TRANSCRIPTION

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Alexis George: Good afternoon, everyone, and welcome to AMP's financial results for 2021. Let me start by paying my respects to our first Australians. I'd like to acknowledge the traditional custodians on the land in which we meet today. For me, that is the Gadical People of the Eora nation. And I'd like to pay my respects to all custodians of the land's past, present, and emerging. I'm disappointed that we are again holding this event virtually, but I'm certainly excited to present our full year results for the 2021 financial year and to highlight the achievements in what has been a very unusual period. I'm joined today by our CFO, James Georgeson and CEO of the AMP Capital Private Markets Business, Shawn Johnson, who you'll hear from shortly. In November at our investor day, we outlined our strategy for the AMP limited and private markets business in a separated environment. Today we'll share the businesses have performed in '21 and give further directions for the outlooks for '22. Before turning to the results, it would be remiss of me not to comment on the environment in which we're operating. COVID continues to impact how we operate our business.

Alexis George: Although like many we've had and have adapted. We have prioritised support for our people, which is enabling them to continue to work hard to deliver for our clients, shareholders and the community. While COVID has hurt certain sectors of our economy, a broader economic recovery is gathering pace. With this, however, has come concerns, rising inflation and increased interest rates. Upbeat unemployment and wage growth forecasts have brought forward our expectations of the RBA lifting rates. While our house view has been for a rate increase in August, this could come as soon as June or July. We don't expect these increases to impact the economic risk recovery, but we do expect a slow down in the property market and there could still be some share market volatility over the near term. These conditions are front of mind for us as we look ahead over the next 12 to 24 months. We're particularly confident in the resilience of our bank.

Alexis George: We benefit from having a quality mortgage book with owner occupy loans at almost 70% and lower res experience. It's now been almost six months since I started in the role. In that time, we have set out clear strategic priorities and a path forward for the two businesses, which we will demerge this year. Today, you'll see progress and delivery against those priorities. We said we'd focus on growing the bank, and we hit two times systems growth in Q4. We also said we'd build stronger relationships with external financial advisors, and you'll see 18% growth in inflows in that area. We've further simplified and reduced costs in super, and we're taking steps to accelerate the transformation of advice. We're also on track to deliver on our three year 300 million run rate cost out target set in FY19. You'll also see that we hit some key milestones for demerger.

Alexis George: It's important we continue to deliver on, on these promises we have made as consistency remains a focus. The progress we've made so far leaves me confident that we have the right strategy in place and we're building the right team to execute on it. I continue to be impressed by the drive and focus of our people and leadership team and in our ability to attract quality professionals to AMP. We've announced a new CTO for AMP Limited, Felicia Trewin, to drive our focus on data and digital customer experience, strong appointments in our investments and advice teams, and a new head of lending in the bank. In private markets, we have new board appointments and a new CFO. And you'll hear more about that soon. So to today. Let's start with an overview of the year. We've achieved a solid underlying NPAT result for FY21 at 356 million.

Alexis George: And it was up almost 53% on '20. This was supported by our bank, which is achieving strong lending growth and which benefited from the release of credit loss provisions due to the improved outlook for the economy. Our focus will be on continued strong lending while managing our name. Platforms is also contributing to profit growth where our focus on investing in technology and increasing our investment options source as for the grow north platform AUM. Performance fees also saw AMP capital deliver a strong rise in underlying profit. This came from the successful sale of our assets in our infrastructure equity business in the last quarter, which delivered strong returns for clients. We've continued to deliver a significant reduction in our cost base to meet our three year cost out target. We've achieved this through organisational restructures in teams and simplifying our infrastructure and technology. And in advice, we've established a new services model for the aligned network and we've had strong buy-in from our advisors on the professional services business we are looking to build.

Alexis George: We're reported that we close the FY21 year with surplus capital of 383 million above our target. There will be material movements in our capital position in the first half '22, as we realise sale proceeds from resolution life and infrastructure debt and deploy capital to support the previously announced real estate funds, as well as the demerger costs. As flagged at our investor day, we continue to maintain a conservative approach to our capital management to support our transformation and will not declare a dividend for the '21 year. Demerger is obviously a key focus and priority for us. We have achieved many milestones already and remain on track towards completing the demerger in the first half of '22. We also announced the sale of our infrastructure debt business, which allows us to strengthen the balance sheets of both organisations. And we expect this to complete soon.

Alexis George: The GEFI sale will also complete in Q1 and the transfer of MAG from AMP Capital to wealth management is well progressed with the investment team already transferred. This has established a clear perimeter between AMP Limited and private markets. Since our investor day in November, we've also established the principles for balance sheet separation, which James will cover. And we have a new brand for private markets, which I know Shawn is excited to talk about. On top of demerger, our first half focus will be on accelerating the strategies for both businesses, which I will get into in detail a little later. We have good momentum in our transformation, repositioning our core capabilities to take advantage of the opportunities ahead of us as we move towards and beyond demerger.

Alexis George: I firmly believe that a business is purpose-led, focused on delivering for customers and members, supports its people, and is community minded will deliver better business performance and shareholder outcomes in the long run. So that's why it's important that we share these key people, customer and stakeholder updates with you. I'll only highlight a few points though. We've delivered reduced fees across super and platforms, and achieved good performance for our my super lifecycle members with an average 20% return. We know financial education is a key area where we can play a role. And our intra fund advice team are now delivering free retirement health checks for members in the latter stage of their working life. We've invested technology to improve the experience for our bank customers, including consistently fast town around times in our home loans. On the people side, culture is and remains very important for our continued success.

Alexis George: We've been engaging with our people to define our refreshed purpose and values, and I look forward launching those in the next month. Our employee satisfaction scores lift from 67 to 71 in '21, and we've met our gender targets at board, middle management, and across the workforce generally. Our community initiatives included the delivery of more than half the actions involved in the next phase of our wrap. And the work of our AMP foundation cannot be ignored where we gave more than $3 million to charities and people last year, making a real difference in the community. So on that not, I'd like to hand over to James to talk through the financials in detail.

James Georgeson: Thank you, Alexis, and good afternoon, all. Today, we'll cover three key topics, being the 2021 reported financial results for each of the businesses, certain pro former financial impacts of the demerger, and a summary of our group capital and corporate debt positions. The turnaround in the underlying result we are reporting today reflects the recovery and the profitability, following the impact of COVID across most of our businesses in 2020 and the improved performance across most of our divisions this year. You'll see today that we've continued with the enhanced disclosures by breaking out the wealth management and a AMB capital results into their respective subdivisions.

James Georgeson: The extra details can be found in our investor report and the appendices to the presentation. On slide seven, we show the full year '21 profit summary where underlying profit is up 53% to 356 million. The recovery and earnings was largely driven by improvements in the bank from the release of loan loss provisions related to COVID, stronger investment income in our group office, from our resolution life and China investments, and performance fees in AMP Capital. Investment markets also helped to support both of our Australian and New Zealand wealth businesses with good growth in AUM.

