

15 August 2013

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

Announcement No: 25/2013  
AMP Limited (ASX/NZX: AMP)  
(also for release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010))

---

## Half Year Financial Results

- Part One: Appendix 4D
- Part Two: AMP reports A\$393 million net profit 1H 13
- Part Three: Investor Presentation** 
- Part Four: Investor Report
- Part Five: Directors' Report and Financial Report

# 2013 half year results

15 August 2013

Craig Dunn  
Chief Executive Officer

Craig Meller  
Managing Director, AFS

Colin Storrie  
Chief Financial Officer

## Executive summary

- 1H 13 net profit of A\$393m (1H 12: A\$373m) and underlying profit of A\$440m (1H 12: A\$488m)
  - Strong operating earnings in most businesses, offset by poor lapse and claims experience in wealth protection, demonstrating potency of business franchise and operating leverage in recovering markets
  - Business unit operating margins, excluding wealth protection, up 17% on 1H 12
- Australian wealth management net cashflows A\$1.4b, up from A\$233m in 1H 12
- Tight cost control, with controllable costs down 3% on 1H 12
- Strong capital position, to support business growth and regulatory change
  - A\$1.7b surplus capital above MRR, up A\$331m on 1 January 2013 post-LAGIC capital position
- Successful integration program almost complete; now investing in new programs to drive stronger revenue growth and improved cost efficiency
- Interim dividend of 11.5 cents a share, franked to 70% (payout ratio of 77% of underlying profit)



Group overview

Section 2

## Group overview – key performance measures

	1H 13	1H 12
<b>Underlying profit</b>	A\$440m	A\$488m
<b>Cost to income ratio</b>	48.6%	46.5%
<b>Growth measures</b>		
AFS net cashflows	A\$862m	(A\$113m)
Total retail on AMP platforms	A\$1,296m	A\$320m
Total Australian wealth management	A\$1,383m	A\$233m
AMP Capital external net cashflows	(A\$2,070m)	(A\$1,345m)
AFS value of risk new business	A\$69m	A\$112m
<b>Underlying return on equity</b>	11.2%	13.4%

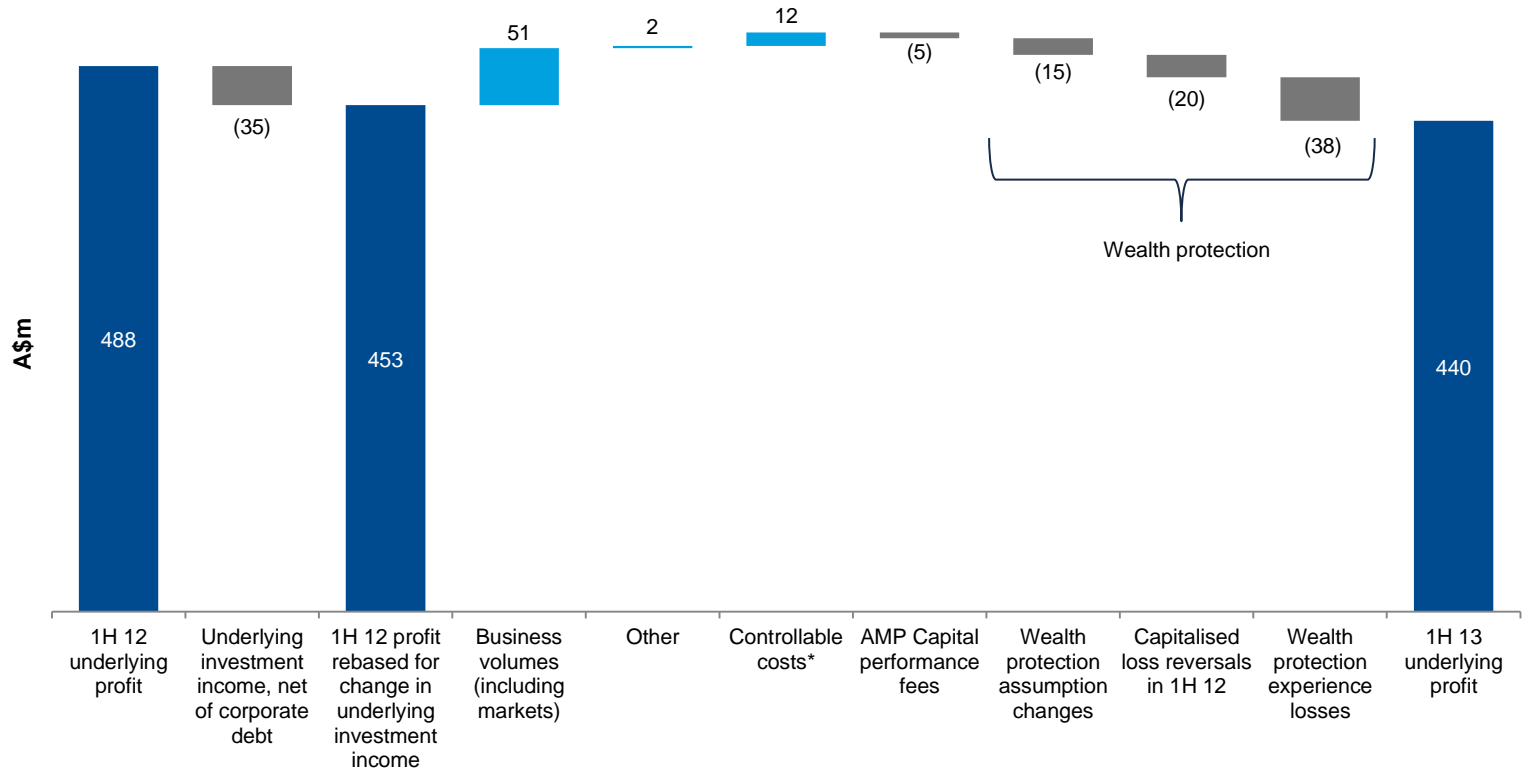
## Group overview – 1H 13 profit summary

A\$m	1H 13	2H 12	1H 12
AFS wealth management	196	183	164
AFS wealth protection	64	56	134
AFS mature	85	91	76
AFS New Zealand	46	35	38
AMP Capital <sup>2</sup>	51	54	45
<b>BU operating earnings</b>	<b>442</b>	<b>419</b>	<b>457</b>
Group office costs <sup>1</sup>	(32)	(32)	(34)
<b>Total operating earnings</b>	<b>410</b>	<b>387</b>	<b>423</b>
Underlying investment income <sup>2</sup>	66	113	113
Interest expense on corporate debt	(36)	(38)	(48)
<b>Underlying profit</b>	<b>440</b>	<b>462</b>	<b>488</b>
Other items <sup>1,2,3</sup>	(5)	17	4
AXA integration costs	(31)	(57)	(71)
Amortisation of AXA acquired intangible assets <sup>2</sup>	(47)	(49)	(50)
<b>Profit before market adjustments and accounting mismatches</b>	<b>357</b>	<b>373</b>	<b>371</b>
Market adjustments <sup>2,4</sup>	18	(37)	12
Accounting mismatches <sup>5</sup>	18	(20)	(10)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>393</b>	<b>316</b>	<b>373</b>

1. Prior period comparatives have been restated; see p37 of 1H 13 Investor Report for more detail.
2. Net of minority interests from 1 March 2012, following MUTB acquiring 15% interest in AMP Capital.
3. Principally comprised of one-off and non-recurring items; see p37 of 1H 13 Investor Report for more detail.
4. Includes adjustments for investment income, annuity fair value and risk products. For more detail, see chart 17.
5. Prior period comparatives have been restated; see p38 of 1H 13 investor report for more detail.

