

24 June 2013

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Announcement No: 23/2013
AMP Limited (ASX/NZX: AMP)
(also for release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010))

AMP 1H 13 earnings update

Please refer to the attached documents. 

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AMP 1H 13 earnings update

AMP Limited has today provided an unaudited earnings update for 1H 13 following poor claims and lapse experience in its Australian wealth protection business in the second quarter, particularly in May.

Underlying profit for 1H 13 is expected to be within the range of A\$415 million to A\$435 million.

Other line items contributing to net profit attributable to shareholders are consistent with market expectations for 1H 13. Market adjustments and accounting mismatches cannot be reliably forecast until investment markets close on 30 June 2013.

Experience losses for Australian wealth protection were A\$32 million for the five months to 31 May 2013, comprising A\$26 million in insurance claims, A\$8 million in lapses, and offset by A\$2 million of other positive experience. Of the claims experience losses, around 50 per cent were income protection.

This reflects the ongoing volatile nature of experience across AMP's insurance portfolio, which has in-force premiums of more than A\$1.7 billion. The industry is experiencing increased pressure on insurance claims and policy lapses.

AMP anticipates some strengthening of best estimate assumptions for income protection claims at the half year, although the financial effects should be largely offset by future premium rate increases.

AMP continues to implement actions announced at FY 12 financial results aimed at improving its claims experience over time. This includes new claims management policies, earlier intervention strategies and enhanced support to help customers return to work more quickly.

Overall, the rest of AMP's business is performing in line with market expectations. Stronger operating results in AMP's bank, mature and New Zealand businesses in the five months to 31 May, has offset a lower result in wealth management relative to market expectations.

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The table below shows mid-point estimates for 1H 13 for certain line items contributing to underlying profit, within the range of A\$415 million to A\$435 million. Actual results may vary from these midpoint estimates.

	1H13 Mid-point estimate	2H12 Actual	1H12 Actual
Australian Wealth Protection	54	56	134
Other BU operating margins	371	363	323
BU operating margins	425	419	457
Group office costs	(30)	(30)	(31)
Total operating earnings	395	389	426
Underlying investment income	68	113	113
Interest income on corporate debt	(38)	(38)	(48)
Underlying profit	425	464	491

N.B. Underlying profit is AMP's preferred measure of profit as it removes some of the impact of investment market volatility and reflects the underlying business performance of AMP.

As flagged at the FY 12 result and consistent with the substantial fall in interest rates over 2012, the lower amount for underlying investment income reflects assumed after tax returns of 3 per cent for shareholder investments and 1.8 per cent for deferred acquisition costs.

All amounts reported above for 1H 13 are unaudited. They are subject to completion of the 30 June 2013 half year accounts, including actuarial and auditor review.

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