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AMP LIMITED 2017 FULL YEAR RESULTS

ANALYST BRIEFING

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MR H. MARKS: Welcome everyone to AMPs 2017 Full Year Results briefing. For those who don't know me, my name is Howard Marks and I'm Director of Investor Relations. To my left sits CEO Craig Meller and CFO Gordon Lefevre, who'll take you through the results before moving to Q and A. If everyone is ready, I think we should begin. Thanks, Craig.

MR C. MELLER: Thank you. Thank you, Howard, and good morning everyone. Clearly you'll have seen our results announcement this morning which show the recovery of profits last year. In 2017, we focused on developing and delivering on our strategy and produced a solid set of operating results across the group. As usual with these briefings, Gordon and I will take you through the numbers and provide an update on the strategic progress and then we'll move on to Q and A. We've also got the heads of the business units right in front of me. There's Jack Regan, who runs advice in New Zealand. Paul Sainsbury, wealth and customer. Megan Beer, wealth protection. Sally Bruce, AMP Bank. And Adam Tindall, in AMP Capital.

So let's start on slides 3 with a high-level summary of the performance of the year. Overall, the business recovered well in 2017 after the wealth protection reset in 2016. AMP Capital and AMP Bank both continued their strong growth momentum and Australian Wealth Management's shown its resilience through a challenging period. We've stabilised the wealth protection business and completed our reinsurance program; sustained our focus on costs, delivering a three per cent reduction in controllable costs in '17. Return on equity's at 14.3 per cent and well on track to hit our target of 15 per cent this year.

In terms of strategy, we're delivering on the commitments outlined at the strategy day. We set out that approach last year, managing for value in lower-grade businesses of wealth protection, New Zealand and mature. Investing to grow in businesses where there are stronger growth curves, Australian Wealth Management, AMP Bank and AMP Capital, and levering the strengths in our core businesses into international markets. In the managing for value bucket, we've released capital from the life insurance books via reinsurance and driven hard on costs. We've also said that we're open to alternatives to realise value and we've been working through a portfolio review for the manage for value businesses with all alternatives being considered.

Today we've announced that we're in discussions with a number of interested parties regarding these alternatives and also well-progressed on the review and we'd expect to provide a further update at or near the AGM. We've also been investing for growth and transforming the core Australian business, and I'll take later about how those investments are starting to deliver. Our capital and dividends: our capital position remains very strong at $2.3 billion surplus over the minimum regulatory requirements. However, we've decided to retain that surplus at this time, pending the completion of the portfolio review. And, as I said, we'll provide an update on that at the AGM or before it.

Moving on to the profit summary on slide 4 and the key P&L items. I'll go through the top half of this table and talk you through our business units in the following slides, and Gordon will then pick up below the line covering costs and capital in more detail. Slide 5 shows our usual earnings waterfall, which gives the sense of the operating progress and the significant rebound in operating earnings for wealth protection. Slide 6 shows the progress against the commitments we made for 2017. We've delivered on our cost guidance, as mentioned. We've balanced finding efficiency savings with disciplined investment for growth and are reiterating our commitment to hold costs flat in 2018.

We've driven revenue from new sources in wealth management, delivering 10 per cent growth in other revenue through uplifts and advice and SMSF income. Our strategy to drive additional revenue through increasing our equity stakes in advice practices and purchasing and servicing advice client registers is gathering momentum. We invested $40 million in practice equity and client registers in the second half of last year. We met our guidance on managing margin compression in wealth management, averaging five per cent over the last three halves. Internationally we've struck two new partnerships. We've invested in PCCP, a US-based real estate investment manager, and United Capital, a US-based advice business, leveraging our strengths in AMP Capital and our advice business here in Australia.

And as I mentioned, we've reset and stabilised the wealth protection business. We've completed two reinsurance programs that together have unlocked around a billion dollars of capital, and following 2016s reset of assumptions that business is performing at expectations. Okay. So onto the business unit results, starting with wealth management on slide 8. Overall we think this business has shown strong resilience in full year '17, underpinned by strong platform cash flows, additional growth in other revenue, and tight cost management, and we've achieved that while navigating the heaviest year of MySuper transitions and margin compression, which averaged 5.6 per cent in the year. And we're starting to see a growth trajectory emerging through other revenue growth and the transformation of our advice capability.

Our headline operating earnings number was two and a half per cent lower at 391 million, but there are a number of factors behind that. Firstly, as mentioned, 2017 was the peak year for MySuper transitions and these are now complete. The wealth management business had higher investment management expenses after the reset of fee arrangements with AMP Capital, and we also had higher variable remuneration in 2017, which reflects the much lower bonuses that were paid in '16. In fact, when you adjust for these factors, the underlying performance was pretty resilient. If you just remove the variable remuneration impact, operating earnings were actually up four per cent.

We've been vigilant on controllable costs, containing them to an increase of one per cent, or $5 million, despite the business being in an investment phase and the impact of the variable remuneration. I'll go into more detail about the progress we've made

on transforming our advice business later, but in terms of our focus on retaining and developing our core licensee practices, we've also performed strongly, with a 99 per cent retention rate. Productivity is also improving, with AUM per advisor rising to an average $41 million in the core networks. Overall advice numbers reduced in the core network by around two per cent against the first half numbers, but we consider practice retention is the better measure.

To give you an indication, the net impact of the advisors who left our network during 2017 was a net outflow of about $3.5 million. So in summary, a solid underlying performance in wealth management. Moving on to wealth management cash flows, we've significantly increased cash flows to $931 million and maintained our market share in our key targeted segments. Cash flows were driven by heightened member inflows in the lead up to the non-concessional contribution changes in the first half of '17 and targeted campaigns by our teams, although, as expected, activity was more subdued in the second half. Member contributions increased significantly and we continue to grow in retail super.

The North platform again stood out with flows up 14 per cent, or 28 per cent if you exclude a one-off platform transfer in '16, and from what we've seen externally that's the strongest cash flow performance of any platform in the market. And that drove a strong retail performance for AMP overall, more than offsetting the drawdowns that we're seeing in other retail platforms. Corporate super flows were strengthened by several mandate wins, contributing over $700 million in total net cash flows, and while flows continue to be lumpy, our pipelines are pretty strong. Turning to the next slide, slide 10, this slide's to provide you with an overview of margin compression across the period of the strongest super reforms being implemented.

There's a couple of points I'd like you to take away here. Firstly, that we've consistently delivered on our margin compression guidance we set out five years ago to manage the compression to about 100 basis points by 2017, and we told you that's what it would be, and, as you can see, we reported full year '17 at 101 basis points. The peak year was last year and we expect the rate of compression will now start trending back towards the longer term average of around three per cent. And secondly it shows the strength of our platforms, our advice franchise, and our service commitment. So moving on to AMP Capital on slide 11, and another strong performance with operating earnings rising more than eight per cent on stronger fee income, particularly through growth in our retail assets business – in our real assets business.

