

9 February 2017

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Announcement No: 02/2017  
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 16; announces on-market share buy back** 

Part Three: Investor Presentation

Part Four: Investor Report

Part Five: Appendix 3C

9 February 2017

## AMP reports FY 16 results; announces on-market share buy-back

- FY 16 net loss of A\$344 million (FY 15 net profit: A\$972 million) and underlying profit of A\$486 million (FY 15: A\$1,120 million) reflecting actions announced in October 2016 to stabilise Australian Wealth Protection.
- Up to A\$500 million to be returned to shareholders through on-market share buy-back to begin in Q1 2017. Final dividend maintained at 14 cents a share, franked to 90 per cent. FY 16 dividend 28 cents a share.
- Strong performances by AMP Capital, AMP Bank and New Zealand. Australian Wealth Management resilient in volatile market.
- A\$415 million loss in Wealth Protection reflects negative claims experience and capitalised loss; business stabilised and capital released following reinsurance and Part 9 initiatives.
- International expansion in China, Europe and North America continues. China Life AMP Asset Management Company (CLAMP) is the fastest-growing investment manager in China, with assets under management (AUM) rising 55 per cent year on year.
- Disciplined cost management: A\$200 million, three-year efficiency program completed in 2016; new efficiency target for 2017.
- Strong capital position with A\$2.3 billion surplus on 1 January 2017 following consolidation of life companies. Underlying return on equity 5.6 per cent, down from 13.2 per cent in 2015, reflecting Wealth Protection performance.

### AMP Chief Executive Craig Meller said:

*The year saw strong results from AMP Capital, AMP Bank, New Zealand and a resilient performance from Wealth Management despite challenging market conditions. However, these results were overshadowed by a poor performance in Wealth Protection.*

*The wealth protection market deteriorated in 2016 and we took action to re-set and stabilise our business.*

*Our strategy is focused on directing capital to areas of our portfolio that will deliver the strongest growth including Australian Wealth Management, AMP Capital and AMP Bank.*

*International expansion is gaining momentum, particularly in China as well as in Europe and North America, where we are exporting our home-grown investment and pension expertise.*

*AMP's partnerships with China Life – China's largest listed insurance group, institutional investor and corporate pension manager – are stronger than ever. Together we are well placed to support the rapidly-evolving investment and pension needs of this growing market.*

*We have announced an on-market share buy-back of up to A\$500 million and maintained our dividend. These actions reflect our strong capital position and positive outlook for the business.*

## Business unit results

Operating earnings (A\$ million)	FY 16	FY 15	% change
Australian Wealth Management	401	410	(2.2)
AMP Capital	144	138	4.3
Australian Wealth Protection	(415)	185	n/a
AMP Bank	120	104	15.4
New Zealand Financial Services	126	120	5.0
Australian Mature	151	158	(4.4)

### Australian Wealth Management

The impact of difficult trading conditions was partly offset by effective cost and margin management. AUM was up 5 per cent to A\$121 billion following a strong end to the year. Total net cashflows of A\$336 million (FY 15: A\$2.2 billion) were lower, consistent with an industry-wide slow down amid market and regulatory uncertainty. Improving customer sentiment underpinned a lift in discretionary contributions in Q4 2016.

Targeted product enhancements supported strong cashflows on AMP's flagship North platform, with net cashflows up 11 per cent on FY 15 and AUM up 30 per cent. Cashflows from AMP Flexible Super reduced as flows switched to North as expected. Corporate super cashflows were lower reflecting the lumpy nature of mandates. AMP's developing omni-channel advice network, campaigns to capitalise on a more favourable market environment, corporate super pipeline and further product enhancements are expected to support cashflows in 2017 and beyond.

AMP deliberately reduced adviser numbers in 2016 by tightening the classification of authorised representatives. A higher-than-usual number of advisers also decided to retire or leave the industry in the face of challenging industry conditions and increasing education and professional requirements.

### AMP Capital

AMP Capital's strong performance reflected increased fee income driven by growth in real estate and infrastructure investments. Controllable costs increased as the business continued to invest in international growth and build its distribution capability.

External net cashflows were A\$967 million (FY 15: A\$4.4 billion) and were impacted by challenging market conditions in Australia and Japan, partly offset by good institutional flows into real estate and infrastructure asset classes. FY 16 finished with a strong origination pipeline, including A\$3.1 billion of available investor commitments. In China, CLAMP's AUM increased 55 per cent year on year.

