

## AMP to launch new digital bank designed for small business

- AMP to launch digital bank division built specifically for the transaction needs of sole traders and small business
- AMP to work with Engine by Starling (Engine), the SaaS subsidiary of leading UK digital bank, Starling Bank Limited (Starling), allowing it to leverage:
  - Starling's 'Engine' technology platform, and
  - Engine's expertise to build the new AMP digital bank division, to be in market by 1Q 2025
- ~\$60m investment over FY24 and FY25, absorbed within current controllable cost targets
- New digital bank division is expected to be Net Profit After Tax (NPAT) and Return on Capital (ROC) accretive for AMP Bank from 2027 onwards
- Next step in AMP Bank strategy, to lessen funding risks in the medium term through a focus on building deposits

### Next phase of AMP Bank strategy

AMP today announced that it is progressing with the next phase of its Bank strategy with the launch of a new digital bank offer targeting the small business and consumer markets. The solution will be built in FY24 and launch in Q1 2025, operating on a separate technology platform, as a new division to AMP Bank.

AMP is working with Engine, the SaaS subsidiary of Starling Bank, a leading UK digital bank. AMP will leverage Starling's 'Engine' technology platform in building the new AMP digital bank offer, under a Software as a Service agreement.

Targeting sole traders and small businesses with 1-20 employees, the new digital bank division will offer transaction and savings accounts. It will be designed to provide tailored functionality and features to help small business owners manage their finances 'on-the-go' from their mobile phones. Deposit balances from the sole trader and small business segment totalled nearly \$220 billion as at June 2021<sup>1</sup>. Out of 2.6 million businesses in Australia, these segments accounted for 2.5 million businesses as at June 2022<sup>2</sup>.

### Financials

The new digital bank division requires an investment of approximately \$60 million across FY24 and FY25, which will be absorbed within current controllable cost targets and of which approximately \$40m will be capitalised. This near-term cost outcome reflects the repurposing of existing Bank investment spend, as well as the positive impact of the broader ongoing business simplification program.

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1. Source: PwC analysis as at December 2022

2. Source: Australian Bureau of Statistics: Counts of Australian Businesses, including Entries and Exits

It is expected to be Net Profit After Tax (NPAT) and Return on Capital (ROC) accretive for AMP Bank from 2027 onwards. There is expected to be no impact on AMP's previously announced FY24 and FY25 controllable cost targets.

This next step in the AMP Bank strategy also aims to lessen funding risks over the medium and longer term, with a focus on continuing to build a sustainable funding base.

**Alexis George, AMP Chief Executive said:**

*"This new offer builds on AMP Bank's strengths and addresses an under-served and growing segment of the market. Importantly, it will reshape the Bank portfolio in the medium term to better position AMP for the headwinds the industry is facing when it comes to bank funding.*

*"In Engine by Starling, we have chosen a partner with a track record of success and will leverage their innovative technology platform, their highly successful go-to-market expertise and ways of working.*

*"By partnering with one of the most innovative and fastest growing digital banks we will be able to better serve Australia's growing number of small businesses, and individuals, with their banking needs."*

**Sam Everington, CEO of Engine by Starling:**

*"Starling Bank has proven in the UK that it's possible to deliver a resilient and powerful digital banking platform that is valued by customers, as well as being highly scalable and operationally efficient.*

*"There are clear parallels between the banking markets in Australia and the UK, and we look forward to leveraging Engine's expertise and technology for AMP customers."*

**Sean O'Malley, Group Executive, AMP Bank said:**

*"The rapidly growing Australian small business market presents a significant opportunity for AMP Bank.*

*"Working with Engine enables us to equip small businesses with the best digital tools to help them manage their finances efficiently and conveniently on their mobile phone whilst on the go."*

**AMP Bank outlook**

AMP Bank's near-term performance will continue to be affected by current market conditions. Current market conditions indicate Net Interest Margin (NIM) of approximately 125bps for FY23, and NIM will continue to be under pressure in FY24. However, NIM is expected to be positively impacted in the medium and longer term by lower funding costs as a result of this initiative diversifying AMP Bank's funding sources. AMP Bank growth is expected to be nominal in FY24, as we continue to manage return on capital.

**Investor briefing**

An investor briefing, starting at 9.30am, can be viewed (listen only) via webcast at [AMP Investor Briefing](#).

More detailed information is available in the Investor briefing presentation, accessible at [amp.com.au/asx/announcements](http://amp.com.au/asx/announcements).

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## **About Starling Bank**

Starling Bank has captured 9.4 per cent of the UK's SME business banking market share at May 2023 since launching in app stores in 2018 with an innovative and tailored solution for the small business banking market. Starling is a leading UK digital bank with more than 3.6 million customer accounts in the UK as at 31 March 2023.

## **About Engine by Starling**

Engine by Starling is a SaaS technology provider wholly owned by Starling Bank. Engine is modular, API-based, cloud-native and a proven technology at scale. The technology behind Engine powers Starling Bank's operations in the UK. AMP will work alongside Engine to launch the offering, using the Engine proprietary cloud-based technology platform and leveraging a similar go-to-market strategy as Starling Bank.

All figures are in Australian dollars (A\$) unless otherwise noted.  
Authorised for release by the Market Disclosure Committee.