Real assets now contribute more than 50 per cent to AMP Capital's operating earnings and it's an increasingly-global franchise. It was a good period for performance fees driven by strong infrastructure valuations and robust market demand for infrastructure assets. We expect market conditions for infrastructure to remain competitive through 2018 and valuations to trend flatter as we see interest rate rises. That'll likely lead to some volatility in performance fees in our open-ended infrastructure funds from 2019 onwards, and our new global infrastructure

funds that are closed ends funds tend to earn most of their fees towards the end of their lifetime.

Our international client base has now increased to 291 direct international institutional clients for whom we manage around about $12 billion. We've been systematic about growing a client base that's diversified and high quality, and it's a reflection of the investment we've made and are continuing to make in our global expertise and presence, particularly in real assets. As mentioned in December, we announced a partnership with US real estate investor PCCP, which included us taking a minority stake in the business. The investment will accelerate the growth profile of our real assets business.

PCCP as a real estate debt and equity manager, investing mainly in mid-market property developments in the US. We see really strong synergy between AMP Capital's distribution in Asia and PCCPs US based investment offerings. Their fund structures are similar to the infrastructure funds that AMP Capital manages, so the fee revenue will fluctuate slightly with performance fees, but the investment is immediately earnings created to AMP Capital into the group, adding approximately one per cent EPS to group earnings. Pleasingly, AMP Capital's cost to income ratio fell comfortably into its target range at sixty one and a half per cent, largely due to strong growth in fee income.

Turning to AMP Capital's net cash flow and investment performance, external cash flows were very strong – in fact, the highest net cash flow since we established AMP Capital on the demerger from the UK in 2003. And the growth is pretty much across the board. There is strong demand for real assets and fixed income strategies from both international and domestic clients. We made $5.6 billion of real asset investments last year and we have a further 4.2 billion of funds committed for investment or dry powder ready to be deployed this year. Our Chinese joint ventures, CLAMP and CLPC, continues to grow at a healthy pace increasing both cash flows and market share. CLAMP launched 25 new products last year and has reached $36 billion in AUM in, essentially, its fourth year of operation.

And whilst it's still in a high growth phase, it's now profitable and hitting our return on investment hurdle. CLPC passed the $100 billion mark in AUM last year and we're on notice for progress with the Chinese Government's occupational pension tenders. We're also achieving good traction in the Japanese institutional market through our JV with MUEG Trust Bank. The quality of the cash flows we're achieving in Japan is improving. We've lost some of what we see as commoditised business and are winning in real assets which are better margin and longer term. The Japanese institutional market is clearly a valuable client based for our real assets business and we saw that in a strong demand for our most recent infrastructure debt fundraising.

Finally, on investment performance using our preferred measure of performance against client goals, we finished the year with 60 per cent of funds meeting or exceeding their goals over three years against an outstanding target of 75 per cent.

Over a five year time arising, the performance is 72 per cent. I realise its performance has been very strong, but that was more than offset by our overall performance in 2017, particularly as we repositioned our equities business here in Australia.

Turning to AMP Bank at slide 13, and we've delivered another strong full year result with 17 per cent operating earnings growth, loan growth about system, the flat cost to income ratio, conservative credit settings maintained and ..... industry average arrears. There's an element ..... year of two halves. In the result, we had strong mortgage growth in the first half, but saw some impact from the regulators of Macroprudential measures with volumes down slightly in the second half as we flagged was lightly at the half year's results. The interest only market was the largest impact. We're expecting volumes to gradually recover over the first half of '18.

In terms of capital, we've strengthened our position over the course of the year to support growth in the bank and meet the changing regulatory capital requirements. We also completed a large securitisation at the tail end of '17, taking advantage of favourable market conditions and this carried our CET1 ratio slightly higher than it needs to be and we can expect it to reduce as the book grows over the course of this year. So overall, a very strong year for the bank and we're still very comfortable that we're on track to double the value of the bank by 2021.

So on to wealth protection on slide 14. The actions we've taken resetting assumptions in '16 and the two reinsurance programs are reflected in the result. Profit margins came in at $99 million, slightly ahead of guidance which was the result of the timing of the implementation of reinsurance. The reinsurance arrangements are now fully implemented covering two-thirds of the Australian Retail Book and we're expecting fully year '18 profit margins will be reduced to approximately $70 million.

We have positive experience of $4 million in capitalised loss reversals of $7 million which reflects some repricing that we done partially offset by the loss of a large group plan. We're viewing this combined $11 million of experience in reversals as positive, but expected levels of volatility rather than a meaningful shift in business performance. In terms of outlook, the business remains focused on cost and capital efficiency and improving retention in claims management. We've stabilised the business and we believe margins are set as a sustainable level going forwards.

And finally to New Zealand and Mature on slide 15. In New Zealand, our management for value strategies are continuing to deliver. We've seen slightly higher profit margins which have been partly offset by lower experience profits, but a small impact on earnings of a week in New Zealand dollar, but again, delivered a strong cost performance. Cost to income ratio has improved slightly to 27.8 per cent. Meanwhile, the Mature business continues to perform in line with our expectations and while the run off rate was slower in '17, we expect run off at about five per cent going forwards.

So, in summary, a strong recovery with solid operating performances across the business. Wealth management held its own in challenging conditions; AMP Capital and Bank are maintaining their momentum; and we've stabilised the wealth protection business. So I now hand over to Gordon to take you through costs and the
5 balance sheet in more detail. Gordon, over to you.

MR G. LEFEVRE: Thank you, Craig. Good morning. So I will pick up at chart 17 in your packs. As you've seen today, we are reporting a profit attributable to shareholders of $848 million, significantly up on the $344 million loss in 2016. As
10 Craig has outlined, there has been a strong recovery in underlying earnings and in addition, the charge for goodwill empowerment was exclusively a 2016 event. These two factors are driving much of the reported profit uplift. Some items worth noting in our result and on the chart are as follows. Other items which are 12 million year on year as a consequence of high regulatory and compliance costs and a remediation
15 of prior year matters.

We're seeing heightened levels of regulatory activity and we expect these costs to remain elevated in 2018. Portfolio review and related costs of 24 million are shown separately given their size. The costs are one-off in nature, although we expect there
20 to be further costs in 2018 as we complete the review. Market adjustments were again negative overall and 10 million higher than in 2016. Investment income is the largest of the market adjustments and reflects differences between actual and assumed rates of return on assets supporting shareholder capital. The assumed rate of return was lowered from three to two and a half per cent in 2017 based on our
25 estimate of long-term returns. Despite this change, continued low interest rates relative to long-term expectations impacted actual investment income and, hence, the 2017 adjustment. We're expecting impacts from this to be broadly similar in 2018.