### Australian Wealth Protection

Performance was impacted by negative experience and the actions to stabilise the business announced in October 2016, including strengthened assumptions, which led to a one-off capitalised loss of A\$484 million. Total experience losses for the year were A\$105 million. Claims experience in Q4 2016, capitalised and other one-off losses, and the reduction in embedded value were all within guidance provided in October 2016. AMP group's reported earnings were also impacted by a A\$668 million charge for goodwill impairment as a consequence of declines in the potential recoverable amount of the Australian Wealth Protection business.

The consolidation of AMP Life and NMLA – a Part 9 transfer – released A\$145 million in regulatory capital on 1 January 2017, while a reinsurance agreement for 50 per cent of the AMP Life portfolio (25 per cent of total exposure) released a further A\$500 million of regulatory capital. These actions underpinned the board's decision to return capital to shareholders through an on-market share buy-back. The process for a second tranche of reinsurance is now underway.

### **AMP Bank**

Above system growth in residential mortgages and expansion in net interest margin contributed to 15 per cent growth in operating profit. The bank is investing in operational capacity to support continued growth, with retail mortgage sales via the aligned adviser channel up 24 per cent on FY 15. The bank's cost to income ratio fell to 29 per cent as the bank benefitted from increased scale.

### **New Zealand Financial Services**

Performance was driven by improved margins in wealth management and experience profits in the life insurance business. Excluding the effect of the loss of transitional tax relief, operating earnings increased 14 per cent, with tight cost management improving the business's cost to income ratio. AUM increased 9 per cent, reflecting positive market performance and net cashflows.

### **Australian Mature**

Operating earnings of A\$151 million reflected anticipated portfolio run off and lower bond yields, partly offset by cost control and better persistency.

### **Capital management**

AMP continues to actively manage capital with Level 3 eligible capital resources A\$2,195 million above minimum regulatory requirements at 31 December 2016, up from A\$1,917 million at 1 July 2016. Effective 1 January 2017, the consolidation of AMP's two life companies (AMP Life and NMLA) increased excess regulatory capital by a further A\$145 million.

The strengthened capital position also reflects the execution of the reinsurance agreement.

Capital released from reinsurance provides the capacity for capital to be returned to shareholders. An on-market share buy-back of up to A\$500 million will begin in Q1 2017.

A FY 16 final dividend has been maintained at 14 cents per share, franked at 90 per cent, with the unfranked amount being declared as conduit foreign income. The total FY 16 dividend is 28 cents a share. This reflects the largely non-cash nature of the one-off losses incurred in Australian Wealth Protection. AMP's dividend policy target range is 70 to 90 per cent of underlying profit. The dividend reinvestment plan will be neutralised by on-market purchases.

### **Cost program**

AMP's three-year business efficiency program completed in FY 16 with A\$200 million in pre-tax recurring run rate cost benefits delivered in line with expectations.

AMP is committed to a 3 per cent reduction in controllable costs in 2017, excluding AMP Capital and allowing for continued investment in growth businesses and channel experiences. AMP Capital will be managed on a cost to income basis, which is appropriate for the profile and growth ambitions of this business. 

More detailed information on the FY 16 result is available in the FY 16 investor report and presentation, both accessible at [shareholdercentre.amp.com.au](http://shareholdercentre.amp.com.au).

**Media teleconference**

A conference call for media with Craig Meller (CEO) and Gordon Lefevre (CFO) will be held at 9.30am (AEDT) today, 9 February 2016. Dial in details are as follows:

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## Financial Summary

A\$m	FY 16	FY 15
<b>Profit and loss</b>		
Australian Wealth Management	401	410
AMP Capital	144	138
Australian Wealth Protection	(415)	185
AMP Bank	120	104
New Zealand Financial Services	126	120
Australian Mature	151	158
<b>BU operating earnings</b>		
Group Office costs	(104)	(61)
<b>Total operating earnings</b>		
Underlying investment income	122	125
Interest expense on corporate debt	(59)	(59)
<b>Underlying profit/(loss)</b>		
Other items	(9)	(3)
Business efficiency program costs	(19)	(66)
Amortisation of AXA acquired intangible assets	(77)	(80)
Goodwill impairment	(668)	-
<b>Profit/(loss) before market adjustments and accounting mismatches</b>		
Market adjustment - investment income	(46)	9
Market adjustment - annuity fair value	(8)	34
Market adjustment - risk products	11	2
Accounting mismatches	(14)	(44)
<b>Profit/(loss) attributable to shareholders of AMP Limited</b>		
	(344)	972

