPS dilution. And, yes, certainly our intention is to get an ROE uplift.

SIMON FITZGERALD: And, final question. With the wind up of the China fund, can you just remind us in terms of what might be any seed capital returned, as well?

GORDON LEFEVRE: No seed capital invested in the China growth fund.

DANIEL TOOHEY: Thanks. Daniel Toohey from Morgan Stanley. Craig made the comment on the IP experience it relates to current market environment being a driver of increased incidents. Can you provide more detail on what you mean by that? Is that a behavioural shift in people? Do you think it's – or, is it structural?

CRAIG MELLER: Difficult to tell, Daniel. If you go back three years ago, when there was a big spike in grief insurance, that was undoubtedly partly due to a greater level of awareness of insurance. And, the capacity to claim more broadly. I'm sure everyone in this room is aware that life insurance has been a hot topic in the media over the past three or four months. And, we soon had a spike of new claims coming through the door. Now, I can't say for sure that that spike's directly correlated, but I would be surprised if it's not.

DANIEL TOOHEY: And, there's some revised – I think KPMG have put down some revised assumptions around the outlook for claims experience over the last 20 year

	experience, or something of that nature. How do your assumptions measure up to that?
CRAIG MELLER:	Yeah, those are called the industry tables. The last set of industry tables, because we're the largest insurer in this space, we've adapted those tables very significantly from the original tables. If we move to the new tables, we'd be adapting them very significantly as well, and we wouldn't anticipate any significant change in our assumptions as a result from that. But, you're sitting next to the appointed actuary, so you might want to have a word with him on that afterwards, as well.
DANIEL TOOHEY:	And, when you accelerating, in terms of potential reinsured transactions, what does that actually mean? Does that mean an expectation this half? Or, is that like a 2017 time?
CRAIG MELLER:	Gordon's the man for reinsurance.
GORDON LEFEVRE:	Thank you, Dan. I think for us, it's most important that we get the deal right, rather than accelerate the timing too much. So, we are working extremely hard at the moment with the counter parties to get acceptable commercial terms. And, once we're in a shape to do that, then we'll come forward with the deal.
DANIEL TOOHEY:	Okay. And, just a final question on the world side of the equation, the average fee compression it's certainly within the guidance and expectations. Just had some questions. If you look at the actual funds transitioning or at risk of transitioning into MySuper I think they're down to 6.4 billion which is about five and a half percent of your overall AUM.
GORDON LEFEVRE:	Yep.
DANIEL TOOHEY:	Thinking about that being such a small amount and the number. I mean is the shift in mix that is changing the views around fee and when you look through this hump where do you think the normalised fee compression sits?
GORDON LEFEVRE:	I think the modelling we've done is pretty clear that it's elevated because that last portion was probably the highest margin portion as well. So, it's an element of that coming through at the last minute too.
DANIEL TOOHEY:	And, beyond FY17?
GORDON LEFEVRE:	Beyond FY17 we've said our expectation is that it would go back to the long term average which has been between two to three percent per annum. There's a couple of data points or views behind our opinion around that. The first is that we're finding in the post FoFA environment that there is more product competition in order to achieve the best interest due to your requirements going forwards. And, that's leading to a bit more price

competition in the market place. But, what offsets that to a certain extent is that our back book of business is at a much closer price to our front book. And, therefore that natural movement from back to front doesn't have the same quantum of impact as it was having four or five years ago through the stronger super transitions.

DANIEL TOOHEY: Thank you.

HOWARD MARKS: James.

JAMES COGHILL: James Coghill, UBS. A couple of questions mainly on wealth protection. So, Craig, from what you've indicated on the guidance in the second half its conceivable that you can only make about 50 million bucks and that's what you've made in the first half. So, you might finish off the year at a hundred million of operating earnings in the business with plan ?? still running at around 180 million. So, appreciate that it's a very difficult business to forecast. But, could you provide any guidance or colour around how you see that profit trajectory into 2017?

CRAIG MELLER: Yep. So, the simple answer is our best estimate assumptions are our best estimate of what the future will be. We will be reviewing the best estimate assumptions during the course of the second half as we do every year. And, there is significantly greater intensity and significantly greater activity in this business than there has been historically together with the potential of a significant reinsurance transaction. It's very difficult to say to you anything other than our best estimate assumptions are our best view at this stage. But, it's a changing world because of the actions we're taking to improve the business but also to manage the business more broadly.

