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Manager
ASX Market Announcements
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AMP Limited (ASX/NZX: AMP)

Half year financial results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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AMP Limited

ABN 49 079 354 519

ASX Appendix 4D for the Half Year Ended 30 June 2018

The information contained in this document should be read in conjunction with the AMP Limited Directors' Report and Financial Report for the half year ended 30 June 2018 and the AMP Limited Annual Report for the year ended 31 December 2017 and any public announcements made by AMP Limited and its controlled entities during the half year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 Jun 2018	30 Jun 2017	%
	\$m	\$m	movement
Financial results			
Revenue from ordinary activities ¹	7,173	7,610	-6%
Profit from ordinary activities after tax attributable to members	115	445	-74%
Net profit for the period attributable to members	115	445	-74%

1 Revenue from ordinary activities includes amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of life insurance contract related revenue including life insurance claims recovered from reinsurers of \$1,436m (2017: \$1,347m), fee revenue of \$1,554m (2017: \$1,577m), other revenue of \$79m (2017: \$40m), net investment gains of \$4,085m (2017: \$4,635m gain) and share of profit of associates accounted for using the equity method of \$19m (2017: \$11m).

	Amount per security (cents)	Franked amount per security (cents)
Dividends		
- Interim dividend (payable) (franked to 50% at a tax rate of 30%) ^{1,2}	10.00	5.00
- Final dividend (paid) (franked to 90% at a tax rate of 30%)	14.50	13.05
The record date to determine entitlements to the interim dividend	23-Aug-2018	
The date the interim dividend is payable	28-Sep-2018	

1 The unfranked component of the 2018 interim dividend will be declared to be conduit foreign income.

2 AMP has a dividend reinvestment plan (DRP) under which shareholders who have a registered address in, and are residents of, Australia and New Zealand are invited to reinvest all or part of any dividends receivable in additional shares. The price of the shares under the plan will be the arithmetic average of the daily volume weighted average price per share of all shares sold in the ordinary course of trading on the ASX for the 8 trading days from 28 August 2018 to 6 September 2018, rounded to the nearest one cent. For the 2018 interim dividend, no discount to the price will apply. AMP intends to issue new shares to satisfy any entitlements under the DRP. Shares provided under the DRP will rank equally in all respects with existing fully paid AMP ordinary shares. The last date for receipt of election notices from shareholders wanting to commence, cease or vary their participation in the DRP for the 2018 interim dividend is by 5.00pm (Australian Eastern Standard Time) on 24 August 2018.

	30 Jun 2018	30 Jun 2017
	\$	\$
Net tangible assets per ordinary share		
Net tangible assets per ordinary share	1.30	1.40

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For the half year ended 30 June 2018

COMMENTARY

Principal activities

AMP is Australia and New Zealand's leading wealth management company, with an expanding international investment management business and a growing retail banking business in Australia.

We provide retail customers in Australia and New Zealand with financial advice and superannuation, retirement income and investment products. We also provide superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of close to 3,100 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with third-party distributors.

Through AMP Capital, we manage investments across major asset classes including equities, fixed income, infrastructure, real estate, diversified, multi-manager and multi-asset funds, for domestic and international customers. AMP Capital also provides commercial, industrial and retail real estate management services.

We have over 5,900 employees, around 750,000 shareholders and manage and administer \$260 billion in assets.

AMP Capital has a strategic alliance with leading Japanese bank, Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) through which MUFG: Trust Bank holds a 15% minority interest in AMP Capital Holdings Limited. AMP Capital holds a 15% stake in China Life AMP Asset Management Company Limited, a funds management company which offers retail and institutional investors in China access to leading investment solutions. AMP also owns a 19.99% stake in China Life Pension Company.

The *Australian wealth management* business provides customers with superannuation, retirement income, investment, SMSF software and administration and financial advice services (through aligned and owned advice businesses).

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, real estate, diversified, multi-manager and multi-asset funds.

AMP Bank is an Australian retail bank participating in residential mortgage lending, and retail and platform deposits. AMP Bank's mission is to help customers with their goals for life, providing them with targeted retail banking solutions focused on wealth creation in support of their goals. AMP Bank also provides financing to AMP financial planning businesses. AMP Bank's products and services enable AMP to be relevant over a wider set of financial goals, earlier in the customer's lifecycle and with higher customer interaction.

Australian wealth protection comprises term life, disability and income protection insurance products sold on an individual and group basis. Insurance products can be bundled with a superannuation product or held independently.

New Zealand financial services provides tailored financial products and solutions to New Zealanders both directly and through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being a market advocate for quality financial advice.