## Q4 16 cashflows Australian Wealth Management

Australian Wealth Management Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15
North <sup>1</sup>	3,325	2,770	(2,144)	(1,656)	1,181	1,114
AMP Flexible Super <sup>2</sup>	1,085	1,671	(1,130)	(1,355)	(45)	316
Summit, Generations and iAccess <sup>3</sup>	229	393	(614)	(739)	(385)	(346)
Flexible Lifetime Super (superannuation and pension) <sup>4</sup>	392	503	(795)	(905)	(403)	(402)
Other retail investment and platforms <sup>5</sup>	65	129	(83)	(133)	(18)	(4)
<b>Total retail on AMP platforms</b>	<b>5,096</b>	<b>5,466</b>	<b>(4,766)</b>	<b>(4,788)</b>	<b>330</b>	<b>678</b>
SignatureSuper and AMP Flexible Super - Employer	843	1,304	(705)	(613)	138	691
Other corporate superannuation <sup>6</sup>	586	435	(628)	(681)	(42)	(246)
<b>Total corporate superannuation</b>	<b>1,429</b>	<b>1,739</b>	<b>(1,333)</b>	<b>(1,294)</b>	<b>96</b>	<b>445</b>
<b>Total retail and corporate super on AMP platforms</b>	<b>6,525</b>	<b>7,205</b>	<b>(6,099)</b>	<b>(6,082)</b>	<b>426</b>	<b>1,123</b>
External platforms <sup>7</sup>	358	446	(703)	(750)	(345)	(304)
<b>Total Australian Wealth Management</b>	<b>6,883</b>	<b>7,651</b>	<b>(6,802)</b>	<b>(6,832)</b>	<b>81</b>	<b>819</b>

Australian Wealth Management cash inflow composition (A\$m)	
Member contributions	913
Employer contributions	1,018
Total contributions	1,931
Transfers and rollovers in <sup>8</sup>	4,838
Other cash inflows	114
<b>Total Australian Wealth Management</b>	<b>6,883</b>

<sup>1</sup> North is a market leading, 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, AMP Personalised Portfolio and Synergy. The Synergy platform was closed in Q2 2016, with customer accounts transferred to North.

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

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

<sup>8</sup> Transfers and rollovers in includes the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pension/annuities) and external products.

Australian Wealth Management AUM (A\$m)	Q3 16		Q4 16 Net cashflows			Total net cashflows	Other movements <sup>1</sup>	Q4 16 AUM
	AUM	Superannuation	Pension	Investment				
North	25,241	421	470	290	-	1,181	670	27,092
AMP Flexible Super	15,660	78	(123)	-	-	(45)	333	15,948
Summit, Generations and iAccess	12,190	(153)	(158)	(74)	-	(385)	348	12,153
Flexible Lifetime Super (superannuation and pension)	23,613	(266)	(137)	-	-	(403)	626	23,836
Other retail investment and platforms	2,428	-	-	(18)	-	(18)	45	2,455
<b>Total retail on AMP platforms</b>	<b>79,132</b>	<b>80</b>	<b>52</b>	<b>198</b>	<b>-</b>	<b>330</b>	<b>2,022</b>	<b>81,484</b>
SignatureSuper and AMP Flexible Super - Employer	15,583	123	15	-	-	138	403	16,124
Other corporate superannuation	12,528	(42)	-	-	-	(42)	284	12,770
<b>Total corporate superannuation</b>	<b>28,111</b>	<b>81</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>96</b>	<b>687</b>	<b>28,894</b>
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>107,243</b>	<b>161</b>	<b>67</b>	<b>198</b>	<b>-</b>	<b>426</b>	<b>2,709</b>	<b>110,378</b>
External platforms	10,891	(123)	(124)	(98)	-	(345)	209	10,755
<b>Total Australian Wealth Management</b>	<b>118,134</b>	<b>38</b>	<b>(57)</b>	<b>100</b>	<b>-</b>	<b>81</b>	<b>2,918</b>	<b>121,133</b>
<b>Australian Wealth Management - SuperConcepts<sup>2</sup></b>								
Assets under administration	22,201						160	22,361

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

<sup>2</sup> SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms, but does not include Multiport Annual and JustSuper.