## Group overview – major drivers of underlying profit

Most business performing well, delivering 17% overall lift in operating earnings (ex wealth protection)



- Underlying profit weighed down by wealth protection results and lower interest rates, which impacted underlying investment income

\* Represents controllable cost synergies of A\$25m less costs associated with acquisition of Cavendish and insourcing of the AMP Capital Brookfield joint venture (A\$6m), and other controllable cost growth (A\$7m).



Business lines

Section 3



## AMP Financial Services (AFS) – overview

Wealth management operating earnings up 20%, including AMP Bank earnings up 31%

Key performance measures	1H 13	2H 12	1H 12
Operating earnings (A\$m)			
Australian wealth management	196	183	164
<i>AMP Bank</i>	38	33	29
Australian wealth protection	64	56	134
Australian mature	85	91	76
New Zealand	46	35	38
Controllable costs (A\$m)	454	471	463
Wealth management investment-related revenue to AUM (bps)	122	125	125
Wealth management operating earnings to AUM (bps)	35	36	34

### AFS result driven by:

- strong result in wealth management on back of higher net cashflows and good growth in AUM
  - good performance in AMP Bank with falling cost ratio, improving net interest margin and higher RoE
- continuing disciplined cost control, with 1H 13 controllable costs down 2% on 1H 12
- net revenue margins in line with medium term guidance
- offset by poor claims and lapse experience in wealth protection
  
- Continue to expect average margin compression on investment-related revenue to AUM of 3.5%-4.5% pa (excluding SMSF) over MySuper implementation period to 2017

## AFS – Wealth management overview

Net cashflows increased nearly sixfold, driven by strong sales and new practices joining the AMP advice network

<b>Net cashflows summary (A\$m)</b>	<b>1H 13</b>	<b>1H 12</b>
AMP Flexible Super	1,093	1,289
North	1,864	636
More traditional products and platforms	(1,661)	(1,605)
<b>Total retail on AMP platforms</b>	<b>1,296</b>	<b>320</b>
Total corporate superannuation	97	262
External platforms	(10)	(349)
<b>Total Australian wealth management</b>	<b>1,383</b>	<b>233</b>

### Strong result marked by:

- robust cashflows on AMP platforms
  - North net cashflows up A\$1.2b on 1H 12 – almost tripled across the period
    - continuous upgrade of North platform without disruption to business; platform proving popular with customers and advisers
- 4,286 planners across Australia and New Zealand
  - good growth in net planner numbers – up 44 in Australia on FY 12 to 3,680
  - strong net cashflow contribution from Hillcross largely as a result of new practices joining the group

## AFS – Wealth protection overview 1H 13

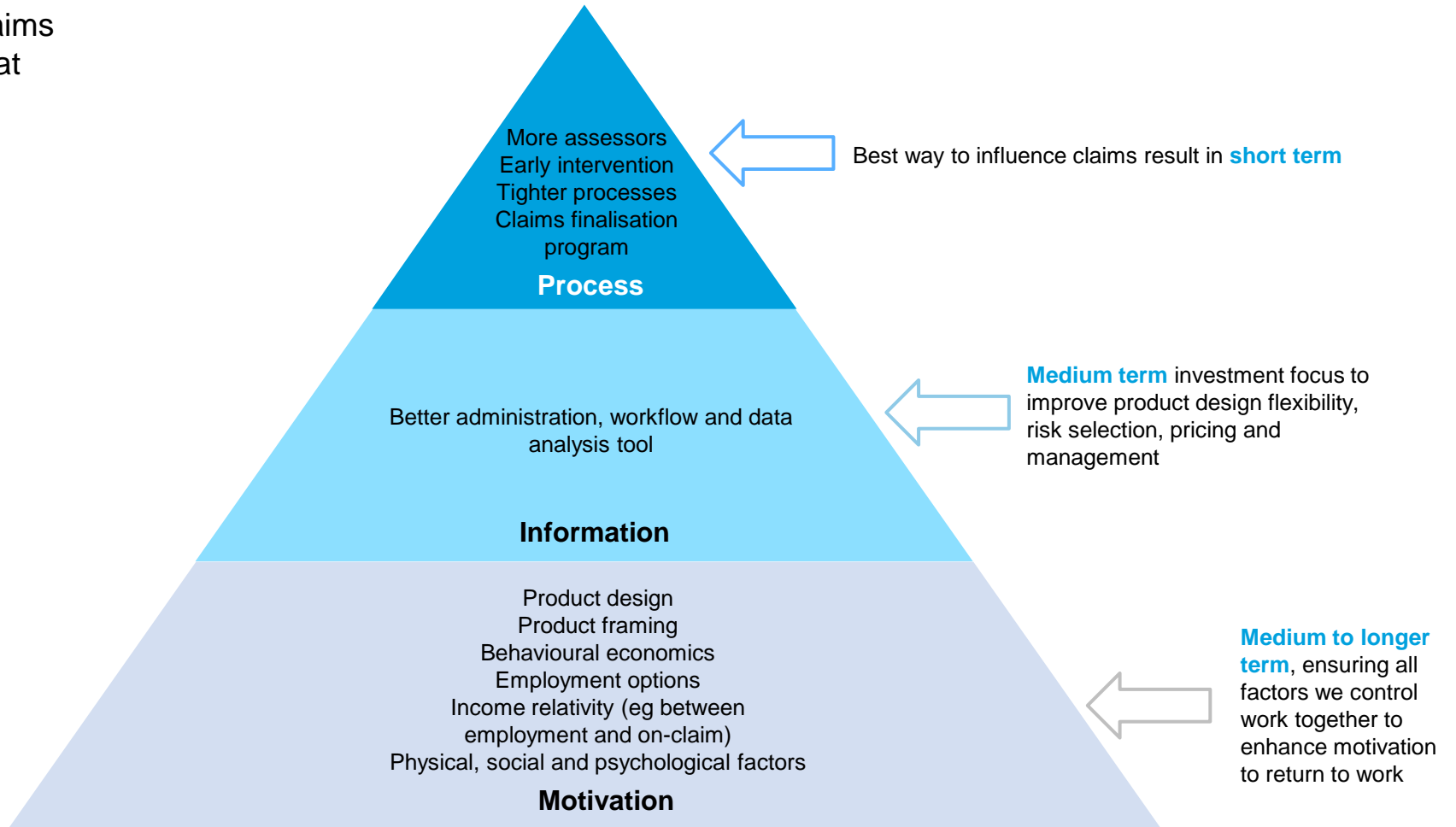
Industry claims experience often volatile

### Wealth protection operating earnings reflect poorer claims and lapse experience

- 1H 13 operating earnings of A\$64m, down 52% on 1H 12 results, and up 14% on 2H 12
- 1H 13 experience losses of A\$33m
  - A\$24m claims (A\$11m income protection; A\$7m retail lump sum; A\$6m group lump sum – incl TPD)
  - A\$12m lapses
  - A\$3m other positive experience
- June lump sum experience benign, while income protection claims terminations improved for the month
- Individual risk API up 5% on 1H 12 to A\$1,395m, and slightly improved on 2H 12
- Lapse rates up 1 percentage point to 13.9% on 1H 12, and slightly improved on 14.8% in 2H 12 (lapse rates typically higher in 2H)
- Best estimate assumptions for income protection strengthened in 1H 13 as flagged on 24 June; financial effects on profit margins largely offset by future premium rate increases (other non-economic assumptions unchanged)
- Both cyclical and structural issues driving lapse and claims issues: cost of living pressures and unemployment levels, as well as customers changing policies more frequently, impacting traditional industry remuneration structures
- Specific issues for AMP's Wealth Protection business, have meant against some competitors, higher increases in:
  - income protection (IP) claims, with both increasing number and duration of claims
  - lapse rates, reflecting business changes and repricing