James Georgeson: However, as you can see, our bottom line result includes some large impairments and a number of non-recurring items, which we had previously announced totaling 608 million in 2021. Taking all these into account, the bottom line statutory result for the year is a loss of 252 million. Turning to slide eight, which shows the key items reported below underlying profit. The key items of note here include the client remediation related costs of 78 million, which reflect the final provisioning, the advice remediation look back programme, and cost pertaining to the AMR enforced undertaking, which we committed to at the end of last year. We incurred 133 million of ongoing transformation spend on the 300 million cost out programme.

James Georgeson: And the impairments announced in November last year was settled at 312 million comprising of deferred tax asset impairments, impairments of intangibles, and the costs for recognising onerous property lease contracts. As we previous guided, we also incurred costs on the demerger of approximately 75 million in the period. And finally other items which were a net gain of 11 million across the year, relate to the gain on the sale of the New Zealand precinct joint venture in the first half, mostly offset by the cost associated by the sale of the resolution stake in the second half. Moving to slide nine, which summarised the full year '21 results on a proforma basis, post demerger for both AMP Limited and AMP Co. The table illustrates how the group's 2021 reported underlying earnings of 356 million would've been split between AMP Limited, which would've comprised 259 million and private markets code, which would've comprised 108 million.

James Georgeson: The split reflects the perimeter changes of moving MAG and CLAMP from AMP Capital to AMP Limited. This moves 57 million of earnings in 2021 to AMP Limited, of which 41 million was for MAG. The table also shows the adjustments to the AMP Capital result to derive the APM Co. result, being firstly, the removal of the GEFI business, which recorded a net loss of 12 million in 2021. This business has been sold to Macquarie with the transaction expected to settle in the first quarter of this year. The upfront proceeds and that transaction are now expected to be approximately 80 million reflecting the AUM runoff since the deal announcement in July. Secondly, the removal of the infrastructure debt business, which recorded earnings of $1 million across 2021. This business was sold to Aries Management in late December.

James Georgeson: And the transaction is expected to settle imminently for the full cash consideration of 428 million. And thirdly, the transfer of MAG and CLAMP from AMP Capital to AMP Limited, which moves 57 million of earnings as already discussed. Moving to AMP

Bank on slide 10, which has performed well. The net profit of 153 million was up 38% on full year '20. The result included the benefit of the reversal of 26 million of pre-tax loan loss provisions previously taken in respect of COVID. Nim across 2021 actually increased three basis points to 162. However, Nim declined in the second half due to the competitive market conditions as shown in the graph on the right hand side of this table. This is reflective of the competitive environment, with main drivers of the 18 basis point reduction in the second half being about eight bits from lower average margins and about 13 bits from a mixed impact, which reflects significantly more fixed rate loans written in 2021.

James Georgeson: Residential mortgages grew 7.7% to 21.7 billion during the year. Mortgage growth really strong in the second half of the year, including 2.1 times system growth in Q4 and almost 1.4 times system growth across the full year. The bank also continued to maintain its focus on costs with only a marginal increase to 126 million across 2021. As a result, the cost of income ratio remains steady at about 39.5%. On the next slide on slide 11, we show additional information on the bank and our progress towards growing the book. Pleasingly, we are seeing good momentum. And as you can see from the graph, we saw strong growth in the second half. Arrears rates also continue to perform well. The 30 day arrears rates has improved from 115 basis points to 78, and the 98 day arrears rate has improved from 62 bits to 50 bits. And pleasingly, approval times have improved across the year, despite the significant growth in the book. Looking forward for the bank, we continue to see positive mortgage book momentum and are targeting two time system growth in 2022.

James Georgeson: However, we will continue to focus on writing mortgages profitably in the face of a continuing competitive lending market. And as such, we are targeting them at or around the 150 basis point level subject to market conditions and the interest rate outlook. Turning to slide 12, we outlined some of the highlights in our wealth management business across 2021. Underlying profit decreased 25% to 48 million. This reflects a number of items. Firstly, lower AUM based revenues following pricing and simplification changes and the cessation of grandfather remuneration. As well, there was a 27 million impact from the network reshape activities on revenues, and there was an 18 million impact from the impairment of advice related assets taken in the first half of '21. However, these items were offset by 27 million improvement in variable costs from phasing out advisor support payments, a 28 million improvement in controllable costs, and a 12 million improvement from higher investment income on the north guarantee pro product.

James Georgeson: AUM was 8% higher at 134 billion reflecting the strong performance in investment markets over the last 12 months. Total net cash out flows are 5.2 billion for the year, improved from an outflow 7.8 billion in 2020. The improvement primarily relates to a number of one-off items that did not repeat in 2021. The two main ones of these was the 1.8 billion of lost corporate super mandates and the 1.8 billion of early release of super payments that occurred last year. From the charts, you can see that north is beginning to gain traction with the EFA market with AUM growing strongly and cashflow is building momentum each quarter in 2021. Total wealth manage revenue margins declined to 66 basis points, a seven basis point reduction in line with our guidance. The movement primarily relates to the impact of the master trust simplification, pricing changes on our north platform, and the cessation of grandfathered remuneration.

James Georgeson: On slide 13, we outlined some of the key highlights across each of the subdivisions in 2021. In the platforms area, underlying profit of 110 million is seven million higher than full year '20 due to the impact of favour investment markets, offsetting the impact of pricing, and increased costs. AUM here was up strongly, up 30% to 71.1 billion. Revenue margins did compress from 56 basis points to 50 basis points from the repricing actions we took and the cessation of grandfather remuneration. In master trust, underlying profit of 90 million was 23 million lower than full year '20 due to the repricing changes from our simplification efforts, but we're also offset with lower controllable costs. AUM increased modestly here up 3% to 62.9 billion. However, margins did compress during the period down eight basis points to 85, mainly from the ongoing simplification efforts. And this will again impact 2022. In advice, the loss is 146 million, which is broadly in line with our 2020 result.

James Georgeson: This year's numbers were impacted by impairments in advice related assets, a decline in revenue from the end of grandfather remuneration, and the advice network reshape. Costs continue to remain a focus with effort ongoing to deliver our ambition of making advice break even by 2024. Savings have been achieved across both variable and controllable costs from the phasing out of advisor support payments, the divestment of our own advice network, and the ongoing cost out activity within the business. As a result, the second half results have already shown improvement with a loss of 61 million in the second half versus 85 million for the first half.

James Georgeson: On the next slide on slide 14, we present the proformer split of the Australian wealth management division, post the transfer of the MAG business from AMP Capital. The transition of MAG into wealth management will affect both the platforms and master trust businesses. The MAG transition would improve the master trust 2021 result by approximately 21 million and the platform's 2021 result by 13 million. Going forward, the MAG transition is in expected to emerge approximately 55 million of higher revenues, mainly in platforms, 45 million of lower investment management expenses, mainly in master trust, and 70... We do expect the 41 million uplift in MAG in 2021 will moderate a little in 2022, given the lower opening AUM position and some expected cash outflows and margin

James Georgeson: ... impression in that division.

