

14 February 2019

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)

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## Full Year Financial Results

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Part One: Appendix 4E

Appendix 3A.1

**Part Two: AMP reports FY 18 results** 

Part Three: Investor presentation

Part Four: Investor report

14 February 2019

## AMP reports FY 18 results

- FY 18 statutory net profit<sup>1</sup> of A\$28 million (FY 17: A\$848 million) due to advice remediation and subdued performance in wealth protection.
- FY 18 underlying profit<sup>2</sup> of A\$680 million (FY 17: A\$1,040 million) driven by positive momentum in AMP Capital and AMP Bank.
- Australian wealth management operating earnings of A\$363 million (FY 17: A\$391 million); net cash outflows of A\$3,968 million (FY 17: A\$931 million net cash inflows) reflected a range of factors including reputational impact of the Royal Commission.
- Capitalised losses and negative claims experience in wealth protection led to A\$3 million operating loss in businesses sold to Resolution Life.
- Operating earnings for New Zealand wealth management of A\$53 million; defer IPO consideration until separation completion.
- Strong performance on controllable costs (ex AMP Capital); costs of A\$913 million due to business efficiency, lower project costs and lower variable remuneration.
- AMP maintained balance sheet strength with a strong capital surplus of A\$1.65 billion above minimum regulatory requirements.
- FY 18 final dividend declared of 4 cents per share, franked to 90 per cent, in recognition of 2H 18 performance, capital impacts and market uncertainties.

AMP Chief Executive Francesco De Ferrari said:

*“2018 has been a challenging year for AMP. Our core businesses have delivered resilient results, with continued growth in AMP Capital and AMP Bank offsetting the headwinds faced in Australian wealth management.*

*“The Royal Commission has been a confronting but valuable experience for the financial services industry and has served as a catalyst for change at AMP. We have undertaken Board and leadership renewal, accelerated client remediation and sharpened our focus on delivering better value to customers including reducing fees on our MySuper products.*

*“The sale of our wealth protection and mature businesses to Resolution Life is also a key milestone for the company, exiting the historic business on which AMP was founded. This is a significant shift but a necessary one given the volatility and capital intensity of these businesses.*

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<sup>1</sup> AMP's profit measures exclude MUFG: Trust Bank's (formerly MUTB) 15 per cent share of AMP Capital's earnings.

<sup>2</sup> 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. Underlying profit includes earnings attributable to Resolution Life under the terms of the sale and purchase agreement entered into on 25 October 2018. While Resolution Life assumes the risks and profit impacts from the “sold” businesses, subject to certain risk-sharing arrangements, AMP remains responsible for the operations and capital management of these businesses until the sale completes and accordingly will continue to include earnings from these businesses until then. Any required adjustments from this period will be made on settlement of the transaction.

*As a specialist in-force manager, Resolution Life is a better owner of these assets with a capital structure to manage them effectively.*

*“The sale of these businesses fundamentally resets AMP, reducing the capital intensity of our portfolio and creating a new, more streamlined and agile group.*

*“2019 will be a transitional year as we prioritise the complex legal separation from the businesses sold to Resolution Life, and deliver on our commitments to remediate advice customers and strengthen our risk management, governance and controls. Delivery on these priorities is a precondition to set a strong foundation for future growth.”*

### Business unit results

Operating earnings (A\$ million)	FY 18	FY 17	% change
Australian wealth management	363	391	(7.2)
New Zealand wealth management	53	54	(1.9)
AMP Capital	167	156	7.1
AMP Bank	148	140	5.7
<b>Total – retained businesses operating earnings</b>	<b>731</b>	<b>741</b>	<b>(1.3)</b>
Australian wealth protection	(176)	110	n/a
New Zealand wealth protection and mature	39	71	(45.1)
Australian mature	134	150	(10.7)
<b>Total – sold businesses operating earnings</b>	<b>(3)</b>	<b>331</b>	<b>n/a</b>

### Retained businesses

#### Australian wealth management

Australian wealth management earnings declined A\$28 million to A\$363 million (FY 17: A\$391 million). The result was largely due to higher margin compression from the MySuper fee reduction, weaker investment markets and the transition of clients to lower-cost, contemporary products such as MyNorth. Reduced revenues were partially offset by lower controllable costs. Other revenue decreased largely due to advice impairments on the carrying value of client registers. AMP also acquired fewer minority stakes in advice practices than expected.