# AFS – Wealth protection overview: improving IP claims over medium term

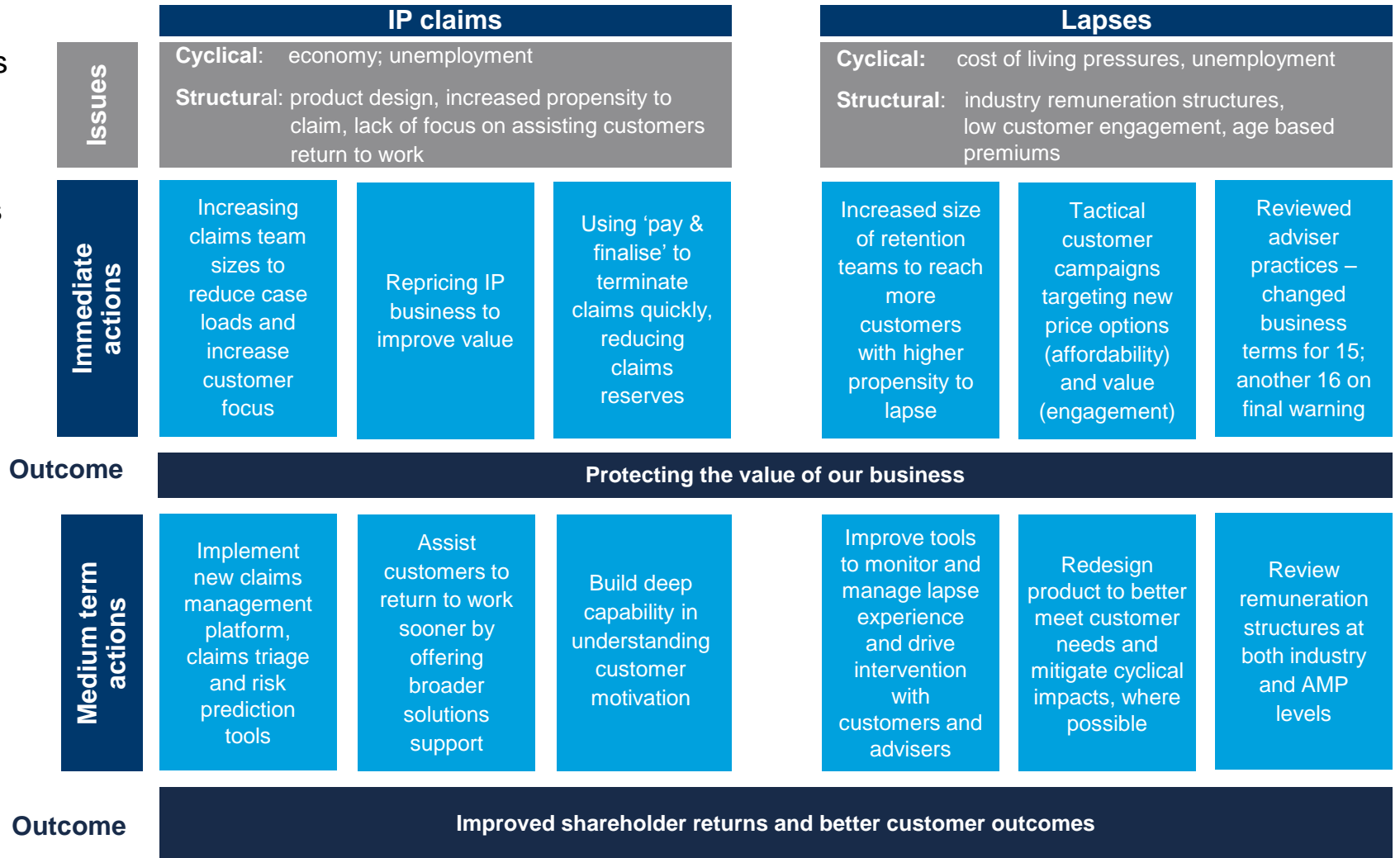
Tackling IP claims improvement at three levels



**Success in IP insurance largely about insurer's ability to help customers return to work**

# AFS – Wealth protection overview: resolution of issues

Series of actions underway to address both cyclical and structural issues



## AFS – Wealth protection overview: actions underway

AMP has scale and integrated model to adapt to changing market and enhance value

- Taking action to improve outcomes, recognising claims volatility and aspects of poorer industry experience are cyclical
  - New management with deep industry expertise
  - Strengthening IP claims processes
  - Targeted premium increases
  - Emphasis on rehabilitation and ‘back to work’ programs
  - Partnerships with external providers to promote quicker turnaround in back-to-work initiatives
  - Investing in new IP claims tools, systems and data analytics
  - Redesigning IP product
  - Developing improved customer analytics and propensity modelling
  - Improved pricing and remuneration structures to improve retention
- Expect some short term benefits; however, given challenging industry conditions, sustained improvement over medium term, with uneven progress due to inherent volatility
- Focus on building sustainable value and profitability

## AMP Capital – overview

AUM growth, strong investment performance and good cost control underpin robust earnings growth

Key performance measures (A\$m)	1H 13	2H 12	1H 12
Operating earnings after minority interests	51	54	45
Operating earnings including minority interests*	60	63	51
Fee income	229	239	223
Performance and transaction fees	16	26	23
Controllable costs	(152)	(165)	(159)
Cost to income ratio	63.3%	64.2%	68.2%
AUM (A\$b)	131	129	123

### AMP Capital's strong operating earnings a result of:

- fee income up 3% on 1H 12, with AUM growth underpinned by disciplined cost control
  - costs down 4% despite additional 1H 13 costs from insourcing listed property and infrastructure capabilities
- lower performance fees as 1H 12 included a A\$6m contribution from DUET
  - cost to income ratio already within target range of 60% to 65%, originally set for 1H 14
- Strong investment performance across most asset classes and capabilities
  - Particularly good improvements across equities and diversified funds
  - 12 ratings upgrades across retail product suite in 1H 13
- Continuing to drive commercialisation of MUTB strategic alliance
  - Three retail funds now in-market, with A\$300m in funds under management
  - Global Listed Infrastructure Fund launched for MUTB corporate pension fund clients

\* 15% minority interest acquired by MUTB on 1 March 2012.

## AMP Capital – strong investment performance

3 of top 20 best performing balanced funds in Australia<sup>3</sup>; top KiwiSaver default fund in NZ<sup>4</sup>

	AUM (A\$m)	1 Year		3 Year		
		Absolute return <sup>1</sup>	Excess return <sup>2</sup>	Absolute return <sup>1</sup>	Excess return <sup>2</sup>	
<b>Equities</b>						
Fundamental - Capital	1,852	27.0%	2.3%	10.1%	-0.4%	
Fundamental - SRI	1,464	25.9%	1.2%	9.0%	-1.5%	
Multi-Strategy - Active quant	1,227	23.9%	-0.4%	9.1%	-1.0%	
Multi-Strategy - Value	2,709	21.9%	-2.9%	9.0%	-1.5%	
Asian Equity Growth	395	20.9%	-4.0%	-0.7%	-6.7%	
<b>Fixed interest</b>						
Wholesale Australian Bond Fund	3,243	5.0%	1.7%	8.5%	1.2%	
Corporate Bond	1,839	8.4%	1.4%	9.0%	1.1%	
<b>Property (direct and listed)</b>						
Australian Core Property Portfolio	3,548	8.9%	2.7%	9.6%	2.4%	
Global Listed Property	1,348	17.4%	2.1%	19.4%	0.9%	
<b>Infrastructure (direct and listed)</b>						
Infrastructure Equity Fund	672	10.8%	3.0%	11.6%	2.9%	
<b>Diversified</b>						
Multi Asset Fund	480	11.9%	4.1%	8.4%	0.6%	
ipac Income Generator	688	15.5%	3.2%	9.9%	2.5%	
Balanced Growth Option	8,621	19.5%	Yes	9.7%	Yes	
FD Balanced Fund	8,232	18.9%	Yes	9.9%	No	

1. Absolute returns are annualised for periods greater than one year.
2. Excess return measured against the relevant client goal. For most funds, this reflects a relevant index plus an agreed margin above the index.
3. Includes AMP Responsible Investment Leaders Balanced, AMP ipac Super Directions Balanced and AMP Future Directions Balanced. Interim Chant West Multi-Manager Quarterly Survey, June 2013. Investment performance for one year to 30 June 2013.
4. Morningstar KiwiSaver Survey; investment performance for one year to 30 June 2013.