JAMES COGHILL: Okay. So, in terms of negotiations with reinsurers could you perhaps give us some colour on the factor that you can control and the ones that you can't control. How do those influence the timing of doing a deal with the reinsurers? And, the factors that you can't control I guess are the ones that you would most likely to be of risk for. But, the controllable factors you obviously can up to a point control that. But, those uncontrollable factors could this push this reinsurance deal out another couple of years?

CRAIG MELLER: James, I think the uncontrollable factors if you like are the state of the market. And, the way that a quota share is going to work means that we're going to go into partnership with the reinsurer. So, our interests are going to be aligned. So, as we move to continue to deal with the counterparties we'll obviously be sharing views on best estimate assumptions. Our best assumption. Their views on it. And, we'll likely strike a deal around that. Once the deal is struck you then move forward and to the extent that the market conditions deteriorate and we do or don't price. Whatever comes out of that is actually shared equally with the re-insurers. So, those are the factors that are actually outside of our control that are in the marketplace

that we're dealing with and we're dealing with it through an understanding of the best estimate assumptions and the way you strike the deal so that you actually have these aligned interests between us. Everything else that's in our control effectively is the amount of due diligence that they need to do on us, both operational, best estimate assumptions, exchange of data, and all of those things, as you would expect, are in good shape. We've got teams that are working incredibly hard on both sides, both us and with the counterparties, and so it really comes down then to the market. We have our actuaries talking together. Actuaries tend to look through short-term blips in the market to the medium-term and so we don't, in the current environment, see that the market per se is something that would impact on the overall timing of the deal.

JAMES COGHILL: And, just while I've got you there, Gordon, a specific one on capital, so that new view of capital on a post-dividend basis, one and a half billion, you split that out across life insurance and the rest of AMP, so the 741 that you've quantified for the rest of AMP, it's really been the bank that's capital intensive. Is it possible to just indicate whether there is any surplus in that component?

GORDON LEFEVRE: Sure.

JAMES COGHILL: You've given us quite clear commentary on the life insurance side, but, on that, is there surplus capital sitting there?

GORDON LEFEVRE: So, James, first of all, the 762 million that resides in the insurance side, that covers the participating business and, as we know, there's some self-sufficiency in that and so it has indeed that surplus and its surplus to ensure that, for the participating business, we adopt a conservative approach such that the assets can cover the liabilities over the long-term and there's no material risk that that won't be the case. For the balance, the $740-odd million, yes, it covers the non-par business of the life companies, it covers the bank, it covers then the other operating subsidiaries that we have across the group. So, there is surplus at each level and what you will have seen is that in fact, even in the bank, we've increased their capital levels slightly in this half simply to bring us back into a capital level that is more commensurate with where we're seeing other banks. So, indeed, in that component, you're seeing the bank having surplus capital, its surplus capital increasing slightly and then the residual of all of that is what we're keeping at the group level and what that's there for is to cover a whole range of current and future expected needs, including conglomerates.

HOWARD MARKS: Kieran?

KIERAN CHIDGEY: Thanks. Kieran Chidgey, Deutsche Bank. Just a couple of follow on questions on the wealth protection business, Craig. You're talking about

your best estimate assumptions as still your best estimate assumptions, but then for the lump sum business, you're flagging that you expect these ongoing experience losses into second half. Can you just talk through that disconnect? What's actually going to change? Are you basically flagging the best estimate assumptions are more likely to be revised again on this book come the end of the year?

CRAIG MELLER: No. What we're saying is we saw a spike in claims in that area of the book and the start of the spike was pretty similar, I think, Gordon, to the time that the media activity started. When you hypothesise on potential future scenarios, that spike could be setting a new benchmark. If we think that that's the case, that's going to be the case for the whole market. It could be a certain number of claims brought forward, so it's a spike and it comes back down again, or it could be a mixture of the two. There's a slightly higher level and a spike. It's way too early to say that, but we don't think we're right off the other side of the spike yet and that's why we're saying it's more likely to be negative. Where we get to on setting future best estimate assumptions in that book will take us some time to determine and, also, as our perception is it's a broadly based industry impact, it's likely, over time, to deliver increased pricing in the industry as well.

KIERAN CHIDGEY: And, secondly, you mentioned there was some things you thought you could have done over the last three years in terms of the remedial action which has been ongoing. Can you just give us an indication of what those issues were internally, and what you're doing to address them going forward?

