

10 May 2018

AMP Limited provides Q1 18 update

- Cashflows subdued in Australian wealth management (AWM); continued strength in AMP Capital and AMP Bank.
- AWM assets under management of A\$128.3 billion at Q1 18, down 2 per cent from Q4 17, largely due to weaker investment markets.
- AWM net cash outflow of A\$200 million, in line with Q1 17, reflects subdued period of activity in superannuation following non-concessional contribution cap changes in 2017.
- Strong net cashflows on AMP's North platform at A\$1.2 billion, up 14 per cent on Q1 17.
- AMP Capital net external cashflows of A\$1.6 billion driven by strong cashflows in real assets.
- AMP Bank's total loan book up 2 per cent to A\$19.8 billion during the quarter.
- Portfolio review of manage for value businesses continues.
- In response to ASIC industry reports 499 and 515, AMP continues to review adviser conduct, customer fees, the quality of advice, and the monitoring and supervision of its advisers. We anticipate that this review will lead to further customer remediation costs and associated expenses. We will provide a further update at or before the 1H 18 results.

AMP interim Executive Chairman Mike Wilkins said:

"The past month has been exceptionally difficult for our customers, shareholders, employees and advisers. We recognise there is a lot to be done to restore the public's confidence in the company, which is a priority for the Board.

"AMP is a well-capitalised company with areas of our business delivering strong growth. AMP Capital saw strong external fund net flows particularly in real assets and AMP Bank continued its loan growth, despite a tighter market. Australian wealth management experienced cashflows in line with Q1 in 2017, as well as a small reduction in AUM following weaker investment markets.

"AMP stands behind its advice business, and the value it creates for customers. However, we have been very disappointed that, in some instances, our customers have not received appropriate levels of service for the fees they have paid. We are working hard to accelerate the remediation for our customers.

"We continue to progress the portfolio review, however we are currently prioritising the performance of the business, board renewal and the appointment of a new CEO."

Commentary

Australian wealth management

- Net cash outflows of A\$200 million in Q1 18 in line with Q1 17. Inflows and outflows in Q1 18 were subdued due to reduced activity in superannuation following 2017 non-concessional contribution cap changes and volatile investment markets in the quarter.
- AMP's wrap platform, North, continued to perform strongly with cashflows growing 14 per cent to A\$1,181 million in Q1 18.
- Total Australian wealth management AUM at the end of Q1 18 was A\$128.3 billion, down 2 per cent from Q4 17 reflecting negative investment markets during the quarter.
- AMP's SMSF business, SuperConcepts, added approximately 5,500 funds across administration and software services during Q1 18, supported by the acquisition of MORE Superannuation. The business now supports more than 64,600 SMSFs.

AMP Capital

- AMP Capital external net cashflows were A\$1.6 billion in Q1 18, an increase from A\$228 million in Q1 17, driven by flows into real assets (real estate and infrastructure investments), and strong performance by China Life AMP Asset Management (CLAMP).
- AUM increased from A\$187.7 billion at the end of Q4 17 to A\$188.1 billion in Q1 18. AUM now includes AMP Capital's 24.9 per cent share of US-based real estate investment manager PCCP's AUM.
- AMP's partnership with China Life continues to grow; AMP Capital's share of CLAMP contributed net cashflows of A\$462 million in Q1 18.
- AMP Capital has A\$4.5 billion of committed real asset capital available for investment.

AMP Bank

- Total loan book grew to A\$19.8 billion during Q1 18, up 2 per cent on Q4 17, supported by continued growth in loan books for both aligned adviser and mortgage broker channels.
- Retail deposit book increased by A\$321 million in Q1 18 relative to Q4 17.

Australian wealth protection

- Australian wealth protection annual premium in-force (API) was down 1 per cent in Q1 18 to A\$1,890 million. The small decline was primarily driven by a 1 per cent fall in API for individual lump sum.