## Financial overview

Section 4

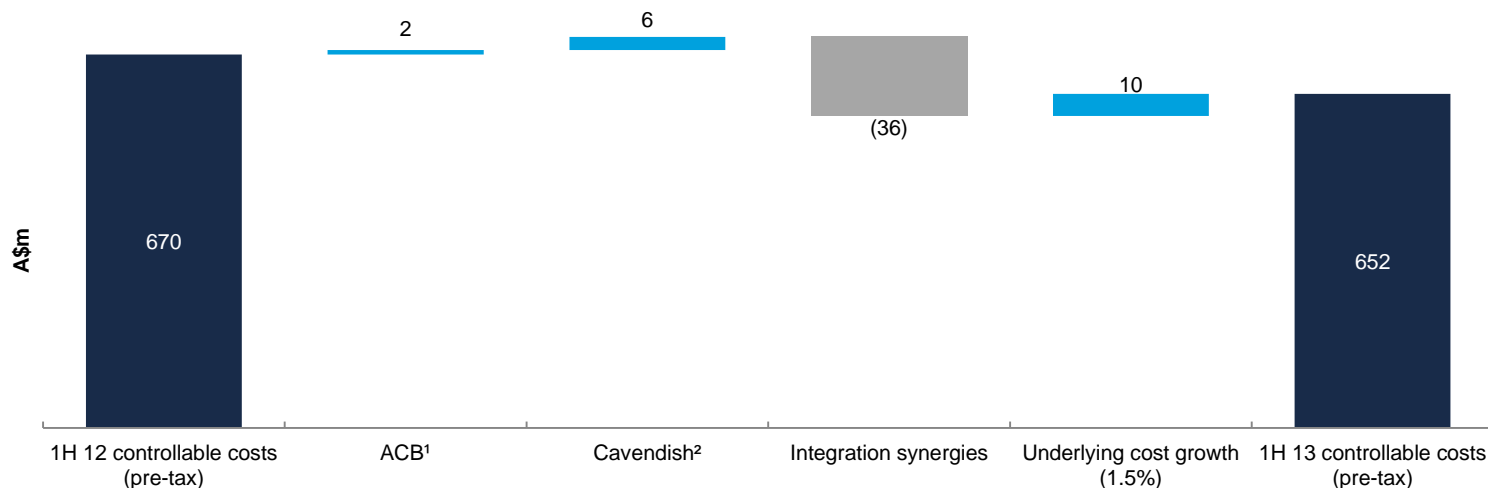
## Financial overview – key points on P&L

A\$m	1H 13	2H 12	1H 12
<b>Underlying profit</b>	<b>440</b>	<b>462</b>	<b>488</b>
Other items <sup>1,2,3</sup>	(5)	17	4
AXA integration costs	(31)	(57)	(71)
Amortisation of business acquired <sup>2</sup>	(47)	(49)	(50)
<b>Profit before market adjustments and accounting mismatches</b>	<b>357</b>	<b>373</b>	<b>371</b>
Market adjustment - investment income <sup>2</sup>	3	(11)	(1)
Market adjustment - annuity fair value	10	1	(10)
Market adjustment - risk products	5	(27)	23
Accounting mismatches <sup>4</sup>	18	(20)	(10)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>393</b>	<b>316</b>	<b>373</b>

1. Prior period comparatives have been restated; see p37 of 1H 13 Investor Report for more detail.
2. Net of minority interests from 1 March 2012, following MUTB acquiring 15% interest in AMP Capital.
3. Principally comprised of one-off and non-recurring items; see p37 of 1H 13 Investor Report for more detail.
4. Prior period comparatives have been restated; see p38 of 1H 13 investor report for more detail.

## Financial overview – maintaining tight cost control

Controllable costs down 3% in 1H 13, reflecting synergy delivery and continued disciplined management



### 1H 13 Group-wide controllable costs of A\$652m

- Underlying cost increase of A\$10m (ex-SMSF business and Brookfield joint venture) more than offset by A\$36m of synergies
- 1H 13 AFS controllable costs of A\$454m, down 2% on 1H 12, despite the addition of the SMSF business
- 1H 13 AMP Capital controllable costs of A\$152m, down 4% on 1H 12, despite insourcing of the Brookfield joint venture
- All business units, excluding wealth protection, achieved substantial improvements in their cost ratios

### FY 13 Group-wide controllable costs expected to be around 2% lower than FY 12³

- Integration synergies will more than offset underlying cost increases
- As in prior years, second half costs will be higher than first half, however 2H 13 costs are expected to be lower than 2H 12 costs
- No significant benefit in 2H 13 expected from new business efficiency program

1. AMP Capital insourced Brookfield joint venture on 1 April 2012, so 1H 12 included only 3 months of additional costs.  
 2. AMP acquired Cavendish in July 2012.  
 3. Excludes planned change in treatment of certain claims management costs. Refer to p13 of 1H 13 Investor Report.

## Financial overview – balance sheet

Strong balance sheet, little change to corporate gearing and interest cover

	1H 13	FY 12	Change
Shareholder equity	A\$7,955m	A\$7,744m	A\$211m
Total corporate subordinated debt	A\$979m	A\$879m	A\$100m
Total corporate senior debt	A\$700m	A\$700m	-
<b>Total capital resources</b>	<b>A\$9,634m</b>	<b>A\$9,323m</b>	<b>A\$311m</b>
<b>Debt metrics<sup>1</sup></b>			
Corporate gearing <sup>2</sup>	12%	11%	
Interest cover (underlying)	13.2 times	12.1 times	
Group cash	A\$684m	A\$604m	
Undrawn facilities <sup>3</sup>	A\$500m	A\$500m	

### Total capital resources of A\$9,634m

### Total corporate debt increased by A\$100m to A\$1,679m

- Subordinated loan from Group repaid by AMP Bank
- Corporate gearing and interest cover remains broadly unchanged

**At 30 June 2013 AMP had access to significant liquidity through group cash of A\$684m and undrawn facilities of A\$500m**

1. For further details on AMP's debt overview, see p36 of the 1H 13 Investor Report.  
 2. Based on S&P methodology.  
 3. Undrawn syndicated loan at 30 June 2013.