On chart 18, we outline key balance sheet and regulatory capital metrics. Our
30 balance sheet remains strong with relatively low gearing, interest cover back to more normal levels, given the earnings recovery and capital well in excess of minimum regulatory requirements. Turning then to capital and the waterfall on chart 19. The second half of 2017 was characterised by considerably lower capital intensity. Business growth was accommodated by organic capital generation and then
35 specifically, we funded ongoing project investments as well as purchasing client registers and taking further advice practice equity stakes.

There was a noticeable reduction in capital required by AMP Bank in the second half as its lending growth moderated in response to Macroprudential limits. Lower
40 requirements for markets in the second half were driven by bond rate changes, offset to some extent by foreign exchange movements. Finally, a large portion of the positive difference in ..... in the second half was due to the impact of deferred tax netting which is as we've previously highlighted can be volatile from period to period. With a surplus to MRR of $2.3 billion, we're strongly capitalised and back at
45 the levels we saw 12 months ago.

Stepping back from this and looking at full year capital usage and the current surplus, we're at least in the order of $1 billion from reinsurance. We've bought back $200 million of shares through AMP Capital, invested $120 million in new strategic growth opportunities. We supported AMP Bank's continued growth with 100 million of additional capital and invested 90 million in our advice business through registered purchasers and practice equity stakes. The balance, after allowing for market impacts and other, remains available as surplus. We've made the decision to retain any surplus this time pending completion of the portfolio review.

This is a prudent step as we work through the various different portfolio alternatives some of which may require initial capital investment. It also ensures we have capacity to fund various accelerated growth options should the capital demands exceed organic capital generated. This could potentially include further investments in advice practice equity stakes and client registers and opportunities to accelerate our international expansion in line with our strategy. The potential for further capital management initiatives will be considered upon completion of the portfolio review and we expect to provide an update at or before the AGM.

Moving to chart 20, the board has declared a final dividend at 14 and a half cents franked at 90 per cent and within the 70 to 90 per cent payout range. Full year dividends of 29 cents are 3.6 per cent up on the prior year. The dividend reinvestment plan remains in place and consistent with the treatment for our last eight dividends we will purchase shares on market to satisfy these entitlements thereby effectively neutralising any diluted impacts from the DRP.

On chart 21 we provide an overview of control book costs for all businesses excluding AMP Capital. We met our cost guidance for 2017 which was a nominal three per cent cost reduction year on year. In order to achieve this result, initiatives undertaking in the year removed over $70 million of costs from the business. This reflects restructuring activities, ongoing business efficiencies and generally good cost disciplines. By taking these costs out we were able to absorb $39 million of new costs arising from wage growth and inflation, investments in new capabilities and customer experiences and expansion of our key growth businesses.

This strategy to harvest savings where we can plus reinvest where we need to will allow us to contain controllable costs going forward whilst growing the top line. On an annualised run rate basis savings achieved in 2017 are in the order of 10 per cent of the normalised 2016 cost base excluding AMP Capital. Incremental savings in 2018, as we reach this run-rate will offset inflationary increases and investment for growth. And we are therefore reaffirming today that controllable costs for 2018 ex AMP Capital will be contained at $950 million. This is consistent with our ambition to keep costs flat in the medium term.

Costs guidance for AMP Capital remains unchanged with a 60 to 65 cost/income ratio. It is this measure in preference to absolute costs where we continue to place our focus. Over the medium term the target for this ratio is to be at the lower end of the range. The chart on page 22 evidences our focus on costs. We've reduced total

controllable costs by more than $30 million over the last five years whilst investing in new capabilities that support the delivery of our strategy. This equates to a three per cent reduction in total controllable costs over those last five years with operating costs reducing by approximately 90 million or 10 per cent over the same period.

This has provided us with the capacity for increased project investment and you see costs from investments in new capabilities increasing by over 65 per cent in the same period. This enables us to deliver on our customer-centric strategy. I will now hand over to Craig to outline progress against that strategy before we then take your questions.

MR MELLER: Thanks, Gordon. So last year we set out our approach to repositioning AMP as a higher-rate growth company operating in markets where it has a distinctive competitive advantage. We said there were four core strategic objectives in our growth plan: tilting investment towards higher-growth business, releasing and recycling capital from the lower-growth business lines; completing the customer-centred transformation of our core Australian business; continuing to expand internationally by leveraging our core strengths into new markets; and managing costs hard across the group.

We laid out how we would achieve these objectives and you will no doubt recognise slide 24. We've made sound progress in each pillar of the portfolio and in our costs, capital and customer objectives that run across the whole of the portfolio. In terms of tilting our investments towards grow businesses and managing for value, I've already highlighted the reinsurance in wealth protection and continued efficiency in the New Zealand business and, as announced this morning, a review of the portfolio. I know you will have questions about the potential outcomes but we're limited in what we can say at this point. We're well progressed on the review and we expect to provide a further update at or before the AGM.

If we go to the other bookend of the strategy, we've also executed on our objective to expand internationally. I've already mentioned the strong progress on AMP Capital's international expansion, both organically and inorganically through the PCCP partnership and investment. In a similar vein our partnership with United Capital has accelerated the development of our new wealth management platform. United Capital has been developing a goals-based offering to clients for several years and we've been working them on a model through which we could export our wealth operating system under licence to other wealth managers.

It's still in a proof of concept stage but there is a potential for a major revenue opportunity in years to come. We're also an investor in United Capital which is in a high-growth phase, disrupting a fragmented but enormous market in the US. We've also continued to develop our Asian partnerships with China Life and MUFG Trust Bank, and we're focusing on driving a strong top line into bottom line outcomes. On the transformation of our core business, what we group as the Invest to Grow segment, our main focus has been on re-engineering the wealth management business, particularly the way we deliver advice. Essentially the business is

transitioning from a long history of product subsidising advice to one where both businesses, advice and platforms, can stand alone.

We're systematising the advice process through developing an end-to-end goals-based advice system which we've badged Goals 360 and building a practice management and CRM solution for our advisers with Salesforce. We showed you the first stage of Goals 360 last year and some of you will have been through the goals exploration process – you can see that on this slide. It's a highly differentiated, personalised, interactive experience in which customers explore their goals online or with a goals coach in a practice. In December we released the second phase, the goals modelling engine – you can see that on slide 26 – which takes the planning process to a new level. This engine provides the adviser with the ability to demonstrate the achievability of a customer's goals using real-time probability modelling while they have the advice conversation.

