

AMP Limited

ABN 49 079 354 519

ASX Appendix 4D for the Half Year Ended 30 June 2019

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 2019 and the AMP Limited Annual Report for the year ended 31 December 2018 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 2019	30 Jun 2018	%
Financial results	\$m	\$m	movement
Revenue from ordinary activities ¹	15,895	7,189	121% increase
(Loss) profit from ordinary activities after tax attributable to members	(2,292)	115	2,093% decrease
Net (loss) profit for the period attributable to members	(2,292)	115	2,093% decrease

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 \$1,416m (2018: \$1,436m), fee revenue of \$1,491m (2018: \$1,548m), other revenue of \$78m (2018: \$85m), net investment gains of \$12,871m (2018: \$4,101m gain) and share of profit of associates accounted for using the equity method \$39m (2018: \$19m).

Dividends	Amount per security (cents)	Franked amount per security (cents)
- Interim dividend (payable)	-	-
- Final dividend (paid) (franked to 90% at a tax rate of 30%)	4.00	3.60
The record date to determine entitlements to the interim dividend	n/a	
The date the interim dividend is payable	n/a	

	30 Jun 2019	30 Jun 2018
Net tangible assets per ordinary share	\$	\$
Net tangible assets per ordinary share	1.15	1.30

ASX Appendix 4D

For the half year ended 30 June 2019

COMMENTARY

Principal activities

AMP is a wealth management company with an expanding international investment management business and a growing retail banking business.

We provide retail customers with financial advice and superannuation, retirement income, banking, investment products and life insurance. These products and services are delivered directly from AMP and through a network of over 2,300 aligned and employed financial advisers and extensive relationships with independent financial advisers. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

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.

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. 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.

The *Australian wealth management (WM)* business provides retail and corporate customers with superannuation, retirement income and investment products and services. WM includes AMP's aligned and owned advice businesses and SuperConcepts.

The *New Zealand wealth management* business encompasses the wealth management and financial advice and distribution businesses in New Zealand. The company provides customers with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.

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. 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 life cycle and with higher customer interaction. AMP Bank distributes its solutions by leveraging AMP's advice network, brokers and directly.

Australian and New Zealand wealth protection and mature comprises Australian wealth protection, Australian mature and New Zealand wealth protection and mature. The Australian wealth protection business includes individual and group term, disability and income protection insurance products. Products can be held within a superannuation product or held independently of superannuation. The Australian mature business comprises products which are largely closed to new business and are in run-off. The New Zealand wealth protection and mature business includes a risk insurance and mature book (traditional participating business).

ASX Appendix 4D

For the half year ended 30 June 2019

Strategy

On 8 August 2019, AMP announced its three-year strategic plan to transform the business into a simpler, client-focused business that is higher growth and higher return. Under the strategy, AMP will:

- Divest majority ownership in Australian and New Zealand wealth protection and mature to release capital and further localise New Zealand wealth management, exploring options to divest.
- Reinvent wealth management in Australia, helping clients realise their ambitions.
 - o Grow contemporary solutions in Australian wealth management including shifting focus to direct-to-client channels and digital solutions.
 - o Further integrate AMP Bank solutions with wealth management, continuing strong growth; target double-digit earnings growth over medium term.
 - o Fix legacy issues in Australian wealth management including reshaping aligned advice (buyback changes; fewer, more productive advisers), simplifying super.
- Grow AMP Capital through differentiated capabilities such as in real assets and public markets, pursue international growth opportunities.
 - o Continue to expand global footprint in real assets, growing customised solutions.
 - o Build on strong relationships in China, Japan, US; explore opportunities to expand real asset and global equity capabilities into international markets.
 - o Double-digit earnings growth over the medium term through the cycle.
- Reinvigorate AMP culture to be client led, entrepreneurial, and accountable, with effective management of financial and non-financial risk.

The strategy will be supported by a focussed and disciplined \$1.0 billion – \$1.3 billion program to invest in transformation.