## Financial overview – interim 2013 dividend

Interim 2013 dividend of 11.5 cents a share, franked to 70%; no discount will apply to determine the DRP price

**Interim 2013 dividend of 11.5 cents per share, franked to 70%, representing a total payout ratio for 1H 13 of 77% of underlying profits**

- Target dividend payout ratio of 70% to 80% of underlying profit

**New shares will continue to be issued under the Dividend Reinvestment Plan without a discount**

## Financial overview – capital position

Regulatory capital resources above MRR up A\$331m on 1 January 2013 (post LAGIC) capital position

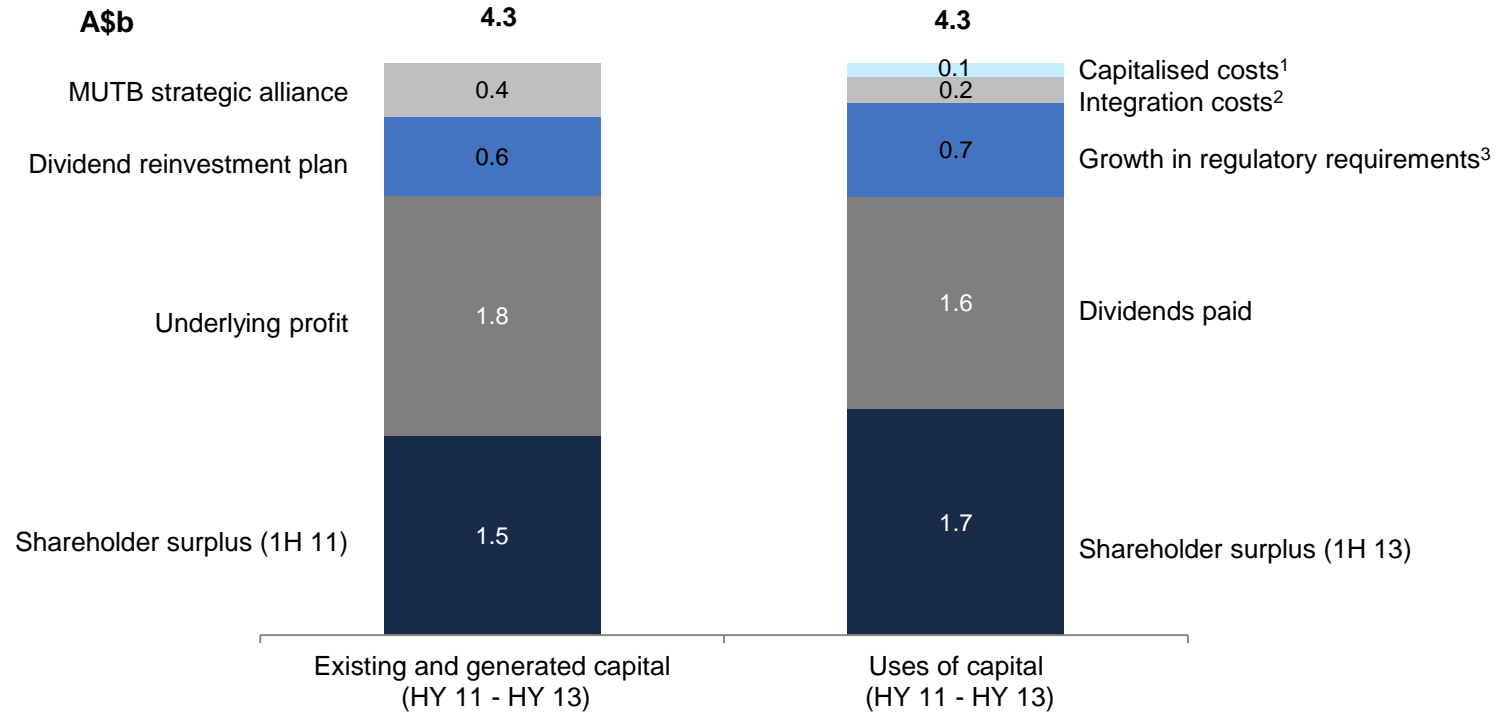
	1H 13	1 January 2013 (post-LAGIC)	Change
<b>A\$m</b>			
<b>Total capital resources</b>	<b>9,634</b>	<b>9,323</b>	<b>311</b>
Intangibles	(3,807)	(3,808)	1
Tangible capital resources	5,827	5,515	<b>312</b>
Senior debt	(700)	(700)	0
Other deductions	(1,858)	(1,867)	9
<b>Regulatory capital resources</b>	<b>3,269</b>	<b>2,948</b>	<b>321</b>
Shareholder minimum regulatory capital requirements (MRR)	1,566	1,576	(10)
<b>Shareholder regulatory capital resources above MRR</b>	<b>1,703</b>	<b>1,372</b>	<b>331</b>

**Compared to the post-LAGIC capital position, regulatory capital resources above MRR increased by A\$331m to A\$1,703m, driven by:**

- A\$321m increase in regulatory capital resources primarily due to retained underlying profits over the period, repurchase by AMP Group of AMP Bank subordinated debt and favourable market movements, partially offset by business growth and integration costs
- A\$10m decrease in MRR driven by business growth, more than offset by changes relating to capital efficiencies
- Strong capital position built up following significant regulatory capital changes in 2013

## Financial overview – use of capital since 1H 11

Since 1H 11, AMP has paid A\$1.6b in dividends and met increased regulatory requirements



1. Net of amortisation.
2. For the period from 1H 11 – 1H 13. Net of tax.
3. Change in shareholder MRR and other deductions. This includes impact of business growth, changes in regulatory capital standards and other impacts. For 1H 11, the shareholder MRR has been adjusted to removed the policyholder portion of the MRR.



## Delivering AMP's promise

Section 5



## Integration almost complete

Synergies delivered  
– 93 per cent complete

**Well-managed integration has created a stronger, more competitive organisation, with sharper execution capabilities**

- **Program met or exceeded key objectives:**
  - maintained **business momentum**
    - 300 net new planners added to AMP's advice networks since March 2011
    - Grown share of retail superannuation – maintaining No.1 ranking<sup>1</sup>
    - Maintained No.1 ranking in individual risk market, despite industry challenges, with some drop in share<sup>1</sup>
    - Improved investment performance, with 3 of top 20 balanced funds in Australia<sup>2</sup> and top default KiwiSaver fund in New Zealand<sup>3</sup>
  - created a **sharper, more competitive organisation**
    - Increased integration synergies by 25% to A\$150m and delivered ahead of time
    - Leading wrap platform and mastertrust platforms
    - Largest advice footprint<sup>4</sup>
  - built a **stronger growth platform**
    - North net cashflows up from A\$67m in Q1 11 (A\$210m in 1H 11) to A\$1.9b in 1H 13
    - 1H 13 wealth management net cashflows strongest growth in six years
- **Integration successfully delivered at same time as significant regulatory change (FoFA, Stronger Super, LAGIC) also implemented**

1. Plan for Life, March 2011 and March 2013.

2. Chant West Top Balanced Superannuation Funds (61-80% allocations to growth assets) one year investment performance to 30 June 2013.

3. Morningstar KiwiSaver Survey; one year investment performance to 30 June 2013.

4. Source: *Money Management* Top 100 Dealer Group survey, 2013.

## Well positioned to deliver on strategic priorities

With integration almost complete, accelerating change to improve customer engagement and drive down costs

### Strength in competitive position and execution capabilities

Benefits of merger and execution capabilities sharpened through integration, mean AMP well positioned to create leaner, more efficient and increasingly customer-driven organisation

#### Expertise and advice

- Largest and leading advice footprint in Australia
- Most recognised brand by consumers as offering “expertise” in wealth management

#### Products and services

- Strong market positions in key segments
- Leading wrap and master-trust platforms, plus SMSF and strong investment management capabilities, create ability to package flexible, personalised customer solutions

#### Technology

- Significant investment in Enterprise Data Warehouse before and during integration provides substantial foundation to deliver data analytics and new digital/mobile platforms and services with agility and cost efficiency

#### Execution capabilities

- Integration delivered ahead of schedule with greater savings

## Positioning the business for the future

Extending current priorities to capitalise on attractiveness of Australian wealth management market

### Building on strengths of merged business to sharpen competitive edge

- More recent strategic priorities focused on:
  - leveraging benefits from AXA merger – while driving growth through a stronger customer focus
  - building out other domestic growth opportunities (eg SMSF and Horizons Academy)
  - investing in targeted offshore markets through AMP Capital
- Australian wealth management market remains highly attractive; size of market projected to double by 2022\*
- However, market being driven by more discerning consumers, advances in technology and regulatory pressures
  - Consumers demanding more control, transparency, simplicity, convenience, accessibility and value
  - Search for value allied to regulatory changes driving margins lower

\* Source: DEXX&R 13 May 2013.