Using an elegant interface the engine delivers a better customer experience and far greater efficiency for the adviser materially reducing the time to produce the statement of advice and delivering compliance and record-keeping by design. We've rolled out the goals modelling to 30 AMP advice locations to date and the feedback has been very strong. Productivity is improving and customer advocacy scores are rising. The customer sample so far has scored an NPS of plus 60 – a net promoter score of plus 60. We hosted our annual adviser summit three weeks ago and showcased the technology and announced our plan to make Goals 360 available to our aligned advisers on a white-label basis from next year.

It has drawn a very strong reception from advisers. They can see the meaningful change the technology will bring and it strengthened our conviction that we will roll out the technology to scale. We will be further augmenting Goals 360 with two additional technology releases this year including the capability for the system to deliver a statement of advice automatically and ongoing reviews. Slide 27 shows an example of the customised Salesforce solution that's in development and set for release in the first half. The system will fully integrate the Goals 360 technology but can also be used by advisers on a stand-alone basis.

It delivers a leading-edge CRM capability and full practice management augmentation. It is fully integrated into AMP systems to allow seamless data and process flow and again is designed to deliver compliance by design. Together, Goals 360 and our integrated Salesforce solution are fundamentally transforming the way advice is delivered. If you step back and look at it, it's looking from a situation historically where the adviser makes a proposal of a single optimistic outcome to a customer with 50 pages of caveats – the statement of advice – so that if the world turns differently the adviser can say it wasn't my fault, I documented it to you.

That's moving to one where we stochastically model 1000 scenarios for every client and propose to the client solutions that give them the highest chance of achieving their goals under that broadest range of scenarios, all delivered in a way that has compliance built in by design. For us this isn't just a new system, it's actually a new

paradigm of providing financial advice. The next slide – slide 28 – summarise the progress we've made on the strategy initiatives. I've outlined most of them but wanted to also call out the momentum we're getting in broadening our revenue base in wealth management by capturing margin from the advice business.

We invested $40 million in advice registers and practice equity over the second half of 2017. We will see the benefit of that revenue this year and we will continue investing at broadly the same rate. We're confident that will drive other revenue growth by about $25 million this year. That's equivalent to two per cent of AUM-based fees or to turn it into another equivalent, that's the equivalent of $3.4 billion of net cash flows at today's average margins. The economics of increasing our participation in advice margins are pretty favourable, a reminder that we are acquiring registers at three to four times recurring practice revenue and practice equity at five to six times practice EBITDA. And we've included a slide in the appendix to give you more details on that approach.

So, in summary, a solid set of operating results which delivered a strong recovery in underlying profits. AMP Bank and AMP Capital continue to deliver growth. Australian Wealth Management: resilient through the peak year of margin compression. Significant increases in our wealth management net cash flows and AMP Capital's external net cash flows. Strategy to deliver additional revenue growth through advice and SMSF starting to gather steam. Wealth protection stabilised in New Zealand and mature performing in line with our expectations. We've made good progress on our strategy with the portfolio review of the manage for value businesses and a strong step forward in terms of transforming our advice capabilities. And that focus on delivering the strategy continues into 2018. So on that note, Howard, let's move to Q and A.

MR MARKS: Thanks, Craig. So just before we do move to Q and A, I'd just like to remind everyone that today's briefing is being webcast live. So if you have a question, please wait for the microphone and then state your name and company clearly before asking the question. As normal, in terms of protocol, we'll take questions from the floor first before moving to the phones. If everyone's ready, I think we should start. Let's go with Dan.

MR D. TOOHEY: Yeah, thanks. Daniel Toohey from Morgan Stanley. First question just on the, I guess, capital equation. That chart shows I guess about 200 million of organic capital generation. There remains a pretty good appetite to continue investing in the growth around 250. Once we normalise for the sort of capital position going forward – there's some capital initiatives down the track – will you be able to sustain that sort of payout ratio with the investment needs that you have for the business?

MR LEFEVRE: Thank you, Dan. Yes, as you say, there's 200 million. In any one year there could be with a 70 to 90 per cent payout between 100 and 300 million. So given what we see as BAU capital requirements against that, and that would principally come from our wealth management business or advice business that's

part of that – you know, bank, wealth protection – we think that that's sufficient when we've stabilised and recycled capital around in order to fund the growth that we see in a BAU sense. So yes, we see that.

MR TOOHEY: So just – perhaps coming at it from a different angle, there's some recent industry news highlighting a survey of a large cohort of financial planners suggesting two in five would not pursue the additional education requirements. So in the context of that, how does that sit within what you see within the network? And I guess how big is the potential opportunity to grow those advice revenues?

MR LEFEVRE: Craig, you take that one.

MR MELLER: I'll take that one. Thanks, Dan. Well, there's a number of themes in that question that I think are worth bringing out, and if I take 2017 as an example of what happened with our planner movements and then the opportunities that arises, we had a net reduction of just over 200 advisors in the whole network last year. That was actually 600 advisors out, or 20 per cent of the franchise, and 400 new advisors joining, and a couple of points I'd make about that. Firstly, the one I made earlier: the 600 who left had a combined net cash flow of three and a half million dollars. So in terms of contributing to growth rather than just sustaining the product side of the business, immaterial.

Secondly, the overwhelming majority of those 600 wouldn't have the qualifications or have got to the qualification standard. So you can see a fair amount of turnover. The overwhelming majority of the 400 coming in obviously will be able to achieve the qualifications. Secondly, we purchased registers around about $80 million last year. So with 20 per cent of advisors retiring, we really didn't have a challenge of managing the registers coming back to us and indeed there's still a ready market for us to sell those on. Going forwards, if we see the opportunity to buy and hold more of those books going forwards, then it's something that we'd consider. We're taking a measured approach to that going forwards.

MR TOOHEY: And I think you made the comment five to six times EBITDA whereas - - -

MR MELLER: Yeah.

MR TOOHEY: - - - previously I think you sort of said three to four times revenues?

MR MELLER: So there's two components. When we're buying a register – so we're actually buying the clients and the revenue stream, that's three to four times revenues. When we're investing in an advisor's business, we tend to make purchases at about five to six times EBITDA. Maybe I can just expand on that. When we make an investment into an advisor's business, so we become an equity holder in their business, clearly we're expecting to get returns out of that advisor's business.

But what we'll also do is tilt it to the planner businesses where they're looking to go, particularly where they're looking to bring new advisors into their business, especially from outside of the AMP franchise. So we sees the opportunity not just to get the returns from the return on capital on the profits in the advisor's business, but also potential downstream benefits of more advisors becoming part of the AMP family.

MR TOOHEY: Okay. And just finally, the comfort you have on the three per cent ..... in the outlook and – yeah. Just mindful that I guess there's a lot of moving parts - - -

MR MELLER: Yeah.

MR TOOHEY: - - - in the 17, but the value of new business is unchanged.

MR MELLER: Yeah.