James Georgeson: On slide 50, we move to our New Zealand results. Our New Zealand business continues to perform well, with operating earnings up 11% to 39 million. The result was assisted by stronger investment markets and good cost performance.

James Georgeson: During the year, the change in investment strategy towards an index-based investment philosophy was successfully implemented. Closing AUM of 12.2 billion decreased only modestly from full year '20. This small reduction is despite the conclusion of our KiwiSaver default status, which resulted in a large net cash outflow position for the year. Strong investment markets helped offset the cash outflows.

James Georgeson: Turning to slide 16, which shows our AMP Capital results. The financial results were up, with underlying profit of 154 million and an increase of 18%. There are a number of trends impacting the results. These include AUM-based revenues fell 3% from both lower overage AUM from cash outflows and a number of fee concessions, which were implemented to stabilise the business.

James Georgeson: However, these items were offset by high performance and transaction fees, including the recognition of 58 million of performance fees in Q4 following the sale of two large infrastructure equity investments, SFAT and Angel Trains. Shawn will talk about these in a second. Seed and sponsor income was 18 million, up from 6 million in 2020. This was driven by a post-COVID recovery in real asset valuations across the portfolio, as well as strong performance in certain individual assets.

James Georgeson: Control of cost across AMP Capital decreased 2% to 515 million reflecting tight cost control. Net cash outflows were 27.6 billion for the year. This outflow included 9.2 billion from the transfer of New Zealand wealth management's investment mandate to BlackRock, 4.2 billion from the loss of the AMP Capital diversified property fund to Dexus, and a total of 4.1 billion of divestments of assets in our infrastructure series, return to investors. As a result of the cash out flows in the year, average AUM decreased by approximately 10 billion to 183.8 billion at the end of this year.

James Georgeson: On slide 17, we show the breakdown of the main group items within the group office division. Group office cost reduced 22% to 66 million, reflecting the benefits of the cost out programme. Both periods have been updated for the revised cost allocations as detailed in our investor report. Interest expense reduced to 51 million, benefiting from the 700 million pay down in corporate debt through the year and lower weighted average cost of debt.

James Georgeson: An investment income more than double the 79 million, reflecting the higher cash on hand following the sale of AMP Life. More favourable derivative impacts from last year improved earnings from our China investments and a half year investment return from our Resolution Life stake. Heading into 2022, other investment income will be lower following the sale of our interest in the Resolution Life stake and reduction in surplus liquidity.

James Georgeson: Turning to controllable costs on slide 18. This chart outlines the controllable cost movements across the year, which shows a 7% reduction, ending the year at 775 million in line with our guidance. The key movements during the year include the 11 million of COVID related costs in full year '20, which did not repeat this year. A total of 52 million of CPI reinvestment and regulatory and compliance costs increases across the year.

James Georgeson: But offsetting this, a total of 100 million of reductions from cost out programme, reflecting actions we talked last in 2020 and 2021. The 100 million comprises 39 million from simplifying organisational structures, 52 million from simplifying our infrastructure and technology assets, and 9 million from reducing our total property footprint.

James Georgeson: Overall, this is a strong result for costs with the actions we've been taking to reduce costs emerging as net cost reductions this year. We've now delivered approximately 260 million of the 300 million cost out programme. And in full year '20, we are targeting controllable costs, excluding AMP Capital of 725 million, or 795 when we factor in the transition of MAG, a further 50 mill reduction on this year.

James Georgeson: On slide 19, we show the capital movements in 2021. Surplus capital as at the 31st of December is 383 million, surplus to our target requirements. The first three columns reflect the 252 million statutory loss, which AMP reported for the year. And as we noted in November, a portion of the impairment had no capital impact. So this is less than what appears in the PnL.

James Georgeson: The group has been able to increase the utilisation of existing hybrid instruments, resulting in a 250 million increase to the surplus capital position. These instruments had previously backed the AMP Life Capital base. The previously announced share buyback was completed during Q2, with 196 million of surplus capital used. There was 29 million of business capital usage, mainly driven by the ongoing growth in the bank.

James Georgeson: The 383 million surplus at December will be used to invest in the transformation strategy, support the business growth, and to complete the various separation activities to merge the private markets business. Given this, and as previously guided, the board has resolved not to declare a final 2021 dividend. A prudent approach has been taken in capital in the lead up to the de-merger.

James Georgeson: And as Alexis alluded to, over on the next slide on page 20, we've highlighted a number of the large capital movements that we expect this year. In the first half of '22, we expect the number of the previously announced transactions to settle, being a sale of the Resolution Life stake, as well as the proceeds from the infrastructure debt sale that we announced only in December last year.

James Georgeson: Offsetting these amounts are approximately 100 million of the residual cost out spend expected across the full year of 2022, the 470 million of capital required to support the real estate business, 120 million of the de-merger costs as we previously guided, and also the transfer of between 250 and 350 million of surplus capital required to set up the standalone private markets business, which includes the portion of the AMP Capital surplus as at the end of December, which was 241 million.

James Georgeson: The final balance sheet separation to affect the de-merger still being finalised. However, the chart here shows the major movements we currently respect. The workers will advance, but does remain subject to regulatory and rating agency reviews. At de-merger, we expect to create two sustainable capital structures, such that the private markets business will carry minimal debt and will have liquidity for future sponsor investments.

James Georgeson: And the AMP Limited Group will further deleverage commencement with the reduction in the size of the group, as well as having sufficient capital for transformation and future growth. As a result, AMP Limited is expected to maintain an up to 20% passive minority shareholding in private markets co, to provide balance sheet resources and financial flexibility.

James Georgeson: On slide 21, this highlights our summary of our guidance points for the various businesses across 2022. In Australian wealth management, we expect earnings to be broadly flat as the impact of the mass trust simplification and advice network reshape is offset by cost out in the business. We expect approximately 10 bips of revenue margin across the wealth business in 2022.

James Georgeson: At a divisional level, we expect platform revenue margins to remain at approximately 50 basis points, with the impact of the pricing changes taken in mid 2021, mostly offset by MAG uplifts. In the Master Trust business, we expect revenue margins to fall from 85 bips to 65 bips following the full run rate impact of the Master Trust simplification actions that were taken only in Q3 of this year. Sorry, of 2021.

James Georgeson: However, the transfer of MAG will deliver approximately seven bips of investment management reduction. And as a result, we expect gross margins, being AUM-based revenue, less investment measure expenses, at the total wealth management level to reduce from 44 bips to 41 bips in full year '20, including those MAG impacts.

James Georgeson: With AMP Bank, we continue to focus on driving stronger mortgage growth this year, tying two times system growth for the full year of 2022. We do expect additional pressure with margins and are targeting them over the course of the year of approximately 150 basis points. From an earnings perspective for the bank, the 26 million of loan loss provision rehearsals will not repeat in 2022.

