

8 February 2018

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Announcement No: 02/2018
AMP Limited (ASX/NZX: AMP)

Full Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Part One: Appendix 4E

Appendix 3A.1

Part Two: AMP reports FY 17 results 

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8 February 2018

AMP reports FY 17 results

- FY 17 underlying profit¹ A\$1,040 million (FY 16: A\$486 million) and net profit² of A\$848 million (FY 16: -A\$344 million).
- Strong earnings momentum in AMP Bank (up 17 per cent) and AMP Capital (up 8 per cent).
- Resilient performance in Australian wealth management; net cashflows rose 177 per cent to A\$931 million. Assets under management increased 8 per cent during FY 17 to A\$130 billion.
- Wealth management performance strengthened by additional revenue in Advice and SMSF; achieved 10 per cent growth in other revenue in line with guidance.
- Australian wealth protection earnings recovered to A\$110 million (FY 16: -A\$415 million), reflecting steps taken to stabilise the business.
- Sustained cost management delivered 3 per cent reduction in controllable costs (ex AMP Capital).
- Portfolio review of manage for value businesses well progressed with all alternatives being considered. AMP is in discussions with a number of interested parties and will provide update at or before its AGM.
- Strong capital position with A\$2.3 billion over minimum regulatory requirements. Capital management initiatives to be considered at conclusion of portfolio review of manage for value businesses.
- Final dividend 14.5 cents a share, franked at 90 per cent. Total FY 17 dividend 29 cents a share is within AMP's payout range of 70 – 90 per cent of underlying profit.
- Underlying return on equity of 14.3 per cent in FY 17; moving towards target of 15 per cent in FY 18.

AMP Chief Executive Craig Meller said:

In 2017, we delivered a strong recovery in underlying profits and solid operating performances across the business.

We've met our targets on reducing costs, driving new revenue from our Advice and SMSF businesses and managing margin compression in wealth management. We've stabilised and reinsured our life insurance business and we've stepped up our international growth, particularly in AMP Capital.

Our growing global capability in infrastructure and real estate investment has driven record external cashflows into AMP Capital, including a major contribution from one of our Chinese partnerships, China Life AMP Asset Management. AMP Capital has also partnered with US real estate investor, PCCP, which will further accelerate the growth of our real assets business.

In wealth management, we've delivered the next phase of our Goals 360 advice platform – the goals modelling engine – enabling advisers to show customers the achievability of their goals during the advice session. It takes the financial planning process to the next level.

We've driven double-digit growth in AMP Bank's operating earnings while responding to tightening market regulation. We remain on track to double the value of the bank by full year 2021.

Overall, a solid result that shows the strong headway we're making in delivering our strategy.

¹ Underlying profit is the basis on which the AMP Board determines the dividend payment and reflects the business performance of AMP. It is AMP's key measure of business profitability as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group.

² AMP's profit measures exclude MUFG: Trust Bank's (formerly MUTB) 15 per cent share of AMP Capital's earnings.

Update on manage for value strategy: Australian wealth protection, New Zealand, Mature

In 2017, AMP announced a strategy to manage its Australian wealth protection, New Zealand and Mature businesses for value and capital efficiency. The completion of a comprehensive reinsurance program of Australian wealth protection, released circa A\$1 billion in capital to the group. Disciplined cost management has driven efficiency in New Zealand and Mature.

To continue to realise value from these businesses, AMP is well progressed with a portfolio review with all alternatives being considered. As a result, AMP is in discussions with a number of interested parties. While the portfolio review is yet to be concluded, AMP expects to provide a further update at or before its AGM.

Business unit results

Operating earnings (A\$ million)	FY 17	FY 16	% change
Australian wealth management	391	401	(2.5)
AMP Capital	156	144	8.3
AMP Bank	140	120	16.7
Australian wealth protection	110	(415)	n/a
New Zealand financial services	125	126	(0.8)
Australian mature	150	151	(0.7)
Total	1,072	527	103.4

Australian wealth management

Australian wealth management delivered a resilient performance during a period of high margin compression due to final transitions to MySuper. Operating earnings were 2.5 per cent lower at A\$391 million. However, strong growth in net cashflows and 10 per cent growth in other revenue from Advice and SMSF demonstrates the underlying growth trajectory of the business.