CRAIG MELLER: So, if I start out with, on day one, we think the programme for the claims transformation and the new claims philosophy was absolutely right. The approach of working with claimants to say 'how can we help you get the best quality of life you can and get you back to work?' delivers great outcomes. The skill level of the claims manager is much higher, and quite different from a more traditional claims assessment capability. What we've underestimated is the difficulty of achieving that across a broadly based claims management team. It's a big job in people change management, and we haven't delivered that anywhere like as fast as we'd originally anticipated, and, frankly, indicated to the market. What we've done is, we think, put the right people in there to deliver it, to put extra resources in there. Because one of the things we found along the way was we were competing resources by putting people into training, or keeping them on the job managing claims. We needed more people managing claims, and to have the capacity to take people out to re-train them. With great benefit of hindsight, we could have done that better, more quickly.

JAN VAN DER SCHALK: Jan Van Der Schalk, CLSA. Just a couple of questions on the re-insurance. You talk about releasing capital, and your talk about it managing volatility. How does a quota share reduce your volatility?

CRAIG MELLER: Jan, there will be aspects of the quota share that will have in it income protection and it'll have lump sum, and to the extent that there's volatility remaining in either of those product categories, that'll be shared in some way with the re-insurers. In addition to that, the fact that we are actually taking capital out of the business, we're therefore going to reduce the exposure to it, and as a natural consequence of that, there'll actually be a decline in the volatility overall of the wealth protection earnings.

JAN VAN DER SCHALK: In the context of the broader group profits?

CRAIG MELLER: Yeah.

JAN VAN DER SCHALK: As it becomes a smaller part of the business going forwards, volatility of what remains will be a much smaller volatile impact on group – so that's basically just the maths. Okay. So, it's just about reducing wealth protection part of the bigger group. You're not actually reducing the volatility of the wealth protection product for the group.

CRAIG MELLER: So, that's the major impact that we're looking at in the first phase. Whether we start to look at different types of re-insurance as we progress the roll-out, to take volatility out of the earnings by contacts other than a straightforward quota share is things that we will consider, but not in the first phase.

JAN VAN DER SCHALK: Okay. So, I guess my follow-up question to that was there's probably zero margin impact at this point, but if you start thinking about products that do reduce your volatility, you'll also have an impact on margin. Don't worry, you're going to tell me that's down the line. So, I've got a second question. You keep talking about a capital-like model.

CRAIG MELLER: Yeah.

JAN VAN DER SCHALK: Yeah. What you actually just mean is, I've got a quota share that gives me less capital need. It's not a capital-like model. It's a no- uplift in margins from it.

CRAIG MELLER: It all depends on the maps of the contract that you complete. So, if you can re-insure away at a lower cost than the proportional cost of the business you're insuring, you get a leverage effect on your in-force portfolio.

JAN VAN DER SCHALK: All right. Well, if I can ask one more question. Just thinking about the re-insurance market, and particularly the life re-insurance market as it is right now, what's the likelihood of that?

CRAIG MELLER: I think it's a pretty good prospect that the market is liquid. The market has appetite for risk in Australia, and it's pretty large. So, we think that the prospects are positive.

The overriding theme that drives our conviction around this is that we see life insurance and we think the same trend is happening in the GI market, although we're no experts there.

Because of the way global regulation is working, the natural owners of life insurance risk are very large global reinsurers who are domiciled in low-cost-of-capital geographies. That means that firstly because of diversification benefits they have much lower capital to deck against the same risk and secondly because they're in a lower capital cost geography they've got a double-whammy benefit. And, so they're genuinely a win-win around that but we see that natural concentration being a global trend.

JAN VAN DER SCHALK: Thank you.

HOWARD MARKS: Nigel.

NIGEL PITTAWAY: Nigel Pittaway from Citi. Just firstly, on the favourite subject, the reinsurance, can I ask – can I ask those existing treaties that you've got, that you say the new quota share will be riding over the top of, what's the duration of those?

CRAIG MELLER: Nigel, it varies greatly. There is a reasonable patchwork quilt of them, it would be fair to say. It doesn't mean to say that they can't be recaptured. It just is going to take time to go into each of those treaties and to work through those with the reinsurers.