Net cash outflows of A\$3,968 million (FY17: A\$931 million of net cash inflows) reflected a number of factors including the reputational impact of the Royal Commission, particularly during 2H 18, and advisers' focus on customer retention rather than new business. Superannuation member contributions reduced compared to FY 17 where flows benefitted from a one-off change to non-concessional caps and a significant corporate super mandate win. AMP's A\$30 billion corporate super business showed resilience during 2018 in retaining the majority of employer plans.

North continued to attract good support and recorded A\$3,986 million net inflows and a A\$3 billion increase in AUM to A\$37.9 billion.

### **New Zealand wealth management**

Operating earnings for New Zealand wealth management were A\$53 million supported by income from financial advice. At FY 18, AMP's KiwiSaver product had A\$4.9 billion in AUM and net cashflows of A\$135 million. AMP is a leading provider of KiwiSaver, which remains a focus for growth.

### **AMP Capital**

AMP Capital demonstrated continued momentum, with operating earnings up 7 per cent to A\$167 million (FY 17: A\$156 million) driven by stronger fee income and solid growth in external AUM. AMP Capital continues to invest in international markets where there was strong demand for its real assets capability. As a result, controllable costs rose 10 per cent. However, AMP Capital's cost to income ratio remained within the 60 – 65 per cent target range.

AMP Capital now manages A\$17.3 billion (FY 17: A\$12 billion) on behalf of 302 direct international institutional clients. Its real assets business, including its infrastructure equity and debt strategies, contributed to strong external net cashflows of A\$4,219 million following a record year in FY 17 (A\$5,477 million). AMP Capital's A\$5 billion Australian property development program continues to attract strong support from international and domestic investors.

China Life AMP Asset Management Company (CLAMP) increased its AUM by 10.1 per cent (from FY 17) to RMB 201.7 billion (A\$41.7 billion). CLAMP launched 17 new products during FY 18 including separately managed accounts, and diversified, equity and bond funds. AMP Capital has a 15 per cent stake in CLAMP. China Life Pension Company (CLPC), in which AMP has a 19.99 per cent stake, grew AUM 35.7 per cent (from FY 17) to RMB 720.7 billion (A\$149.1 billion), maintaining its position as a leader in the trustee services and pensions markets.

### **AMP Bank**

Growth in residential mortgages and a reduction in deposit costs drove a 5.7 per cent increase in operating earnings for AMP Bank to A\$148 million. AMP Bank maintained a competitive lending position with residential loans increasing 3 per cent to A\$19.5 billion during FY 18. Loan growth was affected during 2H 18 by competition in the subdued housing market, regulatory limits and conservative liquidity management. Residential mortgage competition was particularly apparent in the owner-occupied principal and interest market. Controllable costs increased by A\$15 million due to continued investment in technology to support growth. AMP Bank has maintained its strong capital position in response to changing regulatory requirements.

### **Sold businesses**

#### **Australian and New Zealand wealth protection and mature**

Performance in wealth protection during FY 18 was impacted during the second half by A\$180 million of capitalised losses (and other one off experience items) and approximately A\$50 million of experience losses. These losses followed an increase in income protection and total and permanent disability claims.

The Australian mature business recorded profit margins of A\$132 million reflecting expected portfolio runoff and market impacts. The wealth protection losses and other negative impacts, however, offset total profit margins of A\$269 million, resulting in an operating loss of A\$3 million (FY 17: A\$331 million) from the businesses sold to Resolution Life.

