

8 August 2018


Manager
ASX Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Client and Market Services Team
NZX Limited
Level 1, NZX Centre, 11 Cable Street
PO Box 2959
Wellington, New Zealand

AMP Limited (ASX/NZX: AMP)

Half year financial results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

- Part One: Appendix 4D
Appendix 3A.1
- Part Two: AMP reports 1H 18 results** 
- Part Three: Investor presentation
- Part Four: Investor report
- Part Five: Directors' report and financial report
- Part Six: Chairman and Acting Chief Executive remuneration arrangements

8 August 2018

AMP reports 1H 18 results

- 1H 18 underlying profit¹ of A\$495 million (1H 17: A\$533 million) and net profit² of A\$115 million (1H 17: A\$445 million). Net profit reflects advice remediation provision announced on 27 July.
- Strong growth in AMP Bank with earnings up 20 per cent on 1H 17.
- Continued momentum in AMP Capital; operating earnings up 2 per cent on 1H 17 during period of investment in real assets capability and international expansion.
- Australian wealth management resilient in a challenging environment; operating earnings increased 6 per cent to A\$204 million; assets under management increased 6 per cent to A\$132 billion.
- Australian wealth protection profit margins of A\$46 million (1H 17: A\$49 million); operating earnings declined to A\$1 million due to higher than expected claims activity and reserve strengthening on a large terminated group plan.
- Strong performance on controllable costs; on track to at least achieve FY 18 cost guidance.
- Surplus capital of A\$1.8 billion above minimum regulatory requirements. Interim dividend of 10 cents per share, franked to 50 per cent.

AMP Acting Chief Executive Mike Wilkins said:

“Our first half results have demonstrated AMP’s resilience through a difficult period. While there will be further challenges ahead, we have a strong foundation on which to reset the business and restore the confidence of our customers and the wider community.

“AMP Bank and AMP Capital have continued to grow and our Australian wealth management business has again shown its ability to respond to changing market circumstances, broadening its revenue base and managing its controllable costs.

“The events around the Royal Commission into financial services have challenged our reputation, and while we continue to monitor the impacts, we have taken action to stabilise the business and move forward.

“Headwinds remain for the second half of the year, but our focus is clear. We’ll continue to prioritise our customers, putting their interests first. We’ll progress the transformation of our advice business, strengthen risk management and accelerate the portfolio review aiming to release further capital from our manage for value businesses.

“We’re driving change right across the business and are dedicated to delivering the services that are critical to our customers and the Australian economy, helping to earn back trust in AMP.

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.

Business unit results

Operating earnings (A\$ million)	1H 18	1H 17	% change
Australian wealth management	204	193	5.7
AMP Capital	94	92	2.2
AMP Bank	78	65	20.0
Australian wealth protection	1	52	(98.1)
New Zealand financial services	56	65	(13.8)
Australian mature	70	75	(6.7)
Total	503	542	(7.2)

Australian wealth management

Australian wealth management operating earnings increased 5.7 per cent in 1H 18, driven by growth in other revenue from Advice and SMSF businesses and lower controllable costs. This growth has offset the impact of margin compression, which was elevated in 1H 18 due to the final MySuper transitions in Q2 17.

Recently-announced fee reductions to AMP's flagship MySuper products, benefiting around 700,000 existing customers, have no impact on the 1H 18 result but are expected to reduce investment related revenue to AUM by A\$12 million in 2H 18 and by an annualised A\$50 million from FY 19. Excluding this impact, investment related revenue to AUM margin compression is expected to average 3 to 4 per cent over the long term but may be volatile from period to period.

Net cash outflows of A\$873 million in 1H 18 reflect a period where member contributions were generally more subdued, particularly in comparison to 1H 17 when cashflows were elevated by Corporate Super mandate wins and higher superannuation contributions ahead of changes to non-concessional caps on 1 July 2017. During Q2 18, flows were also impacted by the Royal Commission hearings.

AMP's award-winning North platform attracted strong net cashflows of A\$2.5 billion in 1H 18 (1H 17: A\$2.9 billion) despite challenging external conditions. North's assets under management increased A\$2.9 billion to A\$37.9 billion in 1H 18.

During the period, AMP paid A\$1.2 billion in pensions to support customers in their retirement, which is included in cash outflows.