NIGEL PITTAWAY: And, can we be clear that you don't need to have completed the part 9 transfer in order to execute the reinsurance transaction? Is that correct or not?

CRAIG MELLER: That is correct. Yes.

NIGEL PITTAWAY: So, given that sort of post-the last results you said that you thought you'd have a reinsurance deal in place for 2017, can we presume it's accelerated from that, that the acceleration means that it'll probably be before the end of this year? Is that a reasonable conclusion?

CRAIG MELLER: I think I've flagged, in answer to an earlier question, that we'd rather have the right deal than to put down a marker today on the timing of it and whilst we continue to work extremely hard with the counterparties and have accelerated our efforts around it, I don't think there's any point in us – any merit in us putting out a hard deadline on when we'd have an actual deal by. We are working pretty much around the clock on it. We're

applying the right amount of intensity and are confident that in the right timeframe we'll bring back a deal.

NIGEL PITTAWAY: Okay, but it's not beyond the realms of possibility it'll be done well before year end?

CRAIG MELLER: You said that, not I.

NIGEL PITTAWAY: All right. Okay. Changing tack a bit, this time obviously you've had revenue margin squeeze in wealth management and this time the operating margin declined a little and I appreciate the market wasn't that helpful but, at a time when the revenue margin squeeze is going to accelerate, how confident are you of keeping that operating margin relatively flat, as you have managed to do for quite some time.

CRAIG MELLER: Yes, we sort of look at the driver of that dip of loss coming from the fact that the book didn't grow period on period so the sort of maths for wealth management for us is you get X percent growth in markets, Y percent margin squeeze on top of that and then the leverage off a flat cost base. With nothing coming from growth in markets over the period the revenue growth that you'd ordinarily expect didn't come through so it's essentially the maths of that.

If the market keeps going the way it's been going over the last month or two, then you can expect to see the same sort of flow-through in the wealth management margins going forward, as we've had historically.

NIGEL PITTAWAY: Right, so effectively you'll need more market growth to offset more revenue margin squeeze to get that equation to work?

CRAIG MELLER: No, the point I'm making is that there was zero market growth over the previous 12 months.

NIGEL PITTAWAY: Yes, I know, but looking forward, yes. All right. And, then finally, just on the wealth management and new business value, that went down from $120 million in 1H15 to $82 million in 1H16 at the four percent margin which the pack just says reflects product pricing initiatives and lower sales volume. Can you expand a bit more on that?

CRAIG MELLER: Yes. The lower sales volumes particularly in discretionary superannuation contributions arising from quite a significant slowdown in flows straight after the Federal Budget and the second component is the point I mentioned earlier around we're seeing a bit more price competition in a post-FoFA environment and there was an element of repricing of the North platform which drove down value of new business.

NIGEL PITTAWAY: It's a 30 percent reduction so there must have been quite a bit of repricing.

CRAIG MELLER: The flow on is you get much bigger share.

NIGEL PITTAWAY: Okay, thanks.

DAVID: You mentioned that it's due to active liquidity and balance sheet management. Could you elaborate on that, please?

CRAIG MELLER: Yeah, Gordon's our bank director on the table, so Gordon, whatever you've got?

GORDON LEFEVRE: So, David, first of all, you'll see that our liquidity coverage ratio came down from, sort of, circa 147 to about 136. So, we lightened up a bit on the high quality assets, and used those to fund the growth that we had. You would appreciate that those are at a slightly lower margin than we can get a mortgage away at. The other thing is that, we took the opportunity to use deposit growth, in order to fund the growth that we had in the book. So, that's in preference to what we had had in other periods, by way of mortgage backed securities, as a percentage of the funding. So, in relative mix, mortgage backed securities came down a percentage of funding, retail deposits went up. Those at a slightly better cost of funding, as well.

DAVID: Just on the retail deposits, as you said, they went up. I'm looking at the deck, they went up nearly 20 percent year on year. Which is approximately twice the system growth in, I'll call them household deposits. How did you manage to achieve that high level of growth?

GORDON LEFEVRE: Well, we are first and foremost, price takers, rather than price makers. But, all the same, I think that we are reasonably competitive, and remained competitive in the product categories for deposits where we needed to, to attract the flows. I think that we also have a range of pretty good, you know, draws and platforms, source for our deposits, as well. So, a little bit of life equality. So, some of the super cash was up, and we drew deposits volume through that, as well.