James Georgeson: AMP Capital continues to focus on delivering for clients and completing the planned de-merger in the first half of '22. From an earnings perspective, AUM-based revenue is expected to be lower. This reflects the full impact of the fee discounts and the loss of ADPF. And we're expecting a more subdued outlook for the performance fees in full year 2022 after a strong enter this year.

James Georgeson: New Zealand is performing well. However, we expect impact to be approximately 10% lower in full year '22, given ongoing margin pressures and lower general insurance revenues as the new five year contract removes insurance profit share revenues. Stepping back, the full year '21 results show a good recovery in earnings, which was helped by favourable investment markets, benefited for the strong performance and transaction fees and higher investment income on our strategic investments.

James Georgeson: A number of payments have been taken to reset the balance sheet ahead of the de-merger this year, and aligning with the revised growth strategy of the business. We are beginning to see the benefits from the cost out programme with the business delivering a net 50 million reduction in cost in 2021. And we expect to deliver the same reduction again in 2022.

James Georgeson: So another year of heavy lifting across the organisation. We've continued to simplify and reset the organisation while making good progress towards the de-merger of PMco at the same time. I'll now hand to Alexis to take us through an update on our strategic priorities.

Alexis George: Thanks, James. Last November, we outlined our strategic priorities, and I just want to remind you of those. Given it wasn't long ago, I'll just give a few updates and where early progress is being made. Let's start with our strategic approach.

Alexis George: The focus is reposition AMP with the focus on growth in those two areas of bank and platforms, and delivering stable earnings for Master Trust in New Zealand, as well as transforming our advice areas. Simplify through the execution of the de-merger and right sizing the operating model, also disciplined capital management.

Alexis George: And we are exploring new business opportunities. Which for us, right now, includes establishing digital direct-to-consumer propositions, FinTech partnering, and developing a position in retirement. There are no changes to these progresses.

Alexis George: This leads us to our six priorities. And again, no new news. Complete the de-merger, reduce the cost base, grow our bank and focus on those EFA flows, explore new business opportunities, and absolutely focus on being a purpose-led organisation with values that we all live by.

Alexis George: So let me just examine each of these in a little more detail. Firstly, the de-merger. There are a number of critical pieces in delivering the de-merger. We've delivered on important meetings in terms of operational separation, including board, key management team appointments in private markets, establishing the mip. And of course, the new brand.

Alexis George: We now need to focus on completing the MAG transfer, the sale of GEFI, finalising the ID sale. We also continue to establish PMco to be ready for listing. Establishing the governance, further board appointments, and the rollout of the new brand. We will also publish our scheme of arrangement information in April, as well as preparing for our court and shareholder meetings and a share consolidation.

Alexis George: Now to the cost base. We've demonstrated our commitment and capability to meet our cost targets. We have achieved 260 million of cumulative gross cost savings since 2019, meaning we're on track to meet the 300 million by FY '22. We will deliver that additional 40 million of net cost out this year to complete the existing programme. An additional 115 million of net cost will be taken out between now and '24. And I absolutely committed to delivering on this.

Alexis George: So to the bank, I think I've made it pretty clear how important the bank is to our future direction. We are well positioned, benefiting from the digital investments we've made, to reduce loan turnaround times and increase customer experience. Our auto credit decisioning rate has increased by 75% to be above 60% for '21. And that means faster and more consistent approvals, which will support our growth ambitions.

Alexis George: This year, we are also targeting to improve our customer time to, yes, for mortgage approvals by 30%. We do aim to maintain and now deposit to loan ratio of more than 75%. And we're in a good position, as it currently sits, at about 81. With the potential for slower conditions in the housing market, we will be focused on maintaining credit quality while we grow our home loan book. We're also expanding our business development team to support growth outside of New South Wales, where we have been strong.

Alexis George: It's also really important to us that while we grow, we continue to manage our name in a very competitive environment. So to financial advisors. We're committed to making the platform business more competitive and attractive to all advisors, particularly targeting those external financial advisors. As we've shown today, there is good momentum here. We've continued to develop our positioning and platforms by addressing the managed equity portfolio deficiency, competitive pricing, and developing our administrative capability.

Alexis George: This year, we are focused on a new retirement solution on the North platform and we've brought some great expertise into the team to help achieve this. We'll also be transforming North sales and service capability and building on the work already done to the platform's digital experience and functionality.

Alexis George: So to new business opportunities. It's important that we look at ways to create new growth opportunities within the business. As I said, we're exploring a digital direct-to-consumer mortgage offer in our bank, and we see the direct-to-consumer channel down the track also having a role in our wealth management business. As I mentioned at the beginning, we're very happy to have a new CTO starting in the next few weeks who'll support us in helping build our data analytics capability to better target and serve our customers.

Alexis George: And finally, to purpose and values. I think it is important to highlight the work that we have done on purpose, values, and culture. We've delivered inclusive leadership training to all employees, launched a new inclusion and diversity policy, and uplifted our employees support capabilities.

Alexis George: As I've mentioned before, my experiences of the culture at AMP has been a positive one. And I see a group of people who are committed to having AMP succeed. We'll continue to build on the foundations for high performance culture, and the team needs to get behind a shared purpose and values. We have been engaging with employees and customers on this. And so I'm very much looking forward to launching that soon. I now want to hand over to Shawn for an update on AMP Capital private markets.

Shawn Johnson: Thanks, Lex. And hello, everyone. First, I want to say, yes, I am in Australia. So thank you for that. And I really want to thank Lex and James. It's been wonderful to spend some time face-to-face rather than hours on a video screen and all hours of the day. So thank you for that.

Shawn Johnson: Second, I want to thank the team within AMP and AMP Capital for such a warm welcome since I've been here. It's really been delightful. And everyone in the last couple week seems to be apologising for the weather. To which I reply, "Everything in life is relative." The day I left, it was -28 degrees C in my driveway. And so, I love a little rain in Sydney. It's perfectly fine.

Shawn Johnson: With that, I have a few slides to share with you to update you on the private markets business. We'll go through the second half of 2021 and some updates on 2022 and where we're planning on. And then I'll turn back to Lex.

Shawn Johnson: The first thing to update you on is the infrastructure debt sale that occurred at the end of December. So what was sold was our infrastructure debt business, principally out of New York and London. Total of 7 billion in assets under management.

Shawn Johnson: The transaction perimeter of that, to explain it, were our open-ended funds. Those are ones that are currently open in fundraise mode. We sold the contractual management rights along with the seed and sponsor capital and the future carried interest that may accrue. And then we sold the management rights for those funds that were closed, meaning they were already fully invested.

Shawn Johnson: We retained our seed and sponsor capital in those funds and our future carried interest and simply named areas as the sub-advisor for those funds. The expenses moving across are the direct expenses of the investment team themselves, and the operations and finance teams that directly support that business. Some of the allocated costs, we will retain, which will be absorbed by the rest of the business.