MR TOOHEY: You know, if we can get a three per cent, do you think value of new business will actually be a credit?

MR MELLER: So on the three per cent margin contraction and the trend back to that, if we stripped out the stronger super transitions, it's very broadly what the underlying margin contraction has been over the last five-year period, so hence our confidence around that margin contraction. The only point I'd make about it is because there was a lot of contraction from H1 to H2, being the last transition. When we get to August and we show you H1 this year against H1 last year, you'll see a lot of contraction, but that was H1 to H2 last year rather than H2 last year to H1 this year. Hence we're saying it's transitioning back to three per cent. We flagged that at the last result, as well.

MR TOOHEY: And the B&B outlook for wealth?

MR MELLER: I'd have to come back to you on that. I'd have thought broadly similar.

MR TOOHEY: Okay. Thanks.

MR S. FITZGERALD: Hi there. Simon Fitzgerald here from Evens and Partners. I understand you're going through a portfolio review and you did mention that you're limited in terms of what you can say. But maybe I'll present you with a hypothetical question then. In the event that AMP was to divest its life insurance business, can you just firstly mention if there was anything in those reinsurance agreements from a change of ownership perspective that might complicate a divestment?

MR MELLER: We're not going to make any comments on hypothetical scenarios at the present time.

MR FITZGERALD: Okay.

MR MELLER: We'll provide an update when we've got more to say.

5 MR FITZGERALD: Got you. Can we also then just turn to surplus capital. Again, can you just sort of reiterate to us – there's a loan presumably from the corporate that helps support that surplus capital and also what would happen to the aggregation benefit in the event that AMP would restructure its portfolio?

10 MR MELLER: Do you want that?

MR LEFEVRE: Yeah, sure. So Simon, we've identified that there may be some alternatives considered in the portfolio review that would require us to invest some of the surplus capital. We're not going to go to any detail of that today, and that's
15 clearly why prudently we've determined that any surplus that we're holding today should not be distributed for the time being.

MR FITZGERALD: Can you also – is there anywhere that AMP discloses what that aggregation benefit is?
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MR LEFEVRE: No, that's not a clear and precise disclosure of that. I mean, clearly there are diversification benefits, and I'm sure that that's what you're referring to, and those are sort of, if you like, within the aggregation that we have of the organisation.
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MR FITZGERALD: Understood.

MR MELLER: That will be a critical component of any decisions that we come to.

30 MR FITZGERALD: Yes. Final question, just on China Life and China AMP joint venture, some of that looks really exciting. Can you just remind us in terms of what you're thinking is around that sort of addressable market and the size of the opportunity out at China?

35 MR MELLER: Yeah. So on the pension side, China Life Pension Company, we've got a 20 per cent stake. Essentially there are two components to it. There's the enterprise annuity marketplace – there's actually three components. The enterprise annuity marketplace, which is not dissimilar to our superannuation system, but not compulsory, although most state-owned enterprises choose to contribute. Secondly,
40 there is what's called occupational pensions, and this is a new market. Now, the occupational pension market is as a result of change in legislation in China. All civil servants will be compelled to contribute twelve and a half per cent of their earnings to occupational pensions. That's 40 million civil servants in China. We think that boils down to about $40 billion Aussie of contributions per annum.
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They're currently under tender province by province. Our expectation is that our joint venture will win its ordinary market share of that, which is about 25 per cent.

The third leg is the individual pensions market, which gets traded more on the likes of 10 cent and alley pay and financial, the like, and China Life Pension Company is getting very strong flows coming out of that capability as well. That's much more like a term annuity product here in Australia. On the asset management side, it's a straightforward retail and institutional asset management business providing a more traditional style listed asset funds. Growing very strongly because of the strength of the China Life distribution franchise.

MR MELLER: Toby.

MR T. LANGLEY: Thanks very much. It's Toby Langley from Bank of America Merrill Lynch. I recognise that you can't comment specifically about what you're doing on the portfolio review, but I think it would help investors to maybe better understand how you're thinking about it if you could articulate what have been the – what's been the framework that you've been assessing the business that you've been looking at in terms of returns or capital intensity. You know, what are the benchmarks that you've been using to appraise businesses. And then with regard to the timeframe of that portfolio review, when can investors perhaps anticipate to get a look at the new AMP emerging? You know, what kind of project life cycle are you anticipating?

MR MELLER: Yes. Thanks for the questions, Toby. It's difficult to give you an answer on the latter. As I said, we'll give an update on or before the AGM. When we talked to the marketplace about the strategy for the organisation at strategy day last year and subsequently, we were very clear about segmenting the organisation into the manage for value businesses and the invest to grow. And there are, really, two components to that: (1) can businesses satisfy our return on capital requirements? We're very clear on 15 per cent return on capital. And then secondly, are they businesses that we think we can achieve a rate of growth that can ensure that not only are we delivering that return to our shareholders, but also, we're growing the profitable base of the organisation. And quite clearly, the three manage for value business are those that we chose that didn't fit those two criteria.

MR LANGLEY: So can we take from that that they are all intended disposals, and if they fail both of the tests, are there not other tests that you're looking at to consider whether you would retain a business – i.e., should the market be surprised if you don't sell one of those three units.

MR MELLER: So what we're interesting in is finding the value maximising strategy for each of those businesses, and the approach we will take will be determined by which we think will deliver that maximisation of value as quickly as possible.

MR LANGLEY: Thank you.

MR MARKS: Let's go to Brett.

MR B. LE MESURIER: Thanks. Brett Le Mesurier from Velocity Trade. A couple of questions. You said $74 million of group office costs was recovered from the business units – sorry, not recovered from the business units. How many costs are recovered from the business units?

MR LEFEVRE: Thank you, Brett. So you're seeing all of the costs recovered from the business reflected in their controllable cost lines in the individual businesses. So to the extent that there's not something that's attributed by way of an allocation to them, it's then left in that group office costs, which is the unallocated portion. So each of them have both direct and allocated costs in their controllable cost lines that we've reported very, very transparently.

MR LE MESURIER: Yes. But what I was interested in – what was the costs allocation to the business units?

MR LEFEVRE: Brett, we're not going to go to the detail of that. You know, it is fair, and it's on a basis of activities and people in those businesses.

MR LE MESURIER: If any of those three businesses were sold, what would be the stranded costs ..... costs.

MR LEFEVRE: Again, you know, again, Brett, we're not going to go to the detail of any stranded costs that there might be right now. I mean, you'd expect in any major corporate activity, if you're taking out businesses that have been in the organisation for a great number of years, there might be some stranded costs. You know, that's something that you deal with naturally as part of any transaction.

MR LE MESURIER: Okay. Some questions on the client registers. How many advisors did the $90 million of client register purchase relate to?

