

20 August 2015

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ASX Market Announcements  
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Announcement No: 19/2015  
AMP Limited (ASX/NZX: AMP)

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## Half Year Financial Results

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

- Part One: Appendix 4D  
Appendix 3A.1
- Part Two: AMP reports A\$507 million net profit 1H 15
- Part Three: Investor Presentation** 
- Part Four: Investor Report
- Part Five: Directors' Report and Financial Report

20 August 2015



# 2015 half year results

Craig Meller, Chief Executive Officer  
Gordon Lefevre, Chief Financial Officer



# Executive summary

## Financial performance

- 1H 15 net profit of A\$507m (1H 14: A\$382m) and underlying profit of A\$570m (1H 14: A\$510m)
- 12% lift in underlying profit with solid growth in all contemporary businesses
- Good momentum in wealth management and AMP Capital external net cashflows
- Wealth protection recovery remains on track – management actions continue to ensure improvements are scalable and sustainable
- Disciplined management of controllable costs driving reduction in cost to income ratio (down 1.9 percentage points to 43.1% from 1H 14)
- Capital position remains strong with surplus of A\$2.3b; underlying RoE up 1 percentage point to 13.5% from 1H 14

## Strategy

Consistent execution of strategy designed to deliver long-term growth:

- Continued momentum in transformation of core Australian business to enhance customer-centricity
- Business efficiency program on track; delivering benefits at anticipated run rate
- Strengthening commercial relationships with national champion partners in Asia

## Dividend

- Interim dividend 14 cents a share, franked to 85%. DRP neutralised with shares bought on market

# 1H 15 profit summary

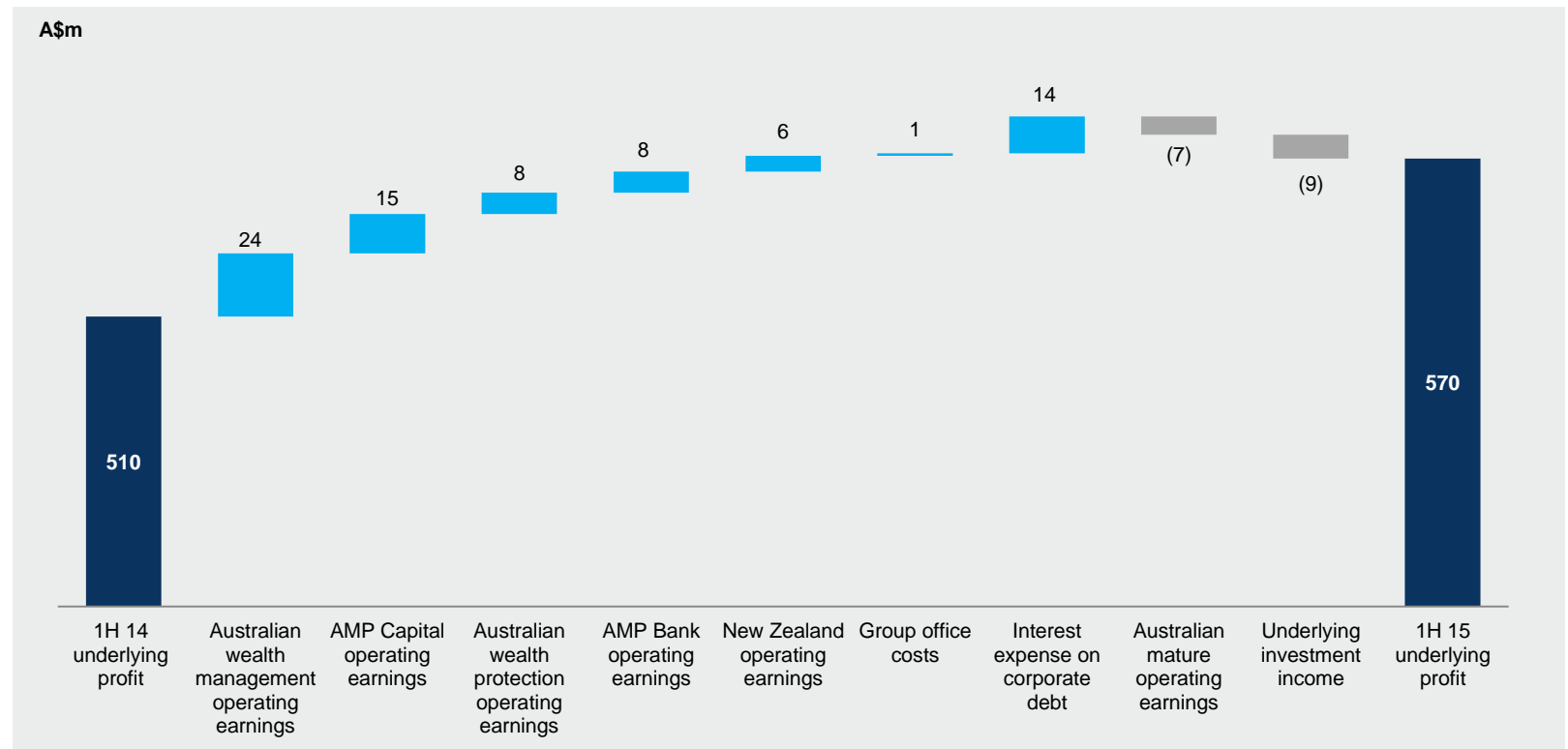
A\$m	1H 15	1H 14	%
Australian wealth management	207	183	13.1
AMP Capital <sup>1</sup>	72	57	26.3
Australian wealth protection	99	91	8.8
AMP Bank	50	42	19.0
New Zealand financial services	61	55	10.9
Australian mature	80	87	(8.0)
<b>BU operating earnings</b>	<b>569</b>	<b>515</b>	<b>10.5</b>
Group Office costs	(31)	(32)	3.1
<b>Total operating earnings</b>	<b>538</b>	<b>483</b>	<b>11.4</b>
Underlying investment income <sup>1</sup>	60	69	(13.0)
Interest expense on corporate debt	(28)	(42)	33.3
<b>Underlying profit</b>	<b>570</b>	<b>510</b>	<b>11.8</b>
Other items	(2)	(3)	33.3
AXA integration costs	0	(11)	n/a
Business efficiency program costs	(33)	(49)	32.7
Amortisation of AXA acquired intangible assets <sup>1</sup>	(42)	(44)	4.5
<b>Profit before market adjustments and accounting mismatches</b>	<b>493</b>	<b>403</b>	<b>22.3</b>
Market adjustments <sup>1</sup>	24	10	140.0
Accounting mismatches	(10)	(31)	67.7
<b>Profit attributable to shareholders of AMP Limited</b>	<b>507</b>	<b>382</b>	<b>32.7</b>