New Zealand financial services

- AMP New Zealand financial services' net cashflows were A\$54 million in Q1 18, up from A\$23 million in Q1 17. The increase was mainly driven by lower cash outflows in retail investments.
- AMP remains one of New Zealand's largest KiwiSaver providers with net cashflows of A\$47 million in Q1 18.

Australian mature

- Australian mature net cash outflows in Q1 18 were A\$323 million, compared to A\$335 million in Q1 17, reflecting the run-off nature of the book. AUM declined 2 per cent to A\$20.4 billion during the quarter.

Update on industry and regulatory compliance investigations

- There are a number of reviews being undertaken by ASIC. These include industry reports 499 and 515 on financial advice. AMP is continuing its program of work to review the nature of ongoing service arrangements between its advisers and customers, and the incidence of inappropriate fees and advice, since 1 July 2008.
- This program is ongoing, however we anticipate that the outcomes will lead to higher customer remediation costs and related expenses, as previously set out in our 2017 annual report. We also expect that enhancements to AMP's control frameworks, governance and systems will be required.
- We expect to provide further clarification at or before the 1H 18 results. 

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Q1 18 cashflows

Australian wealth management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q1 18	Q1 17	Q1 18	Q1 17	Q1 18	Q1 17
North ¹	3,353	3,270	(2,172)	(2,232)	1,181	1,038
AMP Flexible Super ²	554	949	(849)	(1,058)	(295)	(109)
Summit, Generations and iAccess ³	180	228	(595)	(575)	(415)	(347)
Flexible Lifetime Super (superannuation and pension) ⁴	376	421	(664)	(801)	(288)	(380)
Other retail investment and platforms ⁵	137	59	(156)	(73)	(19)	(14)
Total retail on AMP platforms	4,600	4,927	(4,436)	(4,739)	164	188
SignatureSuper and AMP Flexible Super - Employer	684	742	(599)	(655)	85	87
Other corporate superannuation ⁶	338	386	(440)	(475)	(102)	(89)
Total corporate superannuation	1,022	1,128	(1,039)	(1,130)	(17)	(2)
Total retail and corporate superannuation on AMP platforms	5,622	6,055	(5,475)	(5,869)	147	186
External platforms ⁷	321	303	(668)	(688)	(347)	(385)
Total Australian wealth management	5,943	6,358	(6,143)	(6,557)	(200)	(199)

Cash inflow composition (A\$m)	Q1 18	Q1 17
Member contributions	824	888
Employer contributions	987	988
Total contributions	1,811	1,876
Transfers, rollovers in and other ⁸	4,132	4,482
Total Australian wealth management	5,943	6,358

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)	Q4 17	Q1 18 Net cashflows			Total net cashflows	Other movements ¹	Q1 18
	AUM	Superannuation	Pension	Investment			AUM
North	34,926	496	324	361	1,181	(686)	35,421
AMP Flexible Super	16,342	(61)	(234)	-	(295)	(85)	15,962
Summit, Generations and iAccess	11,388	(104)	(263)	(48)	(415)	(163)	10,810
Flexible Lifetime Super (superannuation and pension)	24,198	(181)	(107)	-	(288)	(337)	23,573
Other retail investment and platforms	2,545	-	-	(19)	(19)	(72)	2,454
Total retail on AMP platforms	89,399	150	(280)	294	164	(1,343)	88,220
SignatureSuper and AMP Flexible Super - Employer	18,510	92	(7)	-	85	(232)	18,363
Other corporate superannuation	13,055	(102)	-	-	(102)	(162)	12,791
Total corporate superannuation	31,565	(10)	(7)	-	(17)	(394)	31,154
Total retail and corporate superannuation on AMP platforms	120,964	140	(287)	294	147	(1,737)	119,374
External platforms	9,425	(73)	(96)	(178)	(347)	(164)	8,914
Total Australian wealth management	130,389	67	(383)	116	(200)	(1,901)	128,288
Australian wealth management - SuperConcepts²	23,204					(12)	23,192
Assets under administration							

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, Just Super and Ascend administration platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource and MORE Superannuation.