CRAIG MELLER: But, I think we're doing a better job at making sure we win the cash on the different AMP platforms, as well. So, getting more of that into our banking business, rather than letting it leak out to some of our competitors.

DAVID: My last question is on credit quality in the bank. Looking at the arrears rate, they're trending up to point 51 percent at the end of June. And, the loss rates are volatile, going up from one basis point to six basis points, and then to four basis points. So, with that trending up arrears rate, are you concerned that the loss rates may continue to increase?

GORDON LEFEVRE: So, if I can take the loss rate point first. There were a range of increases to provisions that we put through, at the end of last year, that have reflected effectively in the calculations of those loss ratios. The percentages that you see there. That was, sort of, a one off top up, that we took the opportunity to do at the end of last year. It put the full year up, and it's put the half year up now. So, that's what's impacting, as you call, the volatility

of the actual loan loss ratios. In relation to the arrears, slight tick up. We have no concerns at all in relation to the asset quality in the bank.

DAVID: Thank you.

HOWARD MARKS: I think we should move to the phones, now.

MODERATOR: Thank you. The first question is Siddharth Parameswaran from JP Morgan. Go ahead, thank you.

SIDDHARTH PARAMESWARAN: Good afternoon, gentleman. Three questions if I can, all on the life insurance division again. Just the first one, just relating to what would you do with any potential relief of capital from a reinsurance deal. I was hoping you could just give us some idea, and just confirm that, you know, shareholders will actually get all that back? And, if so, in what form?

CRAIG MELLER: Gordon, you take that one.

GORDON LEFEVRE: Thank you, Sid. Well, it'll take some time, even after we do the deal, to get the capital back, and to determine how much it is that we get back. So, in answer to an earlier question, I said that there is not necessarily total symmetry between how much you reinsure and how much capital you get back. So, we need to determine how much capital we get back first step. When we have it back, we will first of all review our surplus capital and our capital needs across the group. If there are needs that we have in the group where we can reinvest the capital at an acceptable level of return, we'll look to use that first, but certainly if we can't, then we would look to return the capital to shareholders. As to the way in which we might return that, much, much, much too early to say anything in relation to that, if we were to return it.

SIDDHARTH PARAMESWARAN: I had a question just on income protection. I think, Craig, you made the comment that basically you'd been seeing termination rates lengthen out, but it seems that in terms of the assumption changes you've made, you've actually made changes on the incidents rates. So, I was just wondering if there's any disconnect there and whether we could see another increase on claims which are already outstanding?

CRAIG MELLER: So, we saw poor performance both and an increase in incidents which has been increasing over a period of time and led to the assumption change. On the termination rate, we have conviction that we can improve the position there, which, over time, will eliminate the experience losses and, therefore, the best estimate assumption hasn't been changed for terminations.

SIDDHARTH PARAMESWARAN: And, just a final question. Previously, Craig, you'd said that you wanted to fix the trends in the life insurance business before looking at a

re-insurance transaction. It appears that it's a lot more pressing to get this deal done. I was curious as to why you think that logic has changed?

CRAIG MELLER: So, previously, we'd taken what's called a linear approach. Now we're looking at our components of the books that it makes sense for us to re-insure now and other components of the book that we think we can improve margins on in the future for a later date. So, that's why we're saying in bringing forward our expectations on re-insurance, we expect it to be tranched going forwards as well.

SIDDHARTH PARAMESWARAN: Thank you very much.

MODERATOR: Thank you. The next question is from David Humphreys from JCP Investment Partners. Go ahead, thank you.

DAVID HUMPHREYS: Sid just asked my main question previously, but on another topic, looking at wealth management and flows, yours, amongst with everyone else's, has reported fairly weak; in fact, probably only realising about half what you'd expect. Have you got a message for the government on its superannuation policies?

CRAIG MELLER: I've been trying to give that message to a number of members of the media today, David, and I'm very happy to give it through you as well. We saw, with absolute clarity, a drop off in flows from the week of the budget. What's quite clear, particularly when you take into account AMP, who have less exposure to the high net worth market, which would be the individuals impacted by the changes or the proposed changed in superannuation, that there's been a broader impact on people's perception of superannuation. And, from our perspective, the message is set the policy of superannuation around its objectives, put those settings in place and then leave them alone and do all you can to recover confidence in what is undoubtedly the best tax vehicle for any Australian to use to save for their retirement.