## Notes

1. AMP Capital is 15% owned by Mitsubishi UFJ Trust and Banking Corporation (MUTB) and hence the business result, and any other impacted line items, are shown net of minority interests

# 1H 15 movement in underlying profit

Continued momentum in contemporary businesses delivered 12% uplift in underlying profit



# Business unit results

## Section 2



# Wealth management – overview

Underlying earnings growth reflects strong AUM increase and good cost control

Key performance measures	1H 15	1H 14
Operating earnings (A\$m)	207	183
Controllable costs (A\$m)	(250)	(256)
Net retail cashflows on AMP platforms (A\$m)	1,795	1,625
Total net cashflows (A\$m)	1,152	1,116
Investment-related revenue to AUM (bps) <sup>1,2,3,4</sup>	113	118
Operating earnings to AUM (bps) <sup>2,3,4</sup>	36	36
Cost to income ratio	44.8%	48.2%

- 13% increase in operating earnings due to stronger net cashflows, good AUM growth and disciplined cost management
- Average AUM<sup>4</sup> increased 13% to A\$114.6b benefiting from strong net cashflows and good investment returns
- Cost to income ratio reduced by 3.4 percentage points driven by stronger revenue growth and lower controllable costs
- Margin compression of 4.2% per annum in line with guidance
- Operating margin steady at 36 bps despite revenue margin compression
- MySuper transitions continue – still expecting average margin compression of around 4.5% per annum through to June 2017 – may be volatile from period to period
- Post MySuper transition, margin compression expected to reduce to longer-term average

#### Notes

1. Investment related revenue refers to revenue on superannuation, retirement income and investment products
2. Excludes AMP SMSF
3. Ratio based on 181 days in 1H 15 and 181 days in 1H 14
4. Based on average of monthly average AUM