Shawn Johnson: On the financial summary, it was a cash payment. Will be received of 428 million. And then, because we maintained our seed and sponsor capital and our carried interest, we'll receive approximately 66 million in sponsor capital coming back in the years ahead, and should carry interest, come back, we estimate about 84 million. But of course, that's subject to the performance hurdles that exist in those funds, which have to be met in the coming years. The total economic value of that is about 578 million, all totaled.

Shawn Johnson: As we look at the business that remains at private market co, we are now about 42 billion in assets, broken up between our real estate platform, largely domestic, here in Australia; and our infrastructure equity business, which is both a core infrastructure business here in Australia; and our global infrastructure business, principally based in London and New York.

Shawn Johnson: You see the assets are not quite 50-50. The real estate business is slightly larger. There's a team of real estate professionals of about 500 people in that business. We have over 50 investment professionals in our infrastructure equity business. Our real estate business has 59 institutional clients located primarily here in Australia. Some of the large superannuation funds, obviously. And our infrastructure equity business has over 245 institutional clients

Shawn Johnson: ... clients around the world. Both businesses are in the top 10 of their market categories, and you can see the sector expertise of those businesses at the bottom of the slide.

Shawn Johnson: The historical earnings profile of the business, this has been updated to reflect the exiting of the infrastructure debt business. These data points are updated. And you can see each of the areas of revenue and base management fees, our non-AUM base management fees, our performance and transaction fees, the carried interest that we might receive and our seed and sponsor revenue broken out on the bar charts. Pretty consistent EBIT margin business. We should fall below that going forward in 2022, recovering more in the 2023 timeframe.

Shawn Johnson: Recent developments as was alluded to earlier, the Angel Trains and SVAT dispositions took place. Those were very positive results for our clients. Angel Trains was part of the old British rail system. The SVAT is an offshore oil platform, an offshore wind farm servicing business in Europe.

Shawn Johnson: We did lose the diversified property fund this year. That's approximately 26 million in revenue. We have given some fee concessions in our core infrastructure and real estate business to protect those businesses. That's about $30 million annually, although it reduces slightly beginning in 2023. We have had subdued fundraising activities in 2021 and 2022. Just based upon the status of the demerger.

Shawn Johnson: I did want to update you to explain the volatile nature of parts of our income statement. This is a historical look at three line items in our P&L performance fees, carried interest in transaction fees. You can see that for 2019, 2020 and 2021. The performance fees, if you just look at those bars in each of the years, it goes from 40 to 17 to eight. That does reflect performance in investment assets that may have been impacted by COVID such as airports, for example.

Shawn Johnson: Our carried interest is perhaps the most volatile line. You could see there were no carried interest payments in 2019. In 2020, we had a carried interest payment that was related to the debt business. And then in 2021, as James alluded to earlier, there was 58 million in carried interest booked in the fourth quarter. Our transaction fees also are related to activities that we receive compensation for individual transactions. And those also vary from year to year. So this does give you some idea of how volatile that part of the income statement is.

Shawn Johnson: This is the same slide that I shared of previously about our strategy. First is operational separation, which took place in December. We have all of our TSAs negotiated in place with the group. Second, we're simplifying the business. The infrastructure debt sale is part of that. We have implemented a global organisational structure and we do have cost efficiencies to take out of the business, which I'll touch in a moment.

Shawn Johnson: Next, we will then grow our client base. We do have to scale the existing funds, go back into the market for our global infrastructure series after demerger. And lastly, we'll be launching new products in the future to diversify our product offering across our client base. It's all enabled by a strong balance sheet and a cost management discipline within the firm. ESG is embedded across everything that we do, and we have a great group of talented people. And our remuneration plan is now in place.

Shawn Johnson: Looking at the second half of 2021 and what was accomplished. Yes, I did join. We have GEFI business that sold. We've brought in our new chairman designate in Patrick Snowball, well known to some of you. Andy Fay will be our deputy chairman designate. I've already spent time working with both of them. Finalised our operational model for PrivateMarketsCo. Our management equid plan has been announced and is in place and granted to key employees.

Shawn Johnson: With the transfer of the MAG business took place in December and we also sold the infrastructure debt platform in December. Going forward in 2022, we've announced Nadine Lennie as the new chief financial officer. She'll start in April. Thrilled with that announcement and glad to have her joining the team. Our new brand announcement, I'll just talk about in a moment. Our infrastructure debt sales should be finalised quite imminently.

Shawn Johnson: The global equity and fixed income sale should be completed here in the first quarter. The public markets operation will then be transferred over to AMP as well. We'll have a couple of new non-executive directors appointed to PrivateMarketsCo the first half of 2022 prior to merger. The annual general meeting will take place and the shareholder's scheme booklet approved in May. And then the private markets listing will occur in June of 2022.

Shawn Johnson: To touch on the transition of our cost base, you can see at 2020 year end, costs were 522 million for AMP Capital. This bar chart shows you where the MAG transfer is to happening and where that comes out at 67 million. There's 26 million associated with the GEFI sale. ID sale, principally the direct costs will go out. Then the residual MAG and GEFI costs will be transferred over to AMP Australia.

Shawn Johnson: The 74 million is the cost target that we have to take out within AMP Capital. That's well underway and we know exactly where to go get those costs from. And then our establishment cost is actually an add back. It will take us about $10 to $15 million to stand up as a standalone business targeting a forward cost run rate of 275 to 280 by the time we get to the beginning of 2023.

Shawn Johnson: Now, our client base to update you post the infra debt sale, we'll have approximately 297 clients, strong growth offshore. 61% of our institutional clients are actually outside of Australia. You'll notice in the middle circle there, 64% of our assets are actually from Australian clients. That represents a smaller group of clients, but larger mandates. The right hand side, the majority of our clients are actually global pension fund clients.

Shawn Johnson: Interestingly, the US market is largely untapped by our business, which presents us with a significant opportunity. We have had strong performance raising assets from clients in South Korea, Hong Kong, and Singapore. And I expect we will continue to have good success across Asia. Europe is actually our most established market outside of Australia.

Shawn Johnson: As we look at the business units themselves, the real estate platform had accomplished a great many things in 2021. The retail trust recapitalization at 2.2 billion, I understand is the largest of its kind in the history of Australia. AMP Capital also was retained as the trustee and manager for AWOF. We delivered 800 million in the carrying up shopping centre, achieved delivery of our Quay Quarter Tower. I just toured the Quay Quarter. Really a tremendous building. And took our ownership position in Brookfield place. All in the second half of 2021.

Shawn Johnson: In our infrastructure equity business, we were retained as the manager for COMF. We accomplished a number of transactions and investments across our core infrastructure business here in Australia. As I mentioned earlier, we sold our Angel Trains position and SVATs out of our global infrastructure business. And now over 50% of the Gift One fund has been returned to investors.