# Delivering AMP's promise – helping people own tomorrow

Sharpening focus on improved customer experience to drive improved revenue growth

## 1. Putting customers at the centre of AMP

- Deep focus on understanding and solving customers' financial challenges throughout their lives, ensuring our expertise and advice is more accessible, relevant and easier to act on
- Shift in orientation spearheaded by appointment of Chief Customer Officer, reporting to CEO
- Change will require increased and/or more targeted investment in:
  - next generation advice models, delivering more solutions at different price points with greater productivity
  - improved customer experience through segmentation, human-centred design and behavioural finance
  - technology, particularly
    - customer analytics to drive more proactive and personalised customer solutions
    - new digital and mobile platforms to improve engagement and choice for customers to access AMP
  - products and services, including a new retirement offer, insurance offering including income protection, multi manager investment funds and enhanced functionality for North
- Funded through reprioritised annual investment spend ('Project costs')

## Continuing to invest in other growth opportunities

Responding to changing customer needs in SMSF and targeted offshore markets

### 2. Newly-established SMSF business growing strongly

- Market leader in SMSF administration after a year in operation
- Continuing to grow at twice the rate of the market
- 9,650 member accounts in 1H 13, up from 3,000 in 1H 12, with A\$12.3b in funds under administration\*
- Launched SMSF Solutions in 1H 13, an online SMSF administration and compliance service
- Improved business efficiency by upgrading Multiport's technology platform and transitioning Cavendish funds to the SuperIQ platform
- Provided more than 6,700 hours of SMSF training to advisers

### 3. AMP Capital successfully expanding offshore

- **Building strong distribution partnerships in Japan and China**
  - Strengthening Asian investment capabilities - Asian equities and fixed interest teams in Hong Kong
  - Hong Kong based investor subscribed to A\$200m of 3<sup>rd</sup> QFII quota
  - Well placed to capitalise on China's new financial sector regulation
- **Successfully commercialising the strategic business and capital alliance with MUTB**
  - Three retail funds now in-market, with A\$300m in funds under management; fund launched to corporate pension fund clients in 1H 13; more institutional funds scheduled for launch in 2H 13
- **Expanding global pension funds client base**
  - Attracted four new European investors to its Australian Wholesale and Shopping Centre funds
  - Infrastructure Debt Fund II, launched in 2013, generating strong international demand, with first close expected in Q3 13
  - Currently managing over A\$2.2b on behalf of 60 global pension fund clients
- **Strengthening capabilities**
  - Expanded global property portfolio with Boston office building acquisition and infrastructure portfolio with NZ electricity and gas distributor acquisition

\* This includes accounts and funds from Super IQ, of which AMP owns a 49% share.

## Further opportunities to improve competitiveness

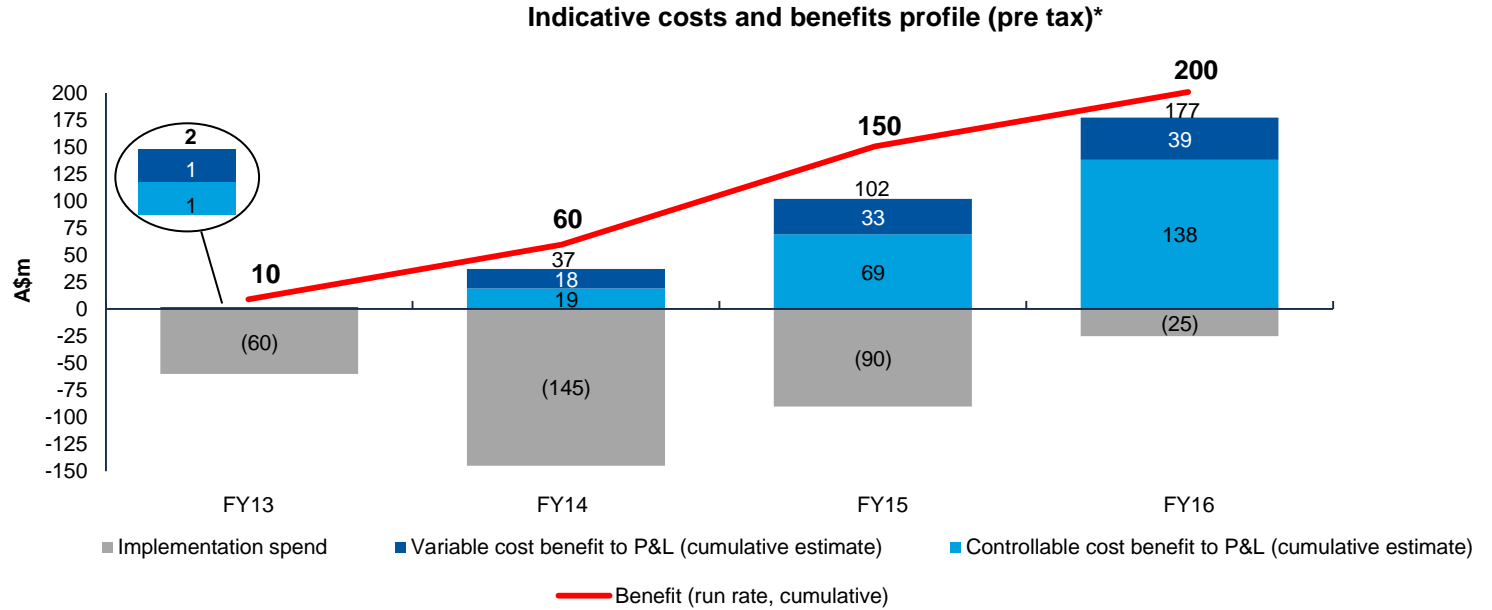
New efficiency program to deliver recurring A\$200m in cost savings (pre-tax)

### **New 3 year business efficiency program to drive earnings growth and improved returns**

- Program will ensure AMP remains competitive, is able to provide more choice to customers and eliminate activities that customers don't value
- Detailed and well developed plan – utilising capabilities and learnings from integration
- Savings will come from:
  - rationalising product duplication and construction to better utilise scale
  - further roll out of management operating systems into new business areas
  - greater use of cloud computing
  - automation of operational areas, including increased self-service options for customers
  - improving efficiency in back office operations
  - greater office space efficiency
- Estimated recurring cost savings likely to be 80% controllable costs, 20% variable costs (primarily a reduction in third party asset management fees)
- Remaining integration synergy realisation and benefits of new efficiency program to more than offset expected underlying controllable cost growth of 2.5% - 3% over next 3 years

# Business efficiency profile

A\$200m run rate savings by end 2016, utilising integration skills and experience



- One-off costs of A\$320m (pre tax) to deliver A\$200m (pre tax) in recurring run rate savings by end 2016
  - Cost benefit ratio of 1.6 over three years
- Given one-off nature and significance of program, cost to execute will be reported below underlying profit
- One-off costs of A\$320m to deliver efficiencies funded through combination of future retained earnings, existing capital surplus and Dividend Reinvestment Program

\* Based on current planning; could vary in future to enable business flexibility to respond to changing priorities and external markets.