Under the terms of the sale agreement, Resolution Life assumes the risks and profit impacts from 1 July 2018, subject to risk-sharing arrangements. AMP, however, remains responsible for the operations and capital management of these businesses until the sale completes, expected by the end of Q3 19. Any required adjustments from this period will be made on settlement of the transaction.

Customers' policy terms and conditions are unchanged as a result of the transaction and the business will benefit from the support of the current team of employees – led by AMP Life CEO Megan Beer – as it largely transfers to Resolution Life.

### Capital and dividend

AMP retains its strong balance sheet and capital position, with its Level 3 eligible capital above minimum regulatory requirements (MRR) of A\$1.65 billion at 31 December 2018, down from A\$2.34 billion at 31 December 2017. Post final dividend, AMP will have a capital surplus above MRR of A\$1.5 billion, in line with Board limits for target capital surplus.

The surplus has been impacted primarily by recent strengthening of best estimate assumptions in wealth protection and the previously-announced advice remediation provisions.

Recognising the 2H 18 performance of the business, the related capital impacts and the uncertainties in the operating environment, the Board has declared a final dividend of 4 cents per share. The dividend will be franked at 90 per cent. The total FY 18 dividend is 14 cents per share, which represents a dividend payout ratio of 60 per cent of underlying profit.

The Board anticipates maintaining the target capital surplus ahead of the completion of the Resolution Life transaction.

AMP reaffirms its commitment to returning the majority of the net cash proceeds received on settlement of the transaction with Resolution Life to shareholders, subject to unforeseen circumstances.

### 2019 priorities

AMP remains committed to making the changes that are required to transform the business and reposition it to deliver significantly better performance and value over the long term.

Priorities for 2019 include:

- **Separate Australian and New Zealand wealth protection and mature:** Drive transaction completion by the end of Q3 19.
- **Deliver advice remediation:** Remediate clients as quickly as possible.
- **Strengthen risk management, internal controls and governance:** Optimise investment in risk and compliance systems; improve risk culture.
- **Transform Australian wealth management:** Reshape the advice network and improve economics; streamline the operating model and product offering.
- **Drive growth in AMP Bank:** Deliver solutions through broker and advice channels; grow retail deposit base.
- **Grow New Zealand wealth management:** Focus on separation and growth; defer IPO consideration until separation completion.
- **Maintain growth momentum in AMP Capital:** Continue international expansion and leverage strategic partnerships.

More detailed information on the FY 18 result is available in the FY 18 investor report and presentation, both accessible at [amp.com.au/shares](http://amp.com.au/shares).

**Media teleconference**

A conference call for media with Francesco De Ferrari (CEO) and Gordon Lefevre (CFO) will be held at 9.00am (AEST) today, 14 February 2019. Dial in details:

Australia: Toll free 1800 220 860

New Zealand: Toll free 0800 452 795

Metered number for all other countries: +61 7 3107 6320

An analyst briefing starting at 12.30pm can be viewed via webcast at [amp.com.au/webcasts](http://amp.com.au/webcasts)