AMP Capital

AMP Capital operating earnings increased 2.2 per cent on 1H 17 to A\$94 million, driven by growth in fee income. Fee growth was partially offset by higher controllable costs related to investment in real asset capabilities and international expansion.

AMP Capital's external net cashflows of A\$1.6 billion in 1H 18 were down on the A\$2.4 billion of net cashflows in 1H 17. However, strong momentum remains in global infrastructure and domestic real estate. AMP Capital's average AUM increased 7 per cent to A\$189 billion driven in part by real asset investments during the half and positive investment returns.

During the period, AMP Capital invested more than A\$1.5 billion in new real estate and infrastructure assets on behalf of investors, including the 49 per cent acquisition of London Luton Airport. At 30 June, AMP Capital had an additional A\$5.2 billion in uncalled committed capital available for deployment.

Controllable costs increased 9 per cent reflecting investment in international growth and the delivery of a real estate development program domestically, notably the landmark Quay Quarter Sydney development at Circular Quay. AMP Capital continues to target a full-year cost to income ratio of 60-65 per cent.

Direct international institutional clients grew to 295 in 1H 18, with AMP Capital managing A\$14.2 billion in assets on their behalf, an increase of 18 per cent from FY 17. This growth was driven by strong interest in AMP Capital's infrastructure platform.

China Life AMP Asset Management³ (CLAMP) continues to grow with AUM increasing 3 per cent to RMB 188.1 billion (A\$38.4 billion) in 1H 18, supported by the launch of 12 new products including diversified, equity and fixed income funds.

Total AUM for China Life Pension Company (CLPC), the pensions joint venture in which AMP owns a 19.99 per cent stake, grew 22 per cent to RMB 647.8 billion (A\$132.3 billion). CLPC has been selected as a trustee manager for the occupational pension plans for Xinjiang province, Shandong province and the central government, the only three to have tendered to date. China's occupational pensions roll-out will deliver a compulsory superannuation-like system for around 40 million public sector employees.

AMP Bank

AMP Bank operating earnings increased 20 per cent to A\$78 million in 1H 18 (1H 17: A\$65 million) driven by an 8 per cent rise in its residential lending book to A\$19.7 billion and improved deposit margins. As a result, net interest margin (NIM) was 1.72 per cent for 1H 18, an increase of five basis points from 1H 17.

During the period, AMP Bank's capital position was strengthened in response to changing regulatory requirements and a securitisation undertaken in June 2018. The Common Equity Tier 1 (CET1) for 1H 18 was 10.3 per cent, up from 8.8 per cent at 1H 17.

Controllable costs increased in 1H 18, reflecting ongoing investment in technology and operating capability to support mortgage growth and customer service improvements.

Australian wealth protection

Australian wealth protection operating earnings decreased by A\$51 million to A\$1 million in 1H 18, impacted by a deterioration in claims experience and capitalised losses. Negative claims experience was driven by higher than expected claims activity, primarily in total and permanent disability (TPD), which reflects a wider industry challenge. Capitalised losses and other one-off experience of A\$29 million was largely due to reserve strengthening on a large group plan, which terminated on 1 July 2018.

³ AMP Capital holds a 15 per cent stake in the China Life AMP Asset Management Company (CLAMP).

Profit margins declined by A\$3 million to A\$46 million in 1H 18, reflecting the implementation of previously-announced reinsurance agreements, partially offset by cost savings.

The focus remains on running an efficient and competitive business while maintaining high levels of customer service. During the period, AMP paid A\$597 million in claims to support customers in their time of need.

New Zealand financial services

New Zealand operating earnings decreased by A\$9 million to A\$56 million in 1H 18, driven by lower profit margins and reduced experience profits.

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 approximately 228,000 KiwiSaver customers and NZ\$5.2 billion in AUM, an increase of 12 per cent on 1H 17.

Australian mature

In line with expectations, Australian mature operating earnings of A\$70 million in 1H 18 reflect the impact of expected portfolio run-off offset by lower controllable costs.


Costs, capital and dividend

Strong performance on controllable costs reflects run rate benefits from 2017 business efficiency and restructure activities. FY 18 controllable costs (ex AMP Capital) are expected to at least achieve FY 18 guidance.