## Summary

Results demonstrate potency of business franchise, scale and operating leverage in improving investment markets

- Underlying business tracking well, apart from wealth protection result
  - Clear actions in place to improve wealth protection returns and customer outcomes over medium term
- Tight cost control, with improving investment performance and stronger net cashflows across Australian advice franchise
- Integration almost complete – meeting or exceeding key objectives
- Well capitalised, with flexibility to meet regulatory requirements and support business growth
- Accelerated plan to drive stronger revenue and profitability growth through:
  - improved customer experience
  - cost efficiencies





Appendix

Section 6

## Integration program almost complete

**Synergy target: net A\$150m post tax; includes A\$10m net revenue benefits**

<u>Timing of net synergy delivery (post tax)</u>	<u>A\$m annual run rate (cumulative) (actual &amp; estimated)*</u>	<u>A\$m realised in P&amp;L</u>	
30 June 11 actual	18		
31 December 11 actual	55	FY 11	25
30 June 12 actual	82		
31 December 12 actual	120	FY 12	65
30 June 13 actual	139	1H 13	25*
31 December 13 forecast	144		
30 June 14 forecast	150	FY 13 (estimate)	43
		FY 14 (estimate)	17

- Major projects to be delivered in FY 13 include:
  - integration of the advice back offices
  - completion of IT infrastructure consolidation
  - completion of Operations streamlining

\*1H 13 incremental synergy benefits relative to 1H 12.

## Guidance

- Controllable costs
  - FY 13 group wide controllable costs expected to be 2% lower than FY 12
  - Medium term, estimated underlying controllable cost growth of 2.5% - 3% p.a. before efficiency program benefits and remaining cost synergy benefit
  - Estimated incremental integration cost synergy benefit (all post-tax) of A\$43m in FY 13 and A\$17m in FY 14
  - Business efficiency program estimated cumulative controllable cost benefit to P&L (all pre-tax) of FY 13 A\$1m, FY 14 A\$22m, FY 15 A\$75m, FY 16 A\$145m (see chart 30 for estimated variable cost savings)
- Other cost related guidance
  - Of the remaining expected AXA integration costs of A\$46m, approximately A\$30m to A\$40m is to be incurred in 2H 13 with the remainder in FY14
  - Expected business efficiency program costs (all pre-tax) of FY 13 A\$60m, FY 14 A\$145m, FY 15 A\$90m and FY 16 A\$25m
  - Remaining one-off implementation costs for FOFA, Stronger Super and other regulatory changes of A\$8m over next 12 months, taking total cost to shareholders of A\$75m in line with the upper end of previous guidance (post tax)
  - Amortisation of acquired intangibles of approximately A\$91m in FY 13
- Wealth management: AMP continues to expect average margin compression of 3.5% to 4.5% per annum over the MySuper implementation period to 2017
- Wealth protection: expect some short term benefits; however, given challenging industry conditions, sustained improvement over medium term, with uneven progress due to inherent volatility
- Mature business expected to run off between 4% - 6% per annum; in volatile investment markets this run-off rate can vary substantially
- Dividend: payout ratio of 70% to 80% of underlying profit

## AFS overview – strong and growing adviser force

	Jun 13	Dec 12	Change Dec 12 to Jun 13
AMP Financial Planning	1,662	1,616	+46
Hillross	359	337	+22
Horizons Practice and Academy	122	120	+2
SMSF Advice	16	17	-1
AMP Direct	38	40	-2
Charter Financial Planning	811	791	+20
Genesys Wealth Advisers	237	239	-2
ipac/Tynan Mackenzie	173	168	+5
Futuro Financial Services	79	74	+5
Jigsaw Support Services	183	234	-51
<b>Total Australia</b>	<b>3,680</b>	<b>3,636</b>	<b>+44</b>
AMP New Zealand	606	640	-34
<b>Total financial advisers</b>	<b>4,286</b>	<b>4,276</b>	<b>+10</b>

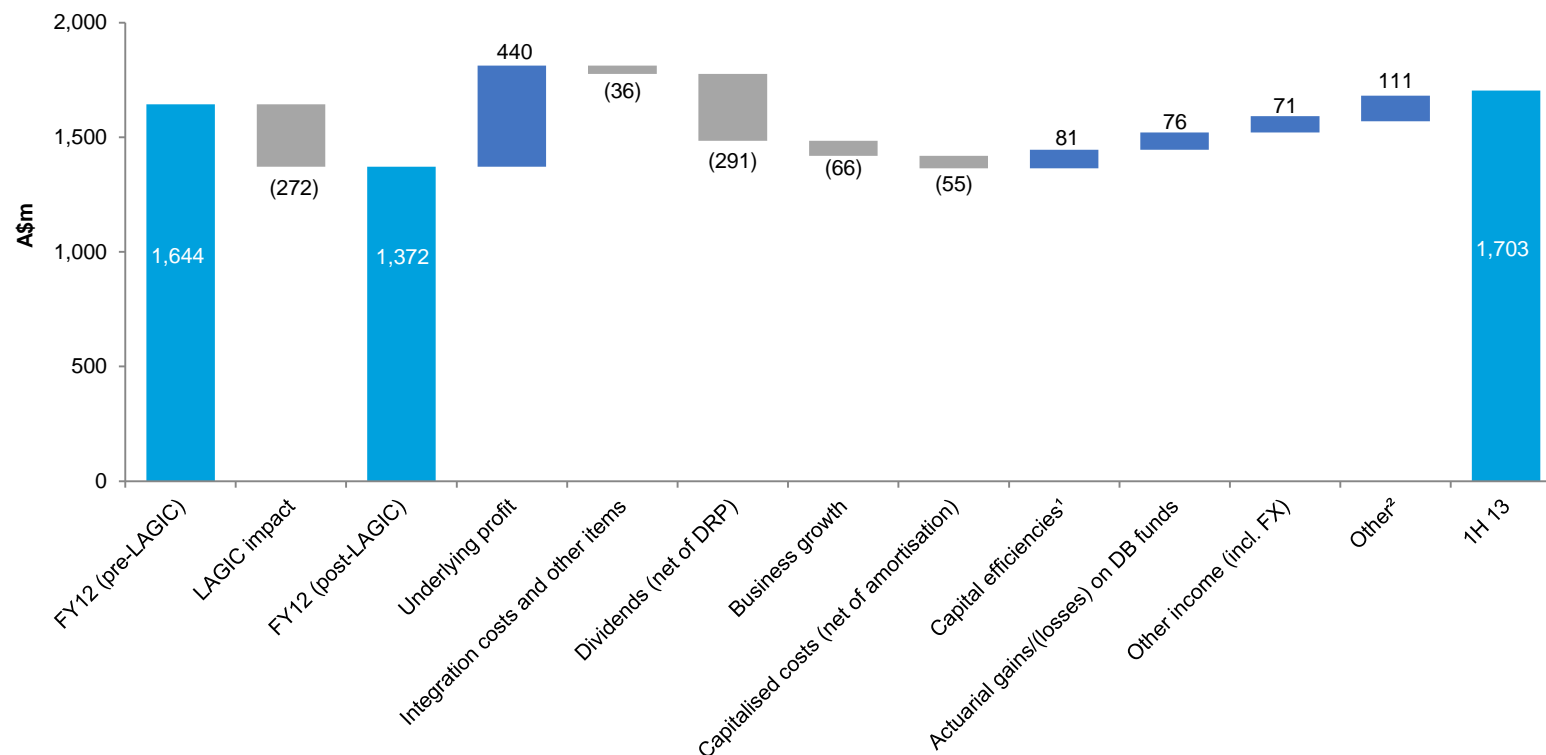
- Jigsaw client Myadviser was acquired by Plan B in late 2012, and then by IOOF; IOOF provides its own adviser support services