Net cashflows increased 177 per cent on FY 16 to A\$931 million, reflecting significant inflows from discretionary super contributions ahead of 1 July 2017 changes to non-concessional caps. The competitive strength of AMP's corporate super platform also supported inflows, up A\$436 million on FY 16 to A\$717 million, with several mandate wins.

North, AMP's flagship wrap platform, continued to perform with net flows of A\$5.7 billion, up 14 per cent on FY 16 and up 28 per cent excluding a one-off significant transfer that occurred in FY 16. Assets under management rose 29 per cent to A\$34.9 billion over the same period.

In 2017, AMP continued its leadership in the Australian retail superannuation sector and paid A\$2.5 billion³ in pensions to support customers in their retirement.

AMP Capital

AMP Capital external net cashflows increased significantly to A\$5.5 billion (FY 16: A\$967 million), the highest since the establishment of AMP Capital in 2003. Cashflows reflect strong international investor interest in AMP Capital's fixed income, real estate and infrastructure capabilities. External assets under management fees rose by 6 per cent to A\$266 million.

³ Pensions paid in Australia in FY 17 across Australian wealth management (A\$2.4b) and Mature (A\$0.1b).

Operating earnings increased 8 per cent on FY 16 to A\$156 million driven by growth in fee income and particularly in real assets. Controllable costs increased 5 per cent reflecting investment in real asset capabilities, growth initiatives and international expansion. AMP Capital's cost to income ratio of 61.5 per cent remains within the full-year target of 60 – 65 per cent.

Direct international institutional clients grew 46 per cent to 291 over the year, with AMP Capital managing A\$12 billion in assets on their behalf. During the period, AMP Capital established a partnership with, and purchased a minority stake in, US real estate investor, PCCP. The partnership brings together AMP Capital's Asian distribution capability with PCCP's US-based investment expertise.

China Life AMP Asset Management⁴ (CLAMP) continues to grow rapidly with AUM increasing 59 per cent to RMB 183.3 billion (A\$36 billion) in FY 17, supported by the launch of 25 new products including diversified, equity and fixed income funds. Total AUM for China Life Pension Company, the pensions joint venture in which AMP owns a 19.99 per cent stake, grew 41 per cent to RMB 531 billion (A\$104.3 billion).

At 31 December 2017, AMP Capital had A\$4.2 billion of committed real asset capital available for investment, up A\$700m from 30 June 2017. AMP Capital invested A\$5.6 billion in new infrastructure and real estate assets in 2017.

AMP Bank

AMP Bank operating earnings rose 17 per cent to A\$140 million (FY 16: A\$120 million). Performance was driven by a 14 per cent rise in residential lending to A\$18.9 billion underpinned by a conservative credit policy. As expected, loan growth moderated in 2H 17 as the market adjusted to new regulatory requirements.

Controllable costs increased in FY 17, reflecting investment in people and technology to support growth, however, the cost to income ratio remained almost flat at 28.6 per cent (FY 16: 28.5 per cent).

Australian wealth protection

Performance in wealth protection stabilised following strengthening of best estimate assumptions and completion of a comprehensive reinsurance program, which occurred in FY 17, effectively reinsuring 65 per cent of AMP's retail life insurance portfolio. Operating earnings improved to A\$110 million in FY 17, with experience largely in line with expectations. Profit margins decreased on FY 16 to A\$99 million reflecting the assumption changes and reinsurance program.

Focus remains on running an efficient and competitive business while maintaining high levels of customer service. In 2017, AMP paid A\$1.1 billion in claims to support customers during their time of need.

New Zealand financial services

Operating earnings, down 1 per cent to A\$125 million, reflect the depreciation of the New Zealand dollar relative to the Australian dollar. In NZ\$ terms, operating earnings increased 1 per cent to NZ\$135 million, driven by higher profit margins and disciplined focus on cost control.

AMP New Zealand financial services continues to hold market-leading positions in wealth protection and wealth management, in addition to being one of the largest KiwiSaver providers with NZ\$5.1 billion in AUM, an increase of 16 per cent on FY 16.

⁴ AMP Capital holds a 15 per cent stake in the China Life AMP Asset Management Company (CLAMP).

Australian mature

Operating earnings of A\$150 million reflect expected portfolio run-off offset by improved investment markets and favourable annuity experience.

Capital and dividend

AMP's capital position remains strong, with level 3 eligible capital resources A\$2,338 million above minimum regulatory requirements at 31 December 2017, up from A\$2,195 million at 31 December 2016. The capital position was strengthened by the second reinsurance program announced at 1H 17. Potential for capital management initiatives will be considered at the conclusion of the portfolio review of AMP's manage for value businesses. AMP expects to provide a further update at or before its AGM.