AMP's level 3 eligible capital surplus was A\$1,810 million above minimum regulatory requirements at 30 June 2018 (FY 17: A\$2,338 million). The decrease includes impacts from the A\$290 million (post-tax) advice remediation provision and changes to best estimate assumptions in Australian wealth protection.

The interim dividend is 10 cents per share, franked at 50 per cent. As flagged to the market on 27 July, this is outside AMP's 70-90 per cent guidance range, enabling AMP to retain capital and strategic flexibility over the coming period. AMP is targeting a total FY 18 dividend payout within, but at the lower end of, its 70-90 per cent guidance range.

Clear 2H 18 priorities

AMP has clear priorities for the second half of the year. It is continuing its actions to prioritise customers and restore confidence. The transformation of advice is underway, including the acceleration of advice remediation and reshaping of AMP's advice network. Investment is being made to further strengthen risk management and controls across the business. As previously announced, AMP has also reprioritised the portfolio review of its manage for value businesses. AMP is also focused on maintaining momentum in its growth businesses. 

More detailed information on the 1H 18 result is available in the 1H 18 investor report and presentation, both accessible at amp.com.au/shares.

Media teleconference

A conference call for media with Mike Wilkins (Acting CEO) and Gordon Lefevre (CFO) will be held at 9.00am (AEST) today, 8 August 2018. Dial in details:

Australia: Toll free 1800 838 758

New Zealand: Toll free 0800 447 258

An analyst briefing starting at 10.00am can be viewed via webcast at amp.com.au/webcasts.

Media enquiries

Catherine Woods

Mobile: +61 477 320 333

Mark Roberts

Mobile: +61 466 328 581

Investor enquiries

Howard Marks

Phone: +61 2 9257 7109

Mobile: +61 402 438 019

Michael Leonard

Phone: +61 2 9257 5207

Mobile: +61 466 773 093

Q2 18 cashflows

Australian wealth management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 18	Q2 17	Q2 18	Q2 17	Q2 18	Q2 17
North ¹	4,070	5,727	(2,778)	(3,886)	1,292	1,841
AMP Flexible Super ²	725	1,598	(1,175)	(1,618)	(450)	(20)
Summit, Generations and iAccess ³	232	786	(684)	(1,255)	(452)	(469)
Flexible Lifetime Super (superannuation and pension) ⁴	481	669	(978)	(976)	(497)	(307)
Other retail investment and platforms ⁵	52	78	(130)	(96)	(78)	(18)
Total retail on AMP platforms	5,560	8,858	(5,745)	(7,831)	(185)	1,027
SignatureSuper and AMP Flexible Super - Employer	762	1,508	(747)	(649)	15	859
Other corporate superannuation ⁶	390	475	(555)	(660)	(165)	(185)
Total corporate superannuation	1,152	1,983	(1,302)	(1,309)	(150)	674
Total retail and corporate superannuation on AMP platforms	6,712	10,841	(7,047)	(9,140)	(335)	1,701
External platforms ⁷	329	608	(667)	(1,087)	(338)	(479)
Total Australian wealth management	7,041	11,449	(7,714)	(10,227)	(673)	1,222

Cash inflow composition(A\$m)	Q2 18	Q2 17
Member contributions	1,163	2,075
Employer contributions	1,215	1,253
Total contributions	2,378	3,328
Transfers, rollovers in and other ⁸	4,663	8,121
Total	7,041	11,449

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)	Q1 18	Q2 18 Net cashflows			Total net cashflows	Other movements ¹	Q2 18
	AUM	Superannuation	Pension	Investment			AUM
North	35,421	778	257	257	1,292	1,160	37,873
AMP Flexible Super	15,962	(92)	(358)	-	(450)	605	16,117
Summit, Generations and iAccess	10,810	(141)	(235)	(76)	(452)	384	10,742
Flexible Lifetime Super (superannuation and pension) ²	23,573	(357)	(140)	-	(497)	860	23,936
Other retail investment and platforms	2,454	-	-	(78)	(78)	109	2,485
Total retail on AMP platforms	88,220	188	(476)	103	(185)	3,118	91,153
SignatureSuper and AMP Flexible Super - Employer	18,363	36	(21)	-	15	560	18,938
Other corporate superannuation ³	12,791	(165)	-	-	(165)	364	12,990
Total corporate superannuation	31,154	(129)	(21)	-	(150)	924	31,928
Total retail and corporate superannuation on AMP platforms	119,374	59	(497)	103	(335)	4,042	123,081
External platforms	8,914	(51)	(126)	(161)	(338)	346	8,922
Total Australian wealth management	128,288	8	(623)	(58)	(673)	4,388	132,003
Australian wealth management - SuperConcepts⁴							
Assets under administration	23,192					990	24,182

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

² Flexible Lifetime Super (superannuation and pension) includes A\$5.4b in MySuper (Q1 18 A\$5.2b).