MR MELLER: I haven't got that to the top of my mind. Looking at Jack, I don't think ..... we can come back to you on that, Brett.

MR LE MESURIER: And which channel were you buying them from?

MR MELLER: The overwhelming majority come through AMP financial planning.

MR LE MESURIER: And is it the IPAC advisors that are going to be looking after these?

MR MELLER: Well, the IPAC advisors have been rebranded as AMP advice. They are part of the team that would be providing advice services to some of the customers.

MR LE MESURIER: Is that the majority of who's going to be providing?

MR MELLER: Initially, it is the majority, yes.

MR LE MESURIER: Great. Thank you.

MR MARKS: Nigel.

5 MR N. PITTAWAY: Hi, it's Nigel Pittaway here from Citi. Just first of all, I know you're limited on the portfolio review, but you mentioned it may require some investment of surplus capital. But is the balance of probability that that will actually release capital in terms of the review? Surely it probably is, yes.

10 MR LEFEVRE: Nigel, it does depend, you know, on where we settle, ultimately, with the various alternatives and how that actually lands. But, you know, I – you know, it's much too early for us to give you any sense of, you know, how much net capital may either be required or released.

15 MR PITTAWAY: Okay. Secondly, just obviously on AMP Capital, you've invested 118 million in MNA this period. I mean, what's the outlook for that? Are there further opportunities where you go and do further such transactions?

MR LEFEVRE: Craig's made some reference to international expansion and 20 continuing to explore opportunities. The outlook for the businesses that we've acquired and the contribution that we'll get from those is pretty positive. We've mentioned a per cent uplift in EPS from them.

MR MELLER: So if I refer back to what I've said previously in terms of the 25 international inorganic expansion of AMP Capital, what we've said is we'd look at areas that are very much on strategy; that we're very much of a mind to take a very measured and incremental approach. The initial investment in PCCP is a sign of that. It gives us what I think is a great partnership with a great business, but also an initial exposure to a marketplace where we think there are significant synergy 30 benefits. Over time, we have the potential to increase that stake. But that would be very much in the medium-term. We need to get comfortable with the business first.

MR PITTAWAY: Okay. And there are other opportunities, as well, that you're likely to pursue .....

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MR MELLER: We would continue looking. I mean, that's obviously the most live in the investment management space.

MR PITTAWAY: And then the external AUM margins in AMP Capital did fall 40 quite markedly in the second half. Presumably, though, the outlook for that is for expansion from here, with the sort of assets that you're sort of now - - -

MR MELLER: Yes. So two or three things there. (1) There was the winding-down of the China Growth Fund, where the money essentially went back more in the 45 first half, and so we lost what was a pretty high-margin business revenue out of AMP Capital. Secondly, the external flows that we won strongly in the first half were more around fixed income; the growth in the second half was more real assets. So

we expect to see strength recovering in the margins into 2018 as those assets come online.

MR PITTAWAY: And maybe just one last one. My understanding is that China caused a drop in the investment income in – on group capital in the second half versus first half, which I think is due to more investment around those occupational tenders. Is that sort of an ongoing thing, or is that sort of largely done now?

MR MELLER: So we see it as largely done. There was a drop in the investment income. The China Life Pension Company is still very profitable, but as you say, we saw a small drop last year. And that was arising from an increase in costs in the business setting themselves up for the occupational pension market. We're expecting to see strong growth going forwards.

MR PITTAWAY: Thank you very much.

MR MARKS: James.

MR J. COGHILL: James Coghill, UBS. Craig, just a couple of follow-ups to the portfolio review discussion. On the basis that, you know, selling the life business is clearly an option under the portfolio review and one that you're looking at more closely, could you just outline what in your mind has changed over the past year. So I mean it's not the first opportunity that you've had to think about that life business. It has been problematic for four years and the path that you chose to go down was to put the quota shares in place and manage it in that way but not sell it. What has changed in the last sort of six to 12 months since May last year when you presented to us that has put as an outright sale on the table as an auction.

MR MELLER: So we're undergoing a review. We haven't made any decisions yet. Start with that. Secondly, the process we've been through has been very methodical. We took the view that we needed to stabilise the business then put the reinsurance treaties in place, then we would be in a much stronger position to carry out a broader review. So, if you like, from our perspective, it's very much a logical progression.

MR COGHILL: Is it possible to just share an opinion about how you think life insurance will actually change in Australia because there has obviously been a massive structural change in ownership. You know, in five years' time we could be looking at an industry that operates quite differently to five years ago. Is this the right time to actually be selling a business that in five years' time might actually be performing very differently. Very difficult to make a call on how actually life insurance changes.

MR MELLER: So go back to what I said. Very clear that undergoing a review we've made no decisions around the outcome at this stage. But I would say if you look at the structural change that we seeing in life insurance globally and in the insurance industry generally the onset of a much more consistent regulatory regime applied globally and the very significant benefits of diversification coupled with

much lower costs of capital elsewhere combine to make an Australian domiciled single country insurer less competitive from a cost of capital perspective than global players with lower costs of capital in their home country and better diversification benefits. I don't think that trend is going away, James. I think that's here to stay.
5 Second, it's the ownership of the underwriting risk so that's where the capital intensity is. We've achieved much of the trading of that away through the reinsurance. Obviously the review is going to look more broadly than that.

MR COGHILL: And just a question on costs perhaps for you, Gordon, just linking
10 back to the comment on stranded costs. So one thing we did see in this second half was the kick up in group office costs to around 40 million which I understand is a new level as a consequence of reallocation out of wealth protection into group and partly into the bank. Is than an exercise that will be ongoing into next year just to right-size the allocations across those businesses that are in theory shrinking, others
15 are growing, and should be treat that 40 as a new step – as a step change in the level of group office costs.

MR LEFEVRE: Yes, James, so I think for 2018, based on those assumptions, that's reasonable. And it was also reflective in 2017 of some enterprise-related costs that
20 we incurred at the enterprise that we didn't think were appropriate to allocate out into the businesses. Through 2019 we would expect those to moderate and trend back to a sort of a more reasonable set of costs. But then in the interim you've got those other challenges that you outlined in terms of us rebalancing the allocations out into wealth protection, to bank and to the other businesses. So for '18 I think it's the right
25 assumption, you know, we will reflect on that and see what guidance we can provide you when we move beyond '18.

MR COGHILL: Thanks. And one final one quickly, Craig, just on the 25 million in other revenue, SuperConcepts didn't grow much in 2017 so flattish – flattish
30 numbers, half and half as well. So is the vast bulk of that 25 intended to come from planner registered purchasers or do you think SMSF will kick in?

MR MELLER: I think SMSF will kick in but still the majority coming from planner registers.
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MR MARKS: Ross.