## AMP Bank – strong contributor to AFS Wealth Management earnings

- 1H 13 operating earnings of A\$38m (A\$29m in 1H 12) reflect assets growth (up 6% on 1H 12) and higher net interest margin (up 17 bps on 1H 12)
- Return on capital of 15.4% in 1H 13, up from 13.4% in 1H 12
- Residential mortgage book up 3% on 2H 12
- Deposit book down 2% on 2H 12; shifted funding mix from deposits to wholesale market during 1H 13
- Cost to income ratio 32% in 1H 13 (36% in 1H 12)
- Well positioned with capital adequacy ratio of 12.3% (13.8% in 2H 12). A\$100m in Tier 2 debt was repaid in 1H 13
- Tier 1 capital ratio is 8.9% (9.1% in 2H 12)
- AMP Bank's funding comprises a combination of on-balance sheet (77%) and off-balance sheet (23% securitisation) funding
  - On-balance sheet funding includes retail and on-platform superannuation and investment deposits, as well as short- and long-term wholesale funding
- Completed term funding (MTN) issues:
  - 3 year MTN issue of A\$500m in March 2013
  - 4 year MTN issue of A\$300m in May 2013
- Growth will continue to be managed in line with funding capacity
- Asset quality remains strong, with 90+ day arrears of 0.51% at 1H 13 (0.44% at 2H 12); loans with LVR greater than 80% are mortgage insured; weighted average LVR of portfolio is 59% (2H 12 58%)
- Almost 100,000 customers

## Financial overview – regulatory capital

Compared to the post-LAGIC FY 12 capital position, regulatory capital resources above MRR increased by A\$331m to A\$1,703m



1. Includes refinements to LAGIC calculations (+A\$30m) and revised responsible entity structure within AMP Capital (+A\$38m).
2. Other includes the impact of AMP Bank repayment of A\$100m subordinated debt to AMP group (+A\$100m).

## Financial overview – regulatory capital reviews update

**APRA developing new capital standards for conglomerate groups which apply to AMP, expected to be fully effective from 1 January 2015**

**Draft standards released in May 2013, with key impacts including:**

- subordinated debt issued by group office no longer to be recognised as regulatory capital resources
  - AMP has confirmed with APRA that subordinated debt held at the group level will continue to be 100% recognised as eligible capital under the revised standards until the earlier of the relevant instrument's first call date or March 2016
- an assessment of capital transferability within a conglomerate group

**The impact on AMP's capital position will be assessed against the final standards**

## FoFA and Stronger Super regulatory update

Scale, integrated advice model, efficiency and flexibility mean AMP well placed to capitalise on opportunities arising from Future of Financial Advice (FoFA) and Stronger Super

- Key elements of regulatory change implemented, including removal of commissions on new superannuation, investment and pension products, and shift to fee-for-advice, more than three years ago
- FoFA and Stronger Super legislative and regulatory frameworks still being finalised, despite 1 July 2013 start date for FoFA and 1 January 2014 for Stronger Super
- Expect one-off costs to the company of implementing FoFA, Stronger Super and other regulatory changes to be A\$75m (net of costs being recovered via temporary fee increases in various superannuation products)
  - A\$59m of this provisioned in FY 12
  - A\$8m in 1H 13, in Other items
  - Balance to come through over next 12 months

### Preparation for FoFA has involved:

- training approximately 3,500 AMP-aligned planners and advisers, 1,600 practice support staff and more than 500 AMP staff who support planners in new systems and processes
- managing a highly complex data retrieval process (involving internal and external data feeds, products codes and transaction types) to extract and collate information for annual fee disclosure statements
- establishing ongoing program of assistance for planners and advisers (including vetting procedures) to ensure all changes well embedded in day to day operations
- reviewing detail of grandfathering regulations released on 28 June, to establish process, systems and planner/adviser remuneration changes required by 1 July 2014

### Preparation for Stronger Super involves:

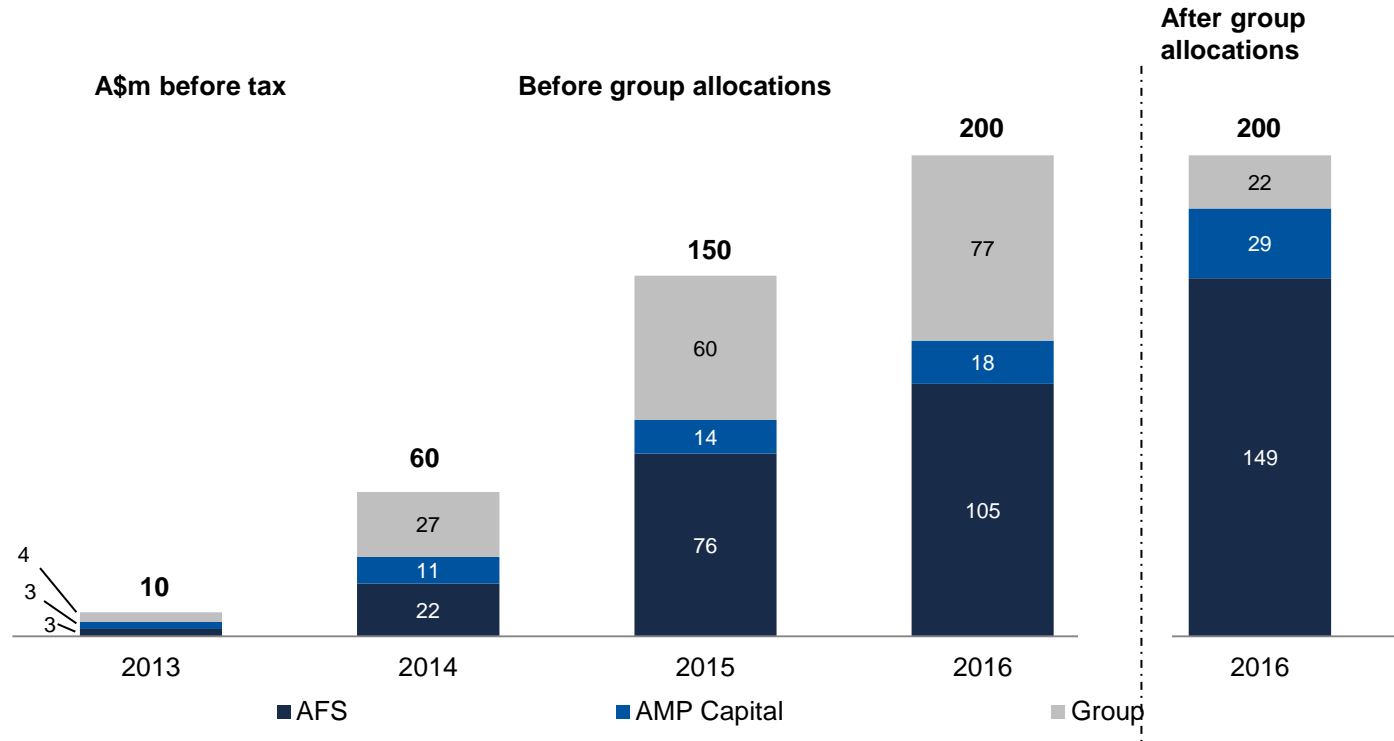
- assisting with more than 100,000 employer superannuation plans
- communicating with around 3m superannuation account holders impacted
- training more than 1,000 staff on new systems and processes
- updating 70 product disclosure statements and fact sheets, and more than 150 letter templates

### MySuper

- Submitted applications to APRA for 3 generic MySuper offers
- Currently building components for these MySuper offers; available to customers from 1 January 2014



# Estimated net run rate benefits of efficiency program by business area before and after allocation of group costs



- Based on current planning; could vary in future to enable business flexibility to respond to changing priorities and external markets
- Majority of group cost savings will be reflected in lower group allocations to AFS and AMP Capital

## Important disclaimer

Forward-looking statements in this presentation are based on AMP's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed or implied. These forward-looking statements are not guarantees or representations of future performance, and should not be relied upon as such.

AMP undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation, subject to disclosure requirements applicable to AMP.

Information and statements in this presentation do not constitute investment advice or a recommendation in relation to AMP or any product or service offered by AMP or any of its subsidiaries and should not be relied upon for this purpose. Prior to making a decision in relation to AMP's securities, products or services, investors or potential investors should consider their own investment objectives, financial situation and needs and obtain professional advice.