- Investing in growth (\$350–\$450 million investment).
- Realising cost improvement (\$350–\$450 million investment).
 - o Delivery of \$300 million annual run-rate cost savings by FY 22.
- Tackling legacy issues by de-risking the business (\$300–\$400 million investment).

Sale of wealth protection and mature businesses

On 8 August 2019, AMP announced a revised agreement with Resolution Life Australia Pty Ltd (Resolution), with updated terms, for the sale of its Australian and New Zealand wealth protection (WP) and mature businesses.

The revised agreement delivers consideration of \$3.0 billion comprising:

- \$2.5 billion cash; and
- \$500 million equity interest (expected to be around 20%) in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution controlled holding company that will become the owner of the Australian and New Zealand WP and mature businesses.

Resolution will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all net earnings of the Australian and New Zealand WP and mature businesses during that period.

The sale is now expected to complete in 1H 20. AMP will continue to report the results of the Australian and New Zealand WP and mature businesses through to completion of the transaction.

Resolution Life Australia represents a platform for continued growth and consolidation in the Australian and New Zealand in-force life insurance market. From completion, AMP's expected 20% interest will provide an ongoing entitlement to an equivalent share of the new company's earnings and distributions (including franking credits as appropriate). AMP has the right, but not the obligation, to subscribe additional capital in future to maintain its expected 20% holding.

Impairment

During 1H 19, AMP recognised a predominantly non-cash impairment of \$2.35 billion (post tax) to write down goodwill in Australian wealth management and Australian and New Zealand wealth protection and mature, capitalised project costs, valuations of advice registers and associated practice finance loans. The impairment addresses legacy issues and positions AMP for the future, with an approximate capital impact of \$139 million (post tax).

ASX Appendix 4D

For the half year ended 30 June 2019

Review of operations and results

The loss attributable to shareholders of AMP Limited for the half year ended 30 June 2019 was \$2,292 million (1H 18: profit of \$115 million).

AMP's underlying profit for the half year ended 30 June 2019 was \$309 million (1H 18: \$495 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 loss per share for the half year ended 30 June 2019 on a statutory basis were 78.4 cents per share (1H 18: basic earnings per share of 4.0 cents per share). On an underlying basis, the earnings per share were 10.5 cents per share (1H 18: 17.0 cents per share).

Key performance measures were as follows:

- 1H 19 underlying profit of \$309 million has reduced 38% from \$495 million in 1H 18. This decrease largely reflects the impact of the Australian and New Zealand wealth protection and mature businesses and weaker Australian wealth management earnings (-50%), partly offset by growth in AMP Capital (+28%).
- 1H 19 loss attributable to shareholders of \$2,292 million has been impacted by the write down of goodwill and capitalised costs, and reduction in the carrying value of advice registers held by AMP, including those currently in the buyback process.
- Australian wealth management earnings of \$103 million declined 50% from 1H 18, driven by lower investment related revenue arising from margin compression, including MySuper price changes in Q3 18, and higher controllable costs in part driven by higher risk and compliance costs.
- Australian wealth management net cash outflows were \$3,096 million in 1H 19, including \$1,228 million of pension payments, in line with net cash outflows of \$3,095 million in 2H 18 reflecting a range of factors including the impact of AMP's appearance at the Royal Commission in 2018.
- AMP Capital external net cashflows were \$818 million, compared with \$1,591 million in 1H 18, with \$5.1 billion of committed capital available for deployment. External net cashflows were driven by strong flows into real asset classes (infrastructure and real estate), partly offset by lower cashflows from Asian based investors.
- AMP Bank's total loan book increased to \$20.2 billion while deposits increased 4% to \$13.9 billion from FY 18.
- Australian and New Zealand wealth protection and mature earnings of \$31 million were down 69% on 1H 18 due to capitalised losses and other one-off experience items and the impact of best estimate assumptions post 'Protecting Your Super' legislative changes.
- Underlying return on equity decreased 4.3 percentage points to 9.5% in 1H 19 from 1H 18 reflecting reduced operating earnings in the Australian and New Zealand wealth protection and mature businesses and the Australian wealth management business.