Shawn Johnson: As we look to real estate in 2022, we will be raising new funds in that, and also securing some separate accounts in that business going forward and also be deploying new capital. In our infrastructure equity business. Following our demerger, there will be a fundraise to go towards gift three. We are looking at diversifying our geographic profile on our fund client base in Australia and commencing a global core infrastructure launch as well.

Shawn Johnson: Lastly, I'd like to talk about our new brand, Collimate. This is a wonderful milestone for the team and for the business. The word Collimate is actually a scientific word. It may means to align the rays of light. And it talks to the way in which we want to align ourselves with our clients. For those of you that happen to study optics or look in telescopes or are a camera person, a lens which perfectly collimates light is said to have a focal length of infinity. It talks about our vision for the future, our long term orientation in terms of value creation and in alignment with our clients.

Shawn Johnson: It incorporates a lot of research. With our team, over 400 people have participated in developing our client value proposition, our employee value proposition. All of which will be rolled out as we go forward towards the merger. And today really begins the beginning of that with the announcement of the new brand. I'm going to turn it back now to Lex. Thank you.

Alexis George: Thank you very much, Shawn. I love hearing an investment guy talk about a new brand, so thank you. I know we want to get to questions, but just before we do that, I would like to reiterate that we have delivered a solid underlying result which shows the strength of the two businesses.

Alexis George: We have the bank and platforms that are well positioned for growth, and we have a clear plan for how we'll drive improved performance out of our super and advice businesses. We have delivered our cost out targets, and we have clear plans for achieving the further 40 million of net cost out in the next 12 months.

Alexis George: Executing the demerger remains a clear priority, as is readying these two businesses to perform strongly as separate entities. I'm pleased with the progress we have made and I'm energised by the work we have ahead of us. And with that, we'll now hand over to the moderator for Q&A. Thank you.

Operator: Please followed by the number one on your telephone keypad. To cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your questions. Your first question comes from Laf Sotiriou from MST. Please go ahead.

Laf Sotiriou: Hey. Good afternoon, everyone. Laf Sotiriou from MST and thank you for taking my questions. First up a question on PMCo and better understanding why AMP group wishes to retain a 20% stake. I don't really get it. It's effectively a blocking stake and may limit the demerged entity upside. It also implies that you still want some level of control or perhaps influence over the business. The question is why? And as part of this, has AMP opened the books of PMCo to potential bidders as per media reports.

Alexis George: Thanks very much for that question, Laf. And I think we've always been pretty clear that we may retain a stake up to 20%. The reasons for maintaining that stake have not changed over the last six months. And it would be for balance sheet and financial stability across those two businesses.

Alexis George: I've been very clear in the past, and I'll be clear again today, that AMP Limited has no interest in maintaining that stake over the longer term, but we would want to work with PrivateMarketsCo or Collimate to bring down that stake over time. And we wouldn't be looking for control or board positions in the interim. Certainly, want to allow Collimate to grow and flourish by itself. It would only be for that financial and balance sheet stability over the short to medium term.

Alexis George: In relation to your question on speculation in the papers and you'll see our media release that it's not usual. We're in the middle of a demerger. We've got scheme booklets coming out in April. We publish quite a lot of information in our investor roadshow in November on each of the individual businesses. And we've just solved the infrastructure debt business in December.

Alexis George: And so, there has been some interest in relation to the PMCo business. You can see that we are pushing ahead with the demerger. And I've talked about that at length today. And if there was any substantial interest, we would, of course, consider that in light of our fiduciary responsibilities.

Laf Sotiriou: Excellent. Thanks for that. And just a last question, relates to the target capital requirement above the MRR. It grew over the year from 738 million to 813 million. Can you talk me through what's behind this growth? And more specifically, how we should think about this going forward? It's quite a large buffer that, that sits on top. Effectively, what's the process for determining what this should be?

Alexis George: Yeah. Thanks for that question. James, would you like to take it?

James Georgeson: Yeah. Thanks, Lex. Thanks. Laf. The capital or the target capital requirement did increase through the year. We would expect some of the growth in the bank and some of the investments in AMP Capital seen sponsor would also add a little bit to that buffer requirement as those capital deploy has become larger.

James Georgeson: We go back and develop the capital framework for each division. We do a buildup of the capital requirements. We look at what's the minimum regulatory requirement, and then what are the appropriate targets that we put by each division? And then when we sum those up to the group level. Clearly, as we go through the demerger, we'll look at all of those again. But it is built up by divisional by divisional basis. Actually, we have got a fairly good view of where that would be going forward, which is really pretty much where it sits today for the different divisions.

James Georgeson: And one of the reasons it looks more sizeable than maybe what it is, is that for a number of the subsidiaries, in particular New Zealand Wealth or AMP Capital, their actual regulatory requirement is very, very minor. And in New Zealand's case, it's actually zero because it's operating a very basic wealth manager. The target capital is really sometimes replicating what a regulatory requirement will be for some of those non-APRA regulated entities. Hopefully, Laf, that gives you a bit of a feel for how we come up with it.

Laf Sotiriou: I mean, just to follow on. Are you conservative with this, the setting of this 813? Or do you think this is broadly the parameters for the respective businesses we should expect going forward?

James Georgeson: I would hope we have got a balance of efficiency and conservatism there. I think what we're saying is we wouldn't expect a wholesale revision to these targets for each of the divisions that we report on page 26 of our investor report. We would see them to be fairly similar going forward, post the demerger. We're not expecting either a big uptick or a big reduction.

Laf Sotiriou: Thank you. Cheers.

Alexis George: Thank you, moderator. Can we go to the next question?

Operator: Thank you. Your next question comes from Kieren Chidgey from Jarden. Please go ahead.

Kieren Chidgey: Good afternoon. Just a couple of questions. Maybe, Alexis, starting on Australian Wealth Management and the advice component within that. You lost around 150 mil through that part of the business this year. I know there was some one-offs in there. But you've got a medium term ambition of obviously getting that back to break even I think by FY24.

Kieren Chidgey: How are you thinking about the nearer term trajectory, particularly given some of the advisor exits we saw over the second half of last year? I think your advisor account reduced by maybe another 250 over second half. Can you give a little bit of clarity how you're thinking about that profile between now and FY24?

Alexis George: Yeah. Firstly, I would expect that the reshape of the advice network in terms of the number of practises and advisors, I'm not saying there won't be changes, but I think that's largely complete. Then it comes to how do we make that space more efficient?

Alexis George: Firstly, I think there's a couple of things. You'll note that we've pushed down a lot of our group costs into the individual units. And we did that because I wanted to make sure that we were making the right decisions at the business unit level. I do think there's a real opportunity to take out costs from that space.

Alexis George: They won't all be costs in the frontline advice area. There are a lot of the corporate functions as well, which is why you're going to see benefits across some of the other business. And I think we're all committed to making sure those cost reductions occur. I think that's the first thing. And probably the most material.