AUM (A\$m)	Q4 17	Q1 18
	AUM	AUM
AUM by product		
Superannuation	78,248	77,160
Pension	36,191	35,404
Investment	15,950	15,724
Total	130,389	128,288
AUM by asset class		
Cash and fixed interest	30%	30%
Australian equities	31%	31%
International equities	27%	27%
Property	6%	6%
Other	6%	6%
Total	100%	100%

AUM summary (A\$b)	Q4 17	Q1 18
	AUM	AUM
Closing AUM	130.4	128.3
Average AUM	128.9	130.1

AMP Capital

AUM (A\$m)	Q4 17	Q1 18 Net cashflows		Total	Other	Q1 18
	AUM	Cash inflows	Cash outflows	net cashflows	movements ¹	AUM ²
External	62,518	3,430	(1,878)	1,552	2,263	66,333
Internal	125,206	7,989	(9,668)	(1,679)	(1,763)	121,764
Total AMP Capital	187,724	11,419	(11,546)	(127)	500	188,097

AUM summary (A\$b)	Q4 17	Q1 18
	AUM	AUM
Closing AUM	187.7	188.1
Average AUM	184.6	188.7

¹ Other movements include fees, investment returns, distributions, taxes, foreign exchange movements and AMP Capital's 24.9% share of PCCP's AUM.

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

AMP Bank

AMP Bank by product	Q4 17		Q1 18
Deposits and loans (A\$m)	end balance	Other movements ¹	end balance
Deposits (super and platform) ²	5,178	(129)	5,049
Deposits (retail) ²	6,379	321	6,700
Deposits (other) ²	826	(55)	771
Loans	19,445	326	19,771

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

² At 31 Mar 2018, deposits include AMP Bank retail deposits (A\$6.7b), AMP Supercash and Super TDs (A\$1.8b), North and platform deposits (A\$3.2b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.2b).

Australian wealth protection

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q1 18	Q1 17	Q1 18	Q1 17	Q1 18	Q1 17
Individual risk	358	356	(140)	(124)	218	232
Group risk	88	120	(72)	(85)	16	35
Total Australian wealth protection	446	476	(212)	(209)	234	267

Annual Premium In-force – API (A\$m)	Q4 17	Q1 18
	API	API
Individual lump sum	1,124	1,108
Individual income protection	411	408
Group Risk	376	374
Total	1,911	1,890

New Zealand financial services

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q1 18	Q1 17	Q1 18	Q1 17	Q1 18	Q1 17
KiwiSaver	150	151	(103)	(96)	47	55
Other ¹	220	231	(213)	(263)	7	(32)
Total New Zealand	370	382	(316)	(359)	54	23

AUM (A\$m)	Q4 17	Q1 18 Net cashflows				Total		Q1 18
	AUM	Superannuation	Pension	Investment	Other	net cashflows	Other movements ²	AUM
KiwiSaver	4,623	47	-	-	-	47	86	4,756
Other ¹	11,094	4	(1)	(5)	9	7	187	11,288
Total New Zealand	15,717	51	(1)	(5)	9	54	273	16,044

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	Q4 17	Q1 18
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	229	237
Individual income protection	42	43
Group Risk	41	43
Total¹	312	323

¹ Total API increased by A\$11m largely due to the NZ\$ appreciation.

Australian mature

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q1 18	Q1 17	Q1 18	Q1 17	Q1 18	Q1 17
Australian mature	120	129	(443)	(464)	(323)	(335)

AUM (A\$m)	Q4 17	Q1 18 Net cashflows				Total		Q1 18
	AUM	Superannuation	Pension	Investment	Other	net cashflows	Other movements ¹	AUM
Australian mature	20,698	(151)	(40)	(17)	(115)	(323)	(1)	20,374

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