The *Australian mature* business is the largest closed life insurance business in Australia. Australian mature AUM comprises capital guaranteed products (77%) and market linked products (23%). Australian mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

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Resetting the business

On 27 July 2018, AMP outlined a series of actions to reset the business, prioritise customers and strengthen risk management systems and controls.

These actions include:

- *Accelerating advice remediation* – to ensure impacted advice customers are appropriately compensated. 1H 18 results include a provision of \$290 million (post-tax) for potential advice remediation in relation to ASIC reports 499 and 515, which require an industry-wide 'look back' of advice provided from 1 July 2008 and 1 January 2009, respectively.
- *Delivering improved value for around 700,000 customers* – through fee reductions to AMP's flagship MySuper products in 3Q 18.
- *Investing to strengthen risk management systems and controls* – increased investment of approximately \$35 million (post-tax) per annum to upgrade risk management controls and strengthen compliance systems across the business over the next two years.
- *Reprioritising the portfolio review* – to realise capital from the manage for value businesses. AMP remains in active discussions with a number of interested parties.

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period, the longest of which is between 10 May 2012 and 15 April 2018. The claims are yet to be quantified and participation has not been determined. AMP Limited has filed its defence in the action brought in the Supreme Court of NSW. The various other competing proceedings are receiving focus with a view to the consolidation of all of the competing class actions into one court. AMP Limited intends to vigorously defend these actions.

ASIC civil penalty proceedings

AMP Financial Planning Pty Limited (AMPFP), a wholly owned subsidiary of AMP Limited, is the subject of proceedings brought by ASIC on 27 June 2018. The proceedings allege contraventions of the Corporations Act 2001 (Cth) by AMPFP relating to the alleged conduct of certain of its authorised financial advisers in providing advice to customers in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer. ASIC's claim is in respect of 6 advisers and 40 instances of advice. ASIC is seeking declarations that AMPFP contravened various sections of the Corporations Act and orders that AMPFP pay pecuniary penalties of an unspecified amount. AMPFP is currently considering, and will respond to, the statement of claim served on it on 25 July 2018.

Review of operations and results

The profit attributable to shareholders of AMP Limited for the half year ended 30 June 2018 was \$115 million (1H 17: \$445 million).

AMP's underlying profit for the half year ended 30 June 2018 was \$495 million (1H 17: \$533 million).

Underlying profit 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. Underlying profit excludes the impact of market volatility, accounting mismatches and other items.

Basic earnings per share for the half year ended 30 June 2018 on a statutory basis were 4.0 cents per share (1H 17: 15.3 cents per share). On an underlying basis, the earnings per share were 17.0 cents per share (1H 17: 18.1 cents per share).

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For the half year ended 30 June 2018

Key performance measures were as follows:

- 1H 18 underlying profit of \$495 million decreased 7% from \$533 million in 1H 17, driven by a deterioration in experience and one-off capitalised losses in Australian wealth protection earnings partly offset by growth in AMP Bank (+20%), Australian wealth management (+6%) and AMP Capital (+2%).
- Australian wealth management earnings of \$204 million increased 6% from 1H 17, largely due to growth in other revenue and lower controllable costs offsetting elevated margin compression driven by MySuper transitions in Q2 17.
- Australian wealth management net cash outflows were \$873 million, down from net cashflows of \$1,023 million in 1H 17, reflecting subdued cashflows in Q2 18. 1H 17 benefited from \$521 million in Corporate Super mandate wins and higher member contributions in the lead up to the 1 July 2017 changes to contribution limits.
- AMP Capital external net cashflows were \$1,591 million, down from \$2,439 million in 1H 17. Net cashflows were driven by strong flows into real asset classes (infrastructure and real estate).
- Underlying return on equity decreased 0.7 percentage points to 13.8% in 1H 18 from 1H 17, reflecting reduced operating earnings in the Australian wealth protection business.

AMP's total assets under management (AUM) and administration were \$260 billion at 30 June 2018 (\$257 billion at 31 December 2017).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to \$7.0 billion at 30 June 2018 from \$7.2 billion at 31 December 2017.

AMP remains adequately capitalised, with \$1.8 billion in shareholder regulatory capital resources, above Minimum Regulatory Requirements (MRR) at 30 June 2018 (\$2.3 billion at 31 December 2017).

AMP's interim 2018 dividend is 10.0 cents per share, franked to 50%. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2018 interim dividend, no discount will apply to the DRP allocation price. AMP intends to issue new shares to participants in the DRP.