**Media enquiries**

Lachlan Johnston

Mobile: +61 466 026 702

Catherine Woods

Mobile: +61 477 320 333

**Investor enquiries**

Howard Marks

Phone: +61 2 9257 7109

Michael Vercoe

Phone: +61 2 9257 4244

## Q4 18 Cashflows

### Australian wealth management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 18	Q4 17	Q4 18	Q4 17	Q4 18	Q4 17
North <sup>1</sup>	3,303	4,064	(2,671)	(2,545)	632	1,519
AMP Flexible Super <sup>2</sup>	522	752	(1,015)	(1,013)	(493)	(261)
Summit, Generations and iAccess <sup>3</sup>	127	236	(570)	(648)	(443)	(412)
Flexible Lifetime Super (superannuation and pension) <sup>4</sup>	322	366	(930)	(775)	(608)	(409)
Other retail investment and platforms <sup>5</sup>	-	63	(74)	(112)	(74)	(49)
<b>Total retail on AMP platforms</b>	<b>4,274</b>	<b>5,481</b>	<b>(5,260)</b>	<b>(5,093)</b>	<b>(986)</b>	<b>388</b>
SignatureSuper and AMP Flexible Super - Employer	818	763	(884)	(634)	(66)	129
Other corporate superannuation <sup>6</sup>	317	389	(510)	(459)	(193)	(70)
<b>Total corporate superannuation</b>	<b>1,135</b>	<b>1,152</b>	<b>(1,394)</b>	<b>(1,093)</b>	<b>(259)</b>	<b>59</b>
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>5,409</b>	<b>6,633</b>	<b>(6,654)</b>	<b>(6,186)</b>	<b>(1,245)</b>	<b>447</b>
External platforms <sup>7</sup>	206	358	(571)	(654)	(365)	(296)
<b>Total Australian wealth management</b>	<b>5,615</b>	<b>6,991</b>	<b>(7,225)</b>	<b>(6,840)</b>	<b>(1,610)</b>	<b>151</b>

Cash inflow composition(A\$m)	Q4 18	Q4 17
Member contributions	713	1,017
Employer contributions	1,037	1,030
<b>Total contributions</b>	<b>1,750</b>	<b>2,047</b>
Transfers, rollovers in and other <sup>8</sup>	3,865	4,944
<b>Total</b>	<b>5,615</b>	<b>6,991</b>

<sup>1</sup> North is an award-winning fully functioning wrap platform which includes guaranteed and non-guaranteed options.

<sup>2</sup> AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

<sup>3</sup> Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.

<sup>4</sup> Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.

<sup>5</sup> Other retail investment and platforms include Flexible Lifetime - Investments and AMP Personalised Portfolio. Cash inflows and cash outflows for Q4 18 have been impacted by the removal of prior period switches of A\$22m.

<sup>6</sup> Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

<sup>7</sup> External platforms comprise Asgard, Macquarie, BT Wrap platforms and Challenger annuities.

<sup>8</sup> 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)	Q3 18	Q4 18 Net cashflows				Total net cashflows	Other movements <sup>1</sup>	Q4 18
	AUM	Superannuation	Pension	Investment	AUM			
North	39,480	367	91	174	632	(2,230)	37,882	
AMP Flexible Super	15,883	(201)	(292)	-	(493)	(804)	14,586	
Summit, Generations and iAccess	10,457	(183)	(186)	(74)	(443)	(642)	9,372	
Flexible Lifetime Super (superannuation and pension) <sup>2</sup>	23,744	(481)	(127)	-	(608)	(1,517)	21,619	
Other retail investment and platforms	2,466	-	-	(74)	(74)	(159)	2,233	
<b>Total retail on AMP platforms</b>	<b>92,030</b>	<b>(498)</b>	<b>(514)</b>	<b>26</b>	<b>(986)</b>	<b>(5,352)</b>	<b>85,692</b>	
SignatureSuper and AMP Flexible Super - Employer	19,074	(57)	(9)	-	(66)	(1,144)	17,864	
Other corporate superannuation <sup>3</sup>	12,870	(193)	-	-	(193)	(677)	12,000	
<b>Total corporate superannuation</b>	<b>31,944</b>	<b>(250)</b>	<b>(9)</b>	<b>-</b>	<b>(259)</b>	<b>(1,821)</b>	<b>29,864</b>	
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>123,974</b>	<b>(748)</b>	<b>(523)</b>	<b>26</b>	<b>(1,245)</b>	<b>(7,173)</b>	<b>115,556</b>	
External platforms	8,608	(87)	(103)	(175)	(365)	(584)	7,659	
<b>Total Australian wealth management</b>	<b>132,582</b>	<b>(835)</b>	<b>(626)</b>	<b>(149)</b>	<b>(1,610)</b>	<b>(7,757)</b>	<b>123,215</b>	
<b>Australian wealth management - SuperConcepts<sup>4</sup></b>								
Assets under administration	25,469					1,213	26,682	

<sup>1</sup> Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

<sup>2</sup> Flexible Lifetime Super (superannuation and pension) includes A\$5.0b in MySuper (Q3 18 A\$5.4b).