MR R. CURRAN: It's Ross Curran here from Deutsche Bank. Two quick questions. The first is on the portfolio review charge. I know it's ongoing but can
40 you give us some feel for the likely level of that charge or the run-rate on the charges for the current year?

MR LEFEVRE: Ross, I will take that. Look, you will see from the extent of the amount in the – which was a second half amount – that it's a very extensive exercise
45 that we have underway. We're taking it very seriously. It is something that is including a review potentially of separate and other issues and so it is an all-encompassing amount. We have flagged and we would expect that to be elevated

again in 2018. It will be at the least levels that you have seen in the second half of 2017.

MR CURRAN: The second point is the bank growth targets. I know last time we
5 spoke about this they were stretch targets. You seem to have firmed up on them – the doubling of the value of the bank by 2021. Given the bank already has very, very good margins and margins have held up there, it seems that growth needs to come through volume. So in the capital plans how much capital have you allocated to fund that doubling of value in the bank in the next four years and can you just talk us
10 through the assumptions around the profit and dividend because I don't quite understand how that works in terms of value for AMP.

MR LEFEVRE: Sorry, the - - -

15 MR CURRAN: You said the value doubled by profit and dividends.

MR LEFEVRE: Yes.

MR CURRAN: Can you just explain exactly what - - -

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MR LEFEVRE: Yes. So the simple maths that I was told, you divide 72 by the number of years you want to double in value and get to a result – 14.4, I think, is the number for five years. So if the bank isn't growing at 14.4 per cent a year in its bottom line – and it grew 17 per cent last year so it's well ahead of the game in year
25 1 which in a compound interest world works really for it. It has got be paying dividends in order to accommodate that as well, to boost the return in the same way as the total shareholder return is the sum of increase in the value plus the price. So we wouldn't expect to get 100 per cent increase in the profits over a five year period because the bank will achieve a payout ratio that will deliver dividends to add to that
30 return.

MR CURRAN: Should we be looking at sort of mid-teens loan growth in the bank carry over the next few years?

35 MR LEFEVRE: It doesn't need to be that to deliver, in our view, a double digit especially after the last year.

MR MARKS: Toby.

40 MR LANGLEY: Hi, it's Toby Langley again from Bank of America Merrill Lynch. If I could ask a couple of structural questions around the wealth management business. I think, per the report you said you submitted your initial Royal Commission points. Are you able to flesh out what some of those might be. And then, secondly, you know, recent weeks have seen a number of your major bank-
45 owned competitors either confirm or there has been speculation that they're ..... in your conversations with advisers in the market how is that sort of being interpreted and affecting dynamics within the industry?

MR MELLER: So on the Royal Commission we respond to requests for information from the Commission and we're very supportive of any measures in our industry that will improve consumer trust so we will be delighted to contribute in any way. I don't think that is going to give you any indication of future industry
5 structure. Those are our views. I guess the question that that leads to is are vertically integrated businesses the model of the future and how could that under threat. We're very strongly supportive of a vertically integrated model. We think it gives the best form of consumer protection.

10 However, if you look at the strategy that we're implementing, essentially we're putting in place a restructured business so that we have a vibrant advice business that can stand alone and a vibrant product business that can stand alone. So whilst we think vertical integration is the right thing for the consumer it's on our strategy to make sure that the different components of our business can survive very
15 successfully on a stand-alone basis. As regards to general feedback – this hearsay from the advisers that I've spoken to but there's a general feeling that they're pretty pleased with being partnered with a business that's publically and explicitly saying it's absolutely committed to financial advice. I see that as a benefit for AMP.

20 MR LANGLEY: Thank you.

MR MARKS: Sidd.

MR S. PARAMESWARAN: Siddharth Parameswaran from J.P. Morgan. Two
25 questions if I can. Firstly just on capital. Gordon, at the last results at the half, I think you'd mentioned that the – I mean, you'd actually disclosed that your surplus over your minimum regularly requirements was about 1.88 billion, from memory, and you're now at 2.35 – sorry, 2.34, and you'd said that – at that time you said you were comfortable that you had the right level of capital. So is it reasonable just to
30 basically draw from that that you've roughly got, using that same logic, about 450 million of capital versus what is – you know, what would be your – yeah. What you'd view as the reasonable level?

MR LEFEVRE: Yes. So that's absolutely right, Sid, in terms of where we were at
35 at the half, and we manage capital in the context of an overall framework that we agree with with the board and, whilst not implemented, it's consistent with the conglomerate's framework that is in draft from APRA. What we've also outlined for you is the extent to which we had reinsurance benefits and then deployed capital against those and said that the difference remains as surplus. It has to be adjusted for
40 the volatility that we see in markets and other. And as an example of that, there was in the order of $200 million in the 2017 year of negative for both of those items.

You go back in time, you'll see there's both positive and negative coming out of that. So in any estimate of your – in any estimate in your own mind of what the capital
45 surplus is, you have to factor those matters into it. So we have been clear though today in saying that that's surplus, but it needs to be adjusted for those factors. But we've also been very clear that there are things related to the review that we need to

look at, and that if there are opportunities for accelerated growth that require us to invest capital that is more than what we generate organically, that we'll invest that, as well. So, you know, I hope that begins to give you a sense of the framework that we're working in and the way that we're thinking about it.

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MR PARAMESWARAN: So, basically, at the half in the 1.88 you hadn't included an allowance for – when you said that there was – that you thought that the capital levels were adequate, you hadn't included an allowance for volatility, so we should add that on?

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MR LEFEVRE: No, we would have had, you know, allowance for volatility always in arriving to that amount.

MR PARAMESWARAN: Okay.

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MR LEFEVRE: Yeah.

MR PARAMESWARAN: Okay.

20 MR LEFEVRE: Yeah.

MR PARAMESWARAN: Okay, great. Thank you. Just a second question just around just the margin attrition that you're effectively guiding to getting to three per cent in the medium term in Australian Wealth Management. So when did we see the
25 bulk of those transfers in the second half to – on the MySuper balances? Were they are the start or were they at the end of - - -

MR MELLER: Most of them were at the end of the first half, which is why you saw a big margin contraction H1 to H2.

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MR PARAMESWARAN: And there was nothing else that really came through - - -

MR MELLER: That was the major cause of contraction, yeah.

35 MR PARAMESWARAN: Yeah.

MR MELLER: And that was something that we'd always flagged.

MR PARAMESWARAN: Yeah. Thank you. Great, thanks.

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MR MARKS: Any other questions from the floor? I think we do have one question from the phones.

OPERATOR: Thank you. Your first question comes from Laf Sotiriou from Bell
45 Potter Securities. Please go ahead.