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DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES

Changes in controlled entities comprise entities acquired and disposed through (a) activities in respect of investment entities controlled by the AMP life insurance entities' statutory funds and (b) purchase, sale, formation, and deregistration of minor operating controlled entities. There has been no material contribution to the profit of AMP group from entities acquired and disposed of during the half year.

Changes in controlled entities during the half year ended 30 June 2018 Name of entity	Date control	
	gained over entity	lost over entity
AMP Capital Absolute Return Growth Fund	1-Feb-18	
AMP Capital Australian Equity Income Focus Trust	1-Jun-18	
AMP Capital Australian Equity Income Fund	2-Apr-18	
AMP Capital Balanced Growth Fund	2-Apr-18	
AMP Capital Dynamic Markets Fund	2-Apr-18	
AMP Capital Finance (US) LLC	16-Mar-18	
AMP Capital Global Long Term Alpha Fund	1-Jun-18	
AMP Capital Global Property Securities Fund	2-Jan-18	
AMP Global Listed Infrastructure Index Fund Hedged	2-Apr-18	
AMP Life Australian Equities Fund	1-Mar-18	
More Superannuation Pty Ltd	30-Jan-18	
NZ Shares Index Fund	2-Apr-18	
SMA Tax & SMSF Services Pty Ltd	23-Mar-18	
SMSF Managers Pty Limited	23-Mar-18	
AMP Capital Credit Strategies Fund		2-Apr-18
AMP Capital Investors (Singapore) Private Property Trust Management Ltd		5-Apr-18
AMP International Equity Index Fund		2-Jan-18
Core Plus Fund		2-Apr-18
Didus Pty Ltd		21-Jan-18
EFM Alternative Fund 1		2-Jan-18
EFM Australian Share Fund 12		2-Jan-18
EFM Australian Share Fund 13		2-Jan-18
EFM Australian Share Fund 14		2-Jan-18
EFM Australian Share Fund 15		2-Apr-18
EFM Australian Share Fund 17		2-Jan-18
EFM Australian Share Fund 18		2-Apr-18
EFM Fixed Interest Fund 11		2-Apr-18
EFM Fixed Interest Fund 12		2-Jan-18
EFM Fixed Interest Fund 14		2-Jan-18
EFM Infrastructure Fund 3		2-Jan-18
EFM International Share Fund 15		2-Jan-18
EFM International Share Fund 16		2-Jan-18
EFM International Share Fund 17		2-Jan-18
EFM International Share Fund 18		2-Jan-18
EFM Listed Property Fund 3		2-Jan-18
Future Directions Private Equity Fund 1B		2-Apr-18
Future Directions Private Equity Fund 2B		2-Apr-18
Future Directions Private Equity Fund 3B		2-Apr-18
Global Credit Fund		2-Apr-18
The Pinnacle Fund		2-Apr-18

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DETAILS OF INVESTMENTS IN ASSOCIATED ENTITIES AND JOINT VENTURE ENTITIES

The majority of investment assets held by AMP are in the Australian life insurance statutory funds and measured at fair value through profit or loss. At any one time, the life insurance statutory funds hold investments in various vehicles, including associated entities, on behalf of policyholders. These investments are not part of the core wealth management business of AMP and did not have a material impact on the financial performance of the group. Investments in other associated entities which are accounted for using the equity method comprise a number of minor operating entities.

Significant associates and joint ventures of the Group as at 30 June 2018

	Ownership interest	
	30 Jun 2018	31 Dec 2017
	%	%
AIMS AMP Capital Industrial REIT	10	5
AMP Capital Australian Equity Income Fund	-	33
AMP Capital Balanced Growth Fund	-	49
AMP Capital Dynamic Markets Fund	24	26
AMP Capital Global Property Securities Fund	-	43
AMP Capital Multi-Asset Fund	21	22
AMP Capital NZ Shares Fund	32	31
AMP International Equity Index Fund	50	-
Australian Corporate Bond Fund	23	24
China Life AMP Asset Management Company Ltd	15	15
China Life Pension Company	19.99	19.99
Global Infrastructure Fund	5	8
Global Property Securities Composite Index Fund	48	47
Gove Aluminium Finance Limited	30	30
K2 Australian Absolute Return Fund	26	26
Legg Mason Martin Currie Real Income Fund	22	23
PCCP LLC	25	25
PSK Financial Services Group Pty Ltd	42	-
Responsible Investment Leaders Balanced Fund	24	24
United Capital Financial Advisers, LLC	6.80	6.80
Wholesale Unit Trust MSCI Global Index Share Fund	37	40