<sup>3</sup> Other corporate superannuation includes A\$5.6b in MySuper (Q3 18 A\$6.0b).

<sup>4</sup> SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF, Justsuper, Ascend and SuperConcepts platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

AUM (A\$m)	Q3 18	Q4 18
	AUM	AUM
<b>AUM by product</b>		
Superannuation	79,878	74,156
Pension	36,343	33,831
Investment	16,361	15,228



<b>Total</b>	<b>132,582</b>	<b>123,215</b>
<b>AUM by asset class</b>		
Cash and fixed interest	29%	30%
Australian equities	30%	29%
International equities	28%	28%
Property	6%	6%
Other	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>AUM (A\$b)</b>	<b>Q3 18</b>	<b>Q4 18</b>
	<b>AUM</b>	<b>AUM</b>
Closing AUM	132.6	123.2
Average AUM	133.0	127.0

## AMP Capital

AUM (A\$m)	Q3 18	Q4 18 Net cashflows		Total	Other	Q4 18
	AUM	Cash inflows	Cash outflows	net cashflows	movements <sup>1</sup>	AUM <sup>2</sup>
External	68,300	4,224	(2,117)	2,107	431	70,838
Internal	124,134	4,803	(6,854)	(2,051)	(5,673)	116,410
<b>Total AMP Capital</b>	<b>192,434</b>	<b>9,027</b>	<b>(8,971)</b>	<b>56</b>	<b>(5,242)</b>	<b>187,248</b>

<b>AUM summary (A\$b)</b>	<b>Q3 18</b>	<b>Q4 18</b>
	<b>AUM</b>	<b>AUM</b>
Closing AUM	192.4	187.2
Average AUM	192.1	188.1

<sup>1</sup> Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

<sup>2</sup> AUM is invested capital. Committed real asset capital is excluded from AUM.

## AMP Bank

<b>AMP Bank by product</b>	<b>Q3 18</b>	<b>Other</b>	<b>Q4 18</b>
<b>Deposits and loans (A\$m)</b>	<b>end balance</b>	<b>movements<sup>1</sup></b>	<b>end balance</b>
Deposits (super and platform) <sup>2</sup>	5,429	269	5,698
Deposits (other) <sup>3</sup>	8,051	(445)	7,606
Loans	20,119	(111)	20,008

<sup>1</sup> Represents movements in AMP Bank's deposits and loan books.

<sup>2</sup> At 31 Dec 2018, Super and Platform deposits include AMP Supercash and Super TDs (A\$1.7b), North and platform deposits (A\$4.0b).

<sup>3</sup> Deposits (Other) includes retail deposits, internal deposits, wholesale deposits and other deposits.

## New Zealand wealth management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 18	Q4 17	Q4 18	Q4 17	Q4 18	Q4 17
KiwiSaver	144	156	(175)	(101)	(31)	55
Other	176	189	(204)	(165)	(28)	24
Total New Zealand wealth management and advice	320	345	(379)	(266)	(59)	79

AUM (A\$m)	Q3 18	Q4 18 Net cashflows			Total net cashflows	Other movements <sup>1</sup>	Q4 18
	AUM	Superannuation	Pension	Investment			AUM
KiwiSaver	4,978	(31)	-	-	(31)	(64)	4,883
Other	6,268	38	-	(66)	(28)	(47)	6,193
Total New Zealand wealth management and advice	11,246	7	-	(66)	(59)	(111)	11,076

<sup>1</sup> Other movements include fees, investment returns, distributions, taxes, as well as foreign currency movements on New Zealand AUM.