MR L. SOTIRIOU: Good morning. I'd like to focus my question on two areas, please. So the first area relates to the costs that are excluded from the underlying result and as detailed on slide 17 of the presentation. Firstly, why is the 21 million other cost that was flagged during the presentation as additional regulatory and
5 compliance costs excluded from the underlying number, particularly if you expect this to continue in the next few years? And the second part to that question is why is the 24 million portfolio review cost excluded from the underlying number in 2017 when in 2016 you included, and I quote, "business restructuring costs in the underlying result under group costs"?
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MR LEFEVRE: So, Laf, I'll take both of those. So we've very, very consistently treated the costs that are shown below the line in 2017 with all other years. Firstly as relates to other, we've called out that other includes significant regulatory and compliance costs in any period, and also any cost that relates to anything that you
15 might remediate from prior periods. Now, in the 2017 year, slightly elevated levels of regulatory activity that have led to an elevation of those costs, and we've called out that that's likely to be something which you'll see again in 2018.

MR SOTIRIOU: I'd like to clarify, what – when – in an environment when you'd
20 say all financial companies are increasing their compliance costs, why ..... AMP to treat these costs as one-off? Wouldn't you see this as a – more of a new world?

MR LEFEVRE: So some of these, Laf, are what we regard as out of the ordinary course of what we would see every day. We've been very clear about the definition
25 of our underlying profit as wanting to have that as the core measure of the underlying performance of our businesses. And in that regard we've been really very, very consistent over a great number of years.

MR SOTIRIOU: Can you provide a specific example of what you would consider
30 to be abnormal and excluded. Because I don't buy that. Because you – you know, the compliance costs, well, you ..... is going up, and on the one hand you're saying, look, we've got very tight cost control in our business, but on the other hand you're continuing to increase costs that are being excluded from the underlying number.

35 MR LEFEVRE: Well, there are a range of examples. We have particular criteria for what is a major regulatory and compliance charge. I'm not going to go into the chapter and verse of those on this call. But again, I just say that it's been very consistent. There of course are regulatory and compliance costs that are above the line in controllable costs. But it's where we get, as we've consistently said to these
40 major regulatory and compliance costs matters, some of them may be major multi-year programs that are running where we're complying across that period of time with those regulations and any compliance-related costs.

MR SOTIRIOU: But this would be the case from any – in any period. There's
45 always regulation that's changing and it just seems the data – you know, you've got 21 to 24. So last year, 2016, you included business restructuring costs in the underlying number, 45 million-odd. It could be argued ..... a bit misleading in the

underlying position of where the business really finished in 2017. But I'll move on. The second area of focus is the investment being made to purchase client registers and advice businesses where you flagged roughly 80 million spent in financial year '17. Now the questions are how much do you anticipate spending on client registers and advice stakes in the next two years, and roughly how many advisors have given notice under the buyer of last resort contract but are still within your network waiting for the notice period to complete?

MR MELLER: So I thought I was clear in my communications this morning, Laf, sorry about that. We intend to buy and hold, if you like, broadly the same sort of numbers as we did in 2017 in 2018.

MR SOTIRIOU: And in 2019?

MR MELLER: Don't have a view on 2019 yet. That will depend on our comfort with the success of the strategy. I haven't got a number to the front of mind of people who have exercised an intent, but it wouldn't be at a level that's outside our ordinary range. In fact, I suspect it's – Jack's pointing down to me. So I suspect it's coming down at the moment, Jack.

MR ....: ..... materially lower as a result of .....

MR MELLER: Right, yeah. So we had a chance in arrangements a year or so ago which meant we gave an opportunity for some advisors to take a grandfathered rate. That's now run out and therefore the number of advisors retiring is materially reduced.

MR SOTIRIOU: Can I just clarify. So you've flagged roughly 80 million in the financial year '18 spent on advisor and register purchases. Is it possible that ..... in financial year '19, or is it the case, because of these buyer of last resort contracts, there will be an ongoing spent in the '19, financial year '20, in relation to client registers?

MR MELLER: So it's intended to be at our discretion, I guess. I think the point I made earlier – around 600 advisors or 20 per cent of the advisor base leaving the franchise last year, and we chose to purchase $80 million of registers. That gives you a feel for the ongoing demand from the other advisors in the network. And it's more a function of our capacity to service them efficiently, because we want to do that. Provide a very high-quality service, grow revenue for the group, and deliver great outcomes for customers.

MR SOTIRIOU: Okay. Thank you.

MR MARKS: We'll go to the next question on the phones.

OPERATOR: Thank you. Your next question comes from David Humphreys from JCP Investment Partners. Please go ahead.

MR D. HUMPHREYS: Yeah. Good morning, gentlemen. Congratulations on delivery of your expectations today. I've got a few questions, if I may on the surplus capital position. The first one is the follow-up to Ross' question on – upon growth in the bank. If you're to presume that the bank might grow at ..... say 10 per cent between now and 2021, that would consume roughly $300 million of core equity tier 1. So if you were to pay out 90 per cent of the dividend, is that something that you'd pre-fund out of your surplus?

MR MELLER: Yeah. So in getting to our payout ratio, David, we take into account the capacity for the different business units to fund their share of the dividend, and clearly a bank growing – I mean, it's just simple maths. A bank growing at 10 per cent where capital grows proportional to the growth in the profits delivering a 16 per cent return on equity means that you can only pay out six sixteenths of the profits, because the other 10 sixteenths is needed for the growth. So the bank as it stands wouldn't be able to achieve that sort of payout ratio, but other areas of the group can compensate for that, and so our overall guidance around the 70 to 90 per cent payout ratio.

MR HUMPHREYS: Okay. Second question is in relation to your New Zealand business. The RBNZ is currently conducting a review into whether or not foreign enterprises should capitalise domestically. AMPs business in New Zealand: it operates as a branch. Would there be any requirement to use ..... surplus if there was a need to capitalise that business separately?

MR MARKS: Did you get that?

MR MELLER: We were unaware – so I think it's if we were forced to corporatise our New Zealand branch, would that have a capital impact. We're unaware of any intent from the Reserve Bank of New Zealand to make that happen within the AMP business in New Zealand.

MR HUMPHREYS: They did announce the review late last year, that they were looking at all enterprises. So I was just wondering whether that's on your radar.

MR MELLER: It's on our radar and we have an understanding of the impact. It's the sort of issue, David, that we'd be incorporating into our thinking in the broader review of the mange for value businesses.

MR HUMPHREYS: Thank you.

MR MARKS: Any other questions from the floor? No. From the phones?

OPERATOR: There are no further questions at this time.

MR MARKS: In that case, I'd like to thank you all very much for coming this morning and close down proceedings here. If you do have any other questions as the

afternoon wears on, please feel free to contact either myself or Michael Leonard and we'll be really happy to help. Thank you.

5 **SESSION CONCLUDED** **[11.46 am]**