Alexis George: The second thing is Matt Lawler and the team have really been quite transparent about the fact that fees need to increase in that business for the services that we do provide to the network. And they will, over the next years, see an increase in fees. In fact, doubling fees over the next couple of years. I think it's a combination of those. If I look into FY22, a lot of it will come through the cost reduction, which is the support footprint reducing and those corporate functions reducing in the demerged environment.

James Georgeson: Yeah. Lex, I'd just add to that cue. You're right. We guided in November that we'd probably reduced the loss by about half in 2022. That's what we're targeting. We did 146 this year, so we'd be targeting the mid-70s.

James Georgeson: You're right. There's a couple of one-off headwinds in 2021. We had advice asset impairments in the first half. That was 18 million pretax. And our own advice channel, which we sold at the end of last year, had a loss of 16 after tax. There's probably 30 mil of one-off costs in 2021 that definitely won't repeat. And we'll see that heavy cost out work focusing on advice in the first half of this year and into the second half. That's why we're guided in November and we're still confident in those plans to get to about half the loss. And you can see the improved trajectory from first half, second half already.

Kieren Chidgey: Yep. Okay. Thanks, James. And just still sticking within Australian Wealth Management. If I can just clarify your guidance for the fee margin there of 55 basis points. Are you saying, how does MAG feed into that? Is it included within that number?

James Georgeson: Yeah. The MAG impact is factored in there. It's much more benefits, at the revenue level, the platforms business. We're saying platforms will sit at about 50, still again in 2022. We probably had about three basis points of compression coming through. And MAG will offset that, so it'll be a net 50. Whereas Master Trust will drop from 85 to 65. There's a very limited offset there.

James Georgeson: And so that translates into an overall about 10 or 11 basis points from this year. 66 down to about the 55, 56 range. And that's net of MAG. Hopefully all the guidance we put in the documents tried to pick up where we get to from a go forward perspective, including the MAG impacts.

Kieren Chidgey: Okay. And ex-MAG, I mean roughly, what would that be?

Alexis George: It's about the same.

James Georgeson: Yeah. Well, it's probably the MAG impact is about three

James Georgeson: ... to four basis points uplift. So you'd be at the lower point of around approximately 50, just above 51, if it wasn't for Mag.

Kieren Chidgey: Okay, thanks. And just a third and final question on AMP Capital, perhaps for Shawn, just noting the fourth quarter, we saw some still fairly elevated client at outflows, I think in the order of 3.8 billion. So just wondering if you can unpack some of the trends that you're seeing in that part of the business, and then secondly, on the carried interest, which is very strong this period, it just seemed a little bit at odds with some of the prior indications that we should be expecting a far more moderate year in '21. So just wondering if you can offer some thoughts as to how we should be thinking about that for '22.

Alexis George: Yeah, let me ask Shawn to answer that question for you, Kieran.

Shawn Johnson: Sure. The first part, the fund outflow of 3.8 billion, some of that will of course be related to selling assets. Those were quite large assets. And the other is the carried interest happens when it's time for the market and bids happen in assets. So while we have of rough ideas about where we may want to sell things out of a private fund, it's also dependent upon what the market environment is for buyers in those funds. So it's very difficult to predict when those things may or may not occur. Neither were necessarily scheduled to occur in the fourth quarter, but it turned out that that was the opportune time to sell those assets on behalf of clients. I don't anticipate necessarily any carry in 2022, but it's also driven on what the other side of the market is.

Kieren Chidgey: Right. Thank you.

Alexis George: Thanks, Kieran. Moderator, do we have another question?

Operator: Thank you. Your next question comes from Nigel Pittaway from Citi. Please go ahead.

Nigel Pittaway: Good morning. Just first of all, can I ask about capital in the bank? Obviously, you're targeting growth there and it's already had an impact obviously on the set one ratios pushing it down. So I guess the question is how much capital are you prepared to commit to growth, growing the bank over the next year or so?

James Georgeson: Nigel, when we've done our modelling for our growth targets in the bank, we'd be looking to reinvest a lot of the earnings that we generate through the next 12 or 18 months in growing the mortgage book. So growing it at circa two times system, which our targets would mean that we'd be using most of the earnings that the bank is generating to reinvest. So not looking to grow or use capital over and above what the bank can generate, but that'll be about where we would sit.

Nigel Pittaway: Okay, thank you for that. And then, a couple of questions on the private capital business. First of all, as you went through it, you said that you pretty much knew where the 74 million of cost that comes from. So I was wondering if you can give us a bit more colour as to where that might be. And then secondly, just on the carried interest as a result of the infrastructure debt sale, I know it's very difficult, but if your performance hurdles are met, how does that 84 million pan out in terms of time? Is it all three years hence, or does some of it come in a bit earlier than that?

Alexis George: Thanks for those questions. I'll ask Shawn to answer. I know what his answer will be in relation to carried interest, but I'll let him talk it.

Shawn Johnson: Yeah, the carried interest question I'll answer first. I assume you're talking about the carried interest as it relates to the sponsor capital that remains in the infra debt business. That carry forward number, those are 10-year essentially long funds, but in the infra debt structure, those are mezzanine debt funds that finance infrastructure acquisition. There's actually a three-year may call provision. Generally, when those funds are put out, you don't get refinanced out of those until post three years.

Shawn Johnson: Right now, the return of sponsor and any carry, should it occur, is in three or four or five years down the path. There may be some that occur before that if we get above the return criteria, but that's just a representative value of the present value of what we expect may occur based on the funds two, three, and four, which are fully invested.

Shawn Johnson: Your first question, which had to do with, do we have a good idea of the structure of those costs? Yes, some of that, of course, are people. We were quite a large asset manager when we have Gaffe and Mag and the such. As those go out, the infrastructure that we have to support a large infrastructure manager, whether it be in legal or risk or compliance or human resources or the number of people is reducing. So there will be some people impact, but also real estate costs, as we have smaller footprints around the world, things like that. There are a number of items that we have a very good handle on where we think we may be able to get the 74 million that's been identified.

Nigel Pittaway: Okay, thank you very much.

Alexis George: Thank you, Moderator. A few more questions there.

Operator: Thank you. Your next question comes from Matt Dunger from Bank of America. Please, go ahead.

Matt Dunger: Yeah, thank you very much for taking my question. If I could just firstly ask on the bank, your guidance for 150 basis point NIM, how are you planning to manage that net interest margin, given the planned growth in the bank? It seems to have compressed quite considerably in this half.

Alexis George: Yeah, thanks for that question. And you're right, the NIM has compressed, I think, across the market and we've been pretty consistent with the market, with I think about eight basis points in the last quarter. I'm still very optimistic that we can grow that book. And we demonstrate that in the fourth quarter, but I think you're right, that we're likely to see a little more compression through the first quarter and second quarter of the year, with that improving over the second half.

Alexis George: We've got to be realistic here. If it gets to a point where there isn't profitable growth, then we'll pull back, but I don't see that happening at this point. I just see compression earlier in the year and improvements later in the year, getting towards that 150 through the year.