Australian Wealth Management AUM (A\$m)	Q3 16 AUM	Q4 16 AUM
<b>AUM by product</b>		
Superannuation	69,059	70,919
Pension	35,137	35,856
Investment	13,938	14,358
<b>Total</b>	<b>118,134</b>	<b>121,133</b>
<b>AUM by asset class</b>		
Cash and fixed interest	31%	31%
Australian equities	32%	31%
International equities	26%	26%
Property	6%	6%
Other	5%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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Australian Wealth Management	Q3 16	Q4 16
<b>AUM summary (A\$b)</b>	<b>AUM</b>	<b>AUM</b>
Closing AUM	118.1	121.1
Average AUM	117.8	118.1

### AMP Capital

AMP Capital	Q3 16	Q4 16 Net cashflows			Total	Other	Q4 16
AUM (A\$m)	AUM	Cash inflows	Cash outflows	net cashflows	movements <sup>1</sup>	AUM	
External	54,361	4,097	(3,475)	622	666	55,649	
Internal	108,150	9,306	(10,042)	(736)	2,337	109,751	
<b>Total AMP Capital</b>	<b>162,511</b>	<b>13,403</b>	<b>(13,517)</b>	<b>(114)</b>	<b>3,003</b>	<b>165,400</b>	

AMP Capital	Q3 16	Q4 16
<b>AUM summary (A\$b)</b>	<b>AUM</b>	<b>AUM</b>
Closing AUM	162.5	165.4
Average AUM	163.2	161.7

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

### New Zealand Financial Services

New Zealand Financial Services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15
KiwiSaver	145	150	(100)	(84)	45	66
Other <sup>1</sup>	415	228	(284)	(237)	131	(9)
<b>Total New Zealand</b>	<b>560</b>	<b>378</b>	<b>(384)</b>	<b>(321)</b>	<b>176</b>	<b>57</b>

New Zealand Financial Services	Q3 16	Q4 16 Net cashflows				Total	Other	Q4 16
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>2</sup>	AUM
KiwiSaver	4,101	45	-	-	-	45	69	4,215
Other <sup>1</sup>	10,809	173	(1)	(55)	14	131	(45)	10,895
<b>Total New Zealand</b>	<b>14,910</b>	<b>218</b>	<b>(1)</b>	<b>(55)</b>	<b>14</b>	<b>176</b>	<b>24</b>	<b>15,110</b>

<sup>1</sup> Other New Zealand financial services cashflows and AUM include New Zealand wealth protection, mature and non-KiwiSaver wealth management products.

<sup>2</sup> Other movements include fees, investment returns, taxes, as well as foreign currency movements on New Zealand AUM.

New Zealand Wealth Protection	Q3 16	Q4 16
<b>Risk Insurance Annual Premium In-force – API (A\$m)</b>	<b>API</b>	<b>API</b>
Individual lump sum	236	243
Individual income protection	48	45
Group risk	37	39
<b>Total</b>	<b>321</b>	<b>327</b>

### Australian Mature

Australian Mature	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15
<b>Australian Mature</b>	<b>141</b>	<b>154</b>	<b>(476)</b>	<b>(539)</b>	<b>(335)</b>	<b>(385)</b>

Australian Mature	Q3 16	Q4 16 Net cashflows				Total	Other	Q4 16
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>1</sup>	AUM
<b>Australian Mature</b>	<b>21,642</b>	<b>(155)</b>	<b>(46)</b>	<b>(21)</b>	<b>(113)</b>	<b>(335)</b>	<b>(125)</b>	<b>21,182</b>

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

## AMP Bank

AMP Bank by product	Q3 16		Q4 16
Deposits and loans (A\$m)	end balance	Other movements <sup>1</sup>	end balance
Deposits (Supercash, Super TDs & Platform TDs) <sup>2</sup>	5,124	49	5,173
Deposits (retail) <sup>2</sup>	5,915	(321)	5,594
Deposits (Other) <sup>2</sup>	790	(8)	782
Loans	16,557	563	17,120

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

<sup>2</sup> At 31 Dec 2016, deposits include AMP Bank retail deposits (A\$5.6b), AMP Supercash and Super TDs (A\$2.2b), North and platform deposits (A\$3.0b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.1b).

## Australian Wealth Protection

Australian Wealth Protection	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15
Individual risk	368	376	(139)	(180)	229	196
Group risk	92	109	(76)	(81)	16	28
<b>Total Australian Wealth Protection</b>	<b>460</b>	<b>485</b>	<b>(215)</b>	<b>(261)</b>	<b>245</b>	<b>224</b>

Australian Wealth Protection	Q3 16	Q4 16
Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	1,135	1,122
Individual income protection	403	400
Group risk	446	442
<b>Total</b>	<b>1,984</b>	<b>1,964</b>