The final dividend has been maintained at 14.5 cents a share, franked at 90 per cent. The total FY 17 dividend is 29 cents a share and is within AMP's stated target range of 70 to 90 per cent of underlying profit.

More detailed information on the FY 17 result is available in the FY 17 investor report and presentation, both accessible at amp.com.au/shares.

Media teleconference

A conference call for media with Craig Meller (CEO) and Gordon Lefevre (CFO) will be held at 9.15am (AEST) today, 8 February 2018. Dial in details:

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Financial Summary

A\$m	FY 17	FY 16
Profit and loss		
Australian wealth management	391	401
AMP Capital	156	144
AMP Bank	140	120
Australian wealth protection	110	(415)
New Zealand financial services	125	126
Australian mature	150	151
BU operating earnings	1,072	527
Group Office costs	(74)	(104)
Total operating earnings	998	423
Underlying investment income	95	122
Interest expense on corporate debt	(53)	(59)
Underlying profit	1,040	486
Other items	(21)	(9)
Portfolio review and related costs	(24)	-
Business efficiency program costs	-	(19)
Amortisation of AXA acquired intangible assets	(80)	(77)
Goodwill impairment	-	(668)
Profit before market adjustments and accounting mismatches	915	(287)
Market adjustment - investment income	(39)	(46)
Market adjustment - annuity fair value	4	(8)
Market adjustment - risk products	(18)	11
Accounting mismatches	(14)	(14)
Profit attributable to shareholders of AMP Limited	848	(344)

Q4 17 cashflows

Australian wealth management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
North ¹	4,064	3,325	(2,545)	(2,144)	1,519	1,181
AMP Flexible Super ²	752	1,085	(1,013)	(1,130)	(261)	(45)
Summit, Generations and iAccess ³	236	229	(648)	(614)	(412)	(385)
Flexible Lifetime Super (superannuation and pension) ⁴	366	392	(775)	(795)	(409)	(403)
Other retail investment and platforms ⁵	63	65	(112)	(83)	(49)	(18)
Total retail on AMP platforms	5,481	5,096	(5,093)	(4,766)	388	330
SignatureSuper and AMP Flexible Super - Employer	763	843	(634)	(705)	129	138
Other corporate superannuation ⁶	389	586	(459)	(628)	(70)	(42)
Total corporate superannuation	1,152	1,429	(1,093)	(1,333)	59	96
Total retail and corporate superannuation on AMP platforms	6,633	6,525	(6,186)	(6,099)	447	426
External platforms ⁷	358	358	(654)	(703)	(296)	(345)
Total Australian wealth management	6,991	6,883	(6,840)	(6,802)	151	81

Cash inflow composition (A\$m)	Q4 17	Q4 16
Member contributions	1,017	913
Employer contributions	1,030	1,018
Total contributions	2,047	1,931
Transfers, rollovers in and other ⁸	4,944	4,952
Total Australian wealth management	6,991	6,883

¹ North is an award-winning fully functioning wrap platform which includes guaranteed and non-guaranteed options.

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

³ Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.

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

⁵ Other retail investment and platforms include Flexible Lifetime Investments and AMP Personalised Portfolio.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

⁷ External platforms comprise Asgard, Macquarie, BT Wrap platforms and Challenger annuities.

⁸ Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (e.g. retail superannuation to allocated pension/annuities) and external products.

AUM (A\$m)	Q3 17	Q4 17 Net cashflows				Total net cashflows	Other movements ¹	Q4 17
	AUM	Superannuation	Pension	Investment	AUM			
North	31,964	635	390	494	1,519	1,443	34,926	
AMP Flexible Super	16,098	(41)	(220)	-	(261)	505	16,342	
Summit, Generations and iAccess	11,277	(112)	(249)	(51)	(412)	523	11,388	
Flexible Lifetime Super (superannuation and pension)	23,552	(287)	(122)	-	(409)	1,055	24,198	
Other retail investment and platforms	2,468	-	-	(49)	(49)	126	2,545	
Total retail on AMP platforms	85,359	195	(201)	394	388	3,652	89,399	
SignatureSuper and AMP Flexible Super - Employer	17,708	147	(18)	-	129	673	18,510	
Other corporate superannuation	12,696	(70)	-	-	(70)	429	13,055	
Total corporate superannuation	30,404	77	(18)	-	59	1,102	31,565	
Total retail and corporate superannuation on AMP platforms	115,763	272	(219)	394	447	4,754	120,964	
External platforms	9,493	(86)	(103)	(107)	(296)	228	9,425	
Total Australian wealth management	125,256	186	(322)	287	151	4,982	130,389	
Australian wealth management - SuperConcepts²								
Assets under administration	22,466					738	23,204	

¹ Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

² SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms, but does not include Multiport Annual and SuperConcepts Accountants Outsource. JustSuper reported in Q4 17 closing AUA only.