Matt Dunger: Great. Thank you, Alexis. And if I could just ask another question on the capital, you've flagged 250 to 350 mil proforma on slide 20. Could you just confirm, you're talking about resources to support private markets post the merger. As a 20% shareholder, what does that look like?

Alexis George: Do you want to talk about that?

James Georgeson: Yeah, Matt, so that's the retained stake. The 250 to 350 will be the range that will land out as the allocation of part of the group's current capital surplus to PM & Co. As at the end of December, I think the capital base that was allocated, or the component of the AMP group's surplus of 383 was 227 in AMP Capital. So we would expect that and a little bit more will go across. We haven't quite landed the exact parameter.

James Georgeson: In terms of go forward capital requirements from AMP Limited's perspective of the retained stake, as Alexis indicated earlier, and as I did, we would see it as it's a financial resources and financial stability style instrument for AMP Limited. So we wouldn't expect there would be any further capital calls, and look, it's not there, seen as a strategic stake, it's there really for balance sheet strength and we wouldn't be a long term holder. So we would envisage that it's a source of future potential proceeds, rather than something that we'd continue to invest in if that was where you were going.

Matt Dunger: Yeah, fantastic. Thanks for clarifying.

Alexis George: Thank you very much, Moderator. Is there more questions there?

Operator: Thank you. Your next question comes from Scott Russell from UBS. Please, go ahead.

Scott Russell: Yeah. Hi all, I've got a few questions about the bank, please. The time-to-yes goal, it was stable during last year, but it got targeted to fall by 30% this year. Can you just update us on how many days that's at as a baseline and where you think that is versus peers?

Alexis George: I think the time-to-conditional-yes is sitting at about five days now. Actually, I think that's better than most peers. That's the feedback we are getting, but I think I'm not unrealistic that that's going to continue to come down as all of the market invests in technologies and new customer service experiences, but that's where we are today.

Scott Russell: And on the time-to-yes, presumably that's quite a bit longer than the conditional?

Alexis George: That's correct, and it's sitting about where the market is, in those teens.

Scott Russell: Okay. To what extent do you think by improving that is likely to assist brokers? To what extent has that been a constraint versus the conditional approval fee?

Alexis George: Well, I think, look, if I look at our bank, the constraint has been the capacity before we got to third, fourth quarter in '21. And so, that's why the improvement in the backend process, in the backend system in the first half of '21 was really important, because the capacity has been our constraint with new business. The one thing I'm really proud of here is that that time-to-conditional-yes hasn't moved much. It's improved slightly, but it hasn't moved much.

Alexis George: So we've managed to keep our record with the brokers pretty clean, which is very important in a book where 90% of your growth is coming from that broker space. I do you think, though, that we have to continue to improve that. We know customers are expecting instantaneous results when it comes to home loans these days, and that's why it's a really big focus for us.

Scott Russell: Yeah, I hear you. The bank appears to be one of the highlights of the group in the last six months, and it does seem to be a potential source of customer acquisition going forward. I was just going to ask your thoughts about to what extent the bank can cross sell customers into wealth. Historically, AMP hasn't done that all that well, cross selling products between the bank and wealth, to the extent though that a lot of the new loans are being issued to new customers and bringing them into the good. Is that an opportunity going forward in terms of customer acquisition?

Alexis George: I absolutely see that as a longer term opportunity for us, and that's why I really wanted to bring in a new CTO because I think this use of data and analytics to be able to better serve the customers is one of my big priorities. So I definitely see that as something we need to achieve over the midterm. Probably not something we're going to be focused on over the next six months though.

Scott Russell: Okay, got it. Thanks, Alexis.

Alexis George: Thank you. And I think we might take one last question, Moderator, if there's one there.

Operator: Thank you. Your final question that comes from Andrei Stadnik from Morgan Stanley. Please, go ahead.

Andrei Stadnik: Good afternoon. Thank you for taking my questions. I wanted to ask to firstly, sorry, again about the bank, but can I ask the NIM in this last half and half fell by close to 20 basis points, which seems to be tougher than what most of the peers saw. Do you think the bank has been a little bit too competitive in order to gain traction? What's some of the things you could explore to help stabilise that?

Alexis George: Yeah, I think that's a question and I mentioned over the last quarter our NIMS gone down about eight and I've been reviewing all the other results of our competitive market and it's about the same. I think in recent days, given the double growth, we should be proud of that, given it's been consistent. I think you're right though, that we have to start to develop a better customer value proposition because you don't want to be only competing on price. Clearly, price is really important, but we are thinking about how we want to do that now.

Alexis George: You heard me talk today about a direct to consumer mortgage, which we're very excited about. And I think something, as a small bank, we can absolutely pursue. So that's something I want to pursue. And we're really starting now to think about where is the market that's right for us? Our brand is definitely a middle market Australia brand. So how do we target those customers more? And I think we've talked about in the longer term how do we actually offer customers in the wealth business the solutions we have available in the bank. But I think in terms of the compression of the NIM, in the first half, it might have been a bit high, but I don't really see that happening in the last quarter. I see consistency with the rest of the market.

James Georgeson: Yeah. And Alexis, I would add that we saw in the second half of 18 basis points that you talk about Andrei, that eight of that was margin. Obviously, the actual pricing, but 13 basis points was mix. So we were riding probably 60, 70% of our volume at the fixed rate mortgages. And we've really wound that back. We're probably riding less than 10% of our new volume in fixed. So we've really tried to turn that off, such that the pressure that was there through Q4, and will be there through Q1 has started to dissipate. And we've also probably started to prefund some of our changes in CLF requirements and those kind of things. So we are currently a little bit higher funding costs. So there are probably a couple things that have forced that second half down harder than one might have expected.

Andrei Stadnik: Thank you. Yeah, that makes sense. Gotcha. And then, look, my other question on the AMP Capital side, I'm struggling a little bit with the logic. Whilst you've got a pretty good price infrastructure debt business, I'm struggling a little bit with the logic of selling that, but then it's splitting it away from the infrastructure equity business, not just in terms of losing scale, but also just the crossover between the infra debt and infra equity. Can you explain a little bit behind the thinking there?

Alexis George: Yeah, thanks for giving us the opportunity to answer that. Shawn, do you want to talk about that?

Shawn Johnson: Sure. First, in terms of client overlap, there was very, very little client overlap between the infrastructure debt business and the infrastructure equity business at all. There was there's some geographic footprint meaning they're in the same office space, but no, the businesses themselves, they did go through the same distribution channels, but the clients that buy those particular strategies were quite different. So there's not a lot of overlap at all in that regard.

Alexis George: Thanks.

Andrei Stadnik: Thank you.

Shawn Johnson: Yep.

Alexis George: Thank you very much. Listen, thank you everyone for listening into today. I very much look forward to speaking to you in the coming weeks and appreciate your time.

[END OF TRANSCRIPT]