AMP's total assets under management (AUM) and administration were \$275 billion at 30 June 2019 (\$258 billion at 31 December 2018).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to \$4.3 billion at 30 June 2019 from \$6.7 billion at 31 December 2018.

AMP remains adequately capitalised, with \$1.7 billion in shareholder regulatory capital resources, above minimum regulatory requirements (MRR) at 30 June 2019 (\$1.7 billion at 31 December 2018).

The AMP Board has resolved not to declare a first half 2019 dividend. The Board will maintain a consistent approach to capital management until the completion of the sale of Australian and New Zealand wealth protection and mature.

ASX Appendix 4D

For the half year ended 30 June 2019

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 or loss of AMP group from entities acquired and disposed of during the half year.

Changes in controlled entities during the half year ended 30 June 2019 Name of entity	Date control	
	gained over entity	lost over entity
Advisory Group Pty Ltd	17-Jun-19	
AMP Capital Australian Shares Fund	01-Apr-19	
AMP Global Listed Infrastructure Market Index Fund Hedged	01-Apr-19	
AMP Heritage Holdings Pty Ltd	26-Apr-19	
AMP Life International Equities Fund	02-Jan-19	
AMP Life Services NZ Limited	07-Feb-19	
AMP Life Services Pty Ltd	01-Feb-19	
AMP Wealth Management Holdings Pty Ltd	26-Apr-19	
AWOF I Finance Company Pty Ltd	23-May-19	
Australian Equity EFM Building Block 1	02-Jan-19	
Evergen Pty Limited	26-Feb-19	
PSK Financial Services Group Pty Ltd	07-Jun-19	
T.I.M.E. Partners Pty Ltd	06-Jun-19	
Wainscott Financial Planning and Advice Pty Ltd	16-May-19	
AMP Capital Hedged Global Fixed Interest Fund		01-Apr-19
AMP Australian Fixed Interest Index Fund		01-Apr-19
AMP Capital AA REIT Investments (Australia) Pty Limited		21-May-19
Future Directions Asia Ex-Japan Fund		02-Jan-19
AMP Capital Asian Equity Growth Fund		02-Jan-19
AMP Capital Australian Shares Fund		01-Apr-19
AMP Capital Future Cash Flow 6 Fund, Series 1		01-Apr-19
AMP Capital Global Property Securities Fund		01-Apr-19
AMP Capital Investors (Hong Kong) Limited		18-Apr-19
AMP Global Listed Infrastructure Market Index Fund Hedged		01-Apr-19
AMP International Equity Index Fund		01-Apr-19
EFM Fixed Interest Fund 6		01-Apr-19
EFM Fixed Interest Fund 8		01-Apr-19
EFM International Share Fund 9		01-Apr-19
SmartSuper Pty Limited		23-Jan-19

ASX Appendix 4D

For the half year ended 30 June 2019

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 2019

	Ownership interest	
	30 Jun 2019	31 Dec 2018
	%	%
AIMS AMP Capital Industrial REIT	-	10
AMP Australian Fixed Interest Index Fund	45	-
AMP Capital Community Infrastructure Fund	22	-
AMP Capital Dynamic Markets Fund	31	27
AMP Capital Infrastructure Debt Fund IV USD LP	8	10
AMP International Equity Index Fund	38	-
Australian Corporate Bond Fund	22	22
China Life AMP Asset Management Company Ltd	15	15
China Life Pension Company	19.99	19.99
EFM Fixed Interest Fund 6	39	-
EFM Fixed Interest Fund 8	48	-
EFM International Share Fund 9	47	-
Global Infrastructure Fund Sponsor	5	5
Global Infrastructure Fund II	5	5
Gove Aluminium Finance Limited	30	30
Legg Mason Martin Currie Real Income Fund	-	20
PCCP LLC	25	25
Responsible Investment Leaders Balanced Fund	21	22
United Capital Financial Advisers, LLC	6.8	6.8
Wholesale Cash Management Trust	44	44
Wholesale Unit Trust MSCI Global Index Share Fund	-	37