AUM (A\$m)	Q3 17	Q4 17
	AUM	AUM
AUM by product		
Superannuation	75,047	78,248
Pension	35,287	36,191
Investment	14,922	15,950
Total	125,256	130,389
AUM by asset class		
Cash and fixed interest	31%	30%
Australian equities	31%	31%
International equities	26%	27%
Property	6%	6%
Other	6%	6%
Total	100%	100%

AUM summary (A\$b)	Q3 17	Q4 17
	AUM	AUM
Closing AUM	125.3	130.4
Average AUM	124.7	128.9

AMP Capital

AUM (A\$m)	Q3 17	Q4 17 Net cashflows		Total	Other	Q4 17
	AUM	Cash inflows	Cash outflows	net cashflows	movements ¹	AUM ²
External	59,122	5,571	(3,146)	2,425	971	62,518
Internal	121,445	8,146	(8,840)	(694)	4,455	125,206
Total AMP Capital	180,567	13,717	(11,986)	1,731	5,426	187,724

AUM summary (A\$b)	Q3 17	Q4 17
	AUM	AUM
Closing AUM	180.6	187.7
Average AUM	179.6	184.6

¹ Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

² AUM includes invested capital. Committed real asset capital is excluded from AUM.

AMP Bank

AMP Bank by product	Q3 17		Q4 17
Deposits and loans (A\$m)	end balance	Other movements ¹	end balance
Deposits (super and platform) ²	5,126	52	5,178
Deposits (retail) ²	6,808	(429)	6,379
Deposits (other) ²	818	8	826
Loans	19,193	252	19,445

¹ Represents movements in AMP Bank's deposits and loan books.

² At 31 Dec 2017, deposits include AMP Bank retail deposits (A\$6.4b), AMP Supercash and Super TDs (A\$1.9b), North and platform deposits (A\$3.2b), internal deposits (A\$0.7b) and other wholesale deposits (A\$0.2b).

Australian wealth protection

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
Individual risk	373	368	(145)	(139)	228	229
Group risk	92	92	(84)	(76)	8	16
Total Australian wealth protection	465	460	(229)	(215)	236	245

Annual Premium In-force – API (A\$m)	Q3 17	Q4 17
	API	API
Individual lump sum	1,137	1,124
Individual income protection	404	411
Group Risk	376	376
Total	1,917	1,911

New Zealand financial services

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
KiwiSaver	156	145	(101)	(100)	55	45
Other ¹	276	415	(256)	(284)	20	131
Total New Zealand	432	560	(357)	(384)	75	176

AUM (A\$m)	Q3 17	Q4 17 Net cashflows				Total	Other movements ²	Q4 17
	AUM	Superannuation	Pension	Investment	Other	net cashflows		AUM
KiwiSaver	4,476	55	-	-	-	55	92	4,623
Other ¹	10,857	(3)	(1)	17	7	20	217	11,094
Total New Zealand	15,333	52	(1)	17	7	75	309	15,717

¹ Other New Zealand financial services cashflows and AUM includes New Zealand wealth protection, mature and non-KiwiSaver wealth management products.

² Other movements include fees, investment returns, distributions, taxes, as well as foreign currency movements on New Zealand AUM.

New Zealand wealth protection	Q3 17	Q4 17
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	233	229
Individual income protection	43	42
Group Risk	40	41
Total¹	316	312

¹ Total API decreased by A\$4m largely due to the NZ\$ depreciation.

Australian mature

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
Australian mature	130	141	(588)	(476)	(458)	(335)

AUM (A\$m)	Q3 17	Q4 17 Net cashflows				Total	Other movements ¹	Q4 17
	AUM	Superannuation	Pension	Investment	Other	net cashflows		AUM
Australian mature	20,611	(289)	(42)	(16)	(111)	(458)	545	20,698

¹ Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.