DAVID HUMPHREYS: Thanks.

MODERATOR: Thank you. The next question is from Toby Langley from Bank of America Merrill Lynch. Go ahead, thank you.

TOBY LANGLEY: I had a couple of questions. Firstly, with regard to re-insurance, I just want to better understand your commentary around agreeable terms. Does that mean that you both, that is, you and the re-insurance partner, would need to have commonality of assumption for a deal to proceed? Is that the right way to think about how the negotiation process might play out?

GORDON LEFEVRE: Toby, I think what we said is the acceptable commercial terms. Obviously, at some point in time, there has to be a view and assumptions taken as between them and us. Our best estimate assumptions are those that underpin the result that we've announced today which they'll review now

that we're out of blackout. So, no, it's not around agreeable terms so much as acceptable commercial terms that we need to strike with them and that's a process of negotiation over the coming weeks, months.

CRAIG MELLER: But, there is a win-win here, because of the difference in cost of capital.

TOBY LANGLEY: Understood. Another dimension now to deals and this argument is in parallel with your comments, Craig, around trends in the GI space, is that a large global reinsurer balance sheet which you can compare with a front-book franchise, and that's really a dimension that your business offers right now. Is that an impediment to the process?

CRAIG MELLER: I don't see it as being an impediment to the process.

TOBY LANGLEY: So it's purely really about in-force really, because at the moment if you're an insurer and you want to add flow over time, then, you know, there may be better deals out there than the one that you may offer.

CRAIG MELLER: There may be, but I guess a global reinsurer would look to take on risks where the diversification benefit is so great for them, that the amount of capital they put into it is very low. So, at the global level, someone looking at it and saying exposure to Australia is attractive to us, because we don't have exposure to Australia, can make the deal really attractive to them.

TOBY LANGLEY: Okay, great. And then just back on superannuation. Is the key line to monitor in terms of your commentary around, say, the sensitivity to those taxable changes, that's the individual, sort of, discretionary line? I think you drop twelve percent year on year. What was the run-rate for the post-budget period? Are you able to let us know what that was?

CRAIG MELLER: I haven't got that split, but you can see the movement year on year we think it's principally down to that effect. There's probably a little bit of, you know, the markets were more volatile during the course of this half, and of course an awful lot of our money comes in in the last three days of the tax year. And the last three days of the tax year this time coincided with break-set. So, our suspicion is there was a lump of money didn't come in because people were freaked with what was going on in other parts of the world and didn't want to put money into the market when it was moving around so much.

TOBY LANGLEY: So have you seen a recovery post-??

CRAIG MELLER: No. We're not making any comments on our cash flow since then. You'll get an update in October.

TOBY LANGLEY: Thank you.

MODERATOR: Thank you. The next question is from Brett Le Mesurier from Velocity Trade. Go ahead. Thank you.

BRETT LE MESURIER: Thanks. A couple of questions. Craig, you mentioned that you'd reduced the fees on North. Could you comment on what percentage reduction that was, and whether it just applied to business you'd written in the period, or applied to the whole portfolio?

CRAIG MELLER: It's for new business in a category of North, and I haven't got the pricing differences to hand, but we can get hold of those for you.

BRETT LE MESURIER: Okay. And the movement in super into those other schemes, into the My Super schemes, that appeared in a number of your product lines I would imagine. Does some of that go into North, and some into Flexible Super, and some into Signature Super?

CRAIG MELLER: The majority of it will be going into Flexible Super because of where it's come from.

BRETT LE MESURIER: Okay. And lastly, the reinsurance deal when it frees up capital, presumably what we'll see is a reduction in DAK, so a transfer of DAK instead of it being an inadmissible asset. A chunk of it will turn into cash. Is that the likely way it will actually happen?

CRAIG MELLER: Yep. I think that's a reasonable assumption.

BRETT LE MESURIER: And do you have a sense yet as to whether or not the reinsurers have limited the percentage of your book that they may reinsure?

CRAIG MELLER: No. We're not at liberty to really know where they stand on that.

BRETT LE MESURIER: Okay. Great. Thank you.

HOWARD MARKS: Questions from the floor, or from the phones? In that case, I'd like to thank you all very much for coning and listening this afternoon to the briefing. If you do have any questions later on, please either call myself, Howard Marks, or Mike Leonard, and we'll be really happy to help. Thank you.

END TRANSCRIPT