³ Other corporate superannuation includes A\$6.0b in MySuper (Q1 18 A\$5.8b).

⁴ SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF, Just Super and Ascend platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

AUM (A\$m)	Q1 18	Q2 18
	AUM	AUM
AUM by product		
Superannuation	77,160	79,597
Pension	35,404	36,090
Investment	15,724	16,316
Total	128,288	132,003
AUM by asset class		
Cash and fixed interest	30%	30%
Australian equities	31%	30%
International equities	27%	27%
Property	6%	6%
Other	6%	7%
Total	100%	100%

AUM (A\$m)	Q1 18	Q2 18
	AUM	AUM
Closing AUM	128.3	132.0
Average AUM	130.1	130.4

AMP Capital

AUM (A\$m)	Q1 18	Q2 18 Net cashflows		Total	Other	Q2 18
	AUM	Cash inflows	Cash outflows	net cashflows	movements ¹	AUM ²
External	66,333	3,114	(3,075)	39	724	67,096
Internal	121,764	6,280	(7,722)	(1,442)	1,838	122,160
Total AMP Capital	188,097	9,394	(10,797)	(1,403)	2,562	189,256

AUM summary (A\$b)	Q1 18	Q2 18
	AUM	AUM
Closing AUM	188.1	189.3
Average AUM	188.7	189.5

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

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

AMP Bank

AMP Bank by product	Q1 18	Other	Q2 18
Deposits and loans (A\$m)	end balance	movements ¹	end balance
Deposits (super and platform) ²	5,049	52	5,101
Deposits (retail) ²	6,700	239	6,939
Deposits (other) ²	771	(104)	667
Loans	19,771	477	20,248

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

² At 30 Jun 2018, deposits include AMP Bank retail deposits (A\$6.9b), AMP Supercash and Super TDs (A\$1.8b), North and platform deposits (A\$3.3b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.1b).

Australian wealth protection

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 18	Q2 17	Q2 18	Q2 17	Q2 18	Q2 17
Individual risk	372	367	(207)	(145)	165	222
Group risk	115	111	(99)	(91)	16	20
Total Australian wealth protection	487	478	(306)	(236)	181	242

Risk Insurance Annual Premium	Q1 18	Q2 18
In-force – API (A\$m)	API	API
Individual lump sum	1,108	1,090
Individual income protection	408	405
Group Risk	374	371
Total	1,890	1,866

New Zealand financial services

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 18	Q2 17	Q2 18	Q2 17	Q2 18	Q2 17
KiwiSaver	149	157	(115)	(98)	34	59
Other ¹	221	234	(260)	(262)	(39)	(28)
Total New Zealand	370	391	(375)	(360)	(5)	31

AUM (A\$m)	Q1 18	Q2 18 Net cashflows				Total net cashflows	Other movements ²	Q2 18
	AUM	Superannuation	Pension	Investment	Other			AUM
KiwiSaver	4,756	34	-	-	-	34	(7)	4,783
Other ¹	11,288	(20)	(2)	(27)	10	(39)	(40)	11,209
Total New Zealand	16,044	14	(2)	(27)	10	(5)	(47)	15,992

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	Q1 18	Q2 18
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	237	231
Individual income protection	43	41
Group Risk	43	42
Total¹	323	314

¹ Total API decreased by A\$9m largely due to the NZ\$ depreciation.

Australian mature

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 18	Q2 17	Q2 18	Q2 17	Q2 18	Q2 17
Australian mature	161	188	(626)	(589)	(465)	(401)

AUM (A\$m)	Q1 18	Q2 18 Net cashflows				Total net cashflows	Other movements ¹	Q2 18
	AUM	Superannuation	Pension	Investment	Other			AUM
Australian mature	20,374	(275)	(45)	(24)	(121)	(465)	320	20,229

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