# Wealth management – cashflows

Solid net cashflows on AMP platforms

Net cashflows summary (A\$m)	1H 15	1H 14
AMP Flexible Super <sup>1</sup>	861	945
North <sup>1</sup>	2,268	2,359
Other products and platforms <sup>1</sup>	(1,334)	(1,679)
<b>Total retail on AMP platforms</b>	<b>1,795</b>	<b>1,625</b>
SignatureSuper and Flexible Super (employer)	423	349
Other corporate superannuation <sup>2</sup>	(292)	(243)
<b>Total corporate superannuation</b>	<b>131</b>	<b>106</b>
<b>Total retail and corporate super net cashflows on AMP platforms</b>	<b>1,926</b>	<b>1,731</b>
External platforms <sup>3</sup>	(774)	(615)
<b>Total Australian wealth management</b>	<b>1,152</b>	<b>1,116</b>

- Solid growth in net cashflows on AMP platforms driven by increases in both retail and corporate super net cashflows
- North net cashflows of A\$2,268m driven by new customers to AMP and existing customers moving to North platform
- North AUM increased to A\$18.6b, up 16% on FY 14; AMP Flexible Super AUM increased to A\$14.4b, up 10% on FY 14

- Cashflows from corporate super mandate wins expected throughout 2H 15 and into 2016
- External platform cash outflows include A\$219m from exit of Genesys practices in line with expectation
- Further outflows are expected in 2H 15 as Genesys transitions complete

#### Notes

1. For details of platforms see p8 of 1H 15 Investor Report
2. Comprises CustomSuper, SuperLeader and Business Super
3. Comprises Asgard, Macquarie and BT Wrap platforms



# AMP Capital – overview

Strong uplift in earnings reflecting AUM growth and income from performance fees

Key performance measures	1H 15	1H 14
Operating earnings (A\$m) <sup>1</sup>	72	57
Fee income (A\$m)	290	250
Controllable costs (A\$m)	(173)	(160)
Cost to income ratio	58.7%	62.4%
Total external net cashflows (A\$m)	3,025	1,642
Average AUM (A\$b) <sup>2</sup>	158.5	142.4

- 26% 1H 15 operating earnings growth due to good external net cashflows, AUM growth and increased fee income
- 1H 15 net performance fees up to A\$39m (from A\$22m in 1H 14) driven by strong performance in infrastructure funds, reflecting, in part, rising valuations
- Controllable costs increased due to adverse currency impacts, remuneration costs aligned to earnings and continued international expansion
- 1H 15 cost to income ratio below 60%-65% range as a result of significant lift in performance fees; targeting lower end of range over medium term
- Average AUM<sup>2</sup> up 11% to A\$158.5b due to strong external net cashflows and good investment returns

#### Notes

1. Operating earnings after minority interests
2. Based on average of monthly average AUM

# AMP Capital – cashflows and investment performance

Strong growth momentum reflecting continued delivery against strategy

External net cashflows (A\$m)	1H 15	1H 14
Japan	387	743
China	682	557
Domestic and other international	1,956	342
<b>Total external net cashflows</b>	<b>3,025</b>	<b>1,642</b>

Net cashflows (A\$m)	1H 15	1H 14
Internal	(1,885)	(1,598)
External	3,025	1,642
<b>Total net cashflows</b>	<b>1,140</b>	<b>44</b>

## Cashflows

- Strong cashflows from China Life AMP Asset Management joint venture (CLAMP)<sup>1</sup> driven by new product launches and flight to defensive assets during equity market volatility
- Japanese cashflows lower relative to prior period due to timing of new product launches – delayed to 2H 15
- Significant increase in other external net cashflows driven by strong domestic flows into bond funds and international flows into Global Infrastructure Fund

## Investment performance

- 88% of AUM met or exceeded client goals over 3 years to June 2015; 63% over 1 year to June 2015
- Good investment performance across retail funds demonstrating breadth of capability

## Notes

1. AMP Capital holds a 15% stake in the CLAMP joint venture

# Wealth protection – overview

9% uplift in operating earnings; management actions on track with more to do

Key performance measures (A\$m)	1H 15	2H 14	1H 14	2H 13	1H 13
Profit margins	96	99	88	102	97
Capitalised (losses)/reversals	1	2	0	(48)	0
Experience profits/(losses)	2	(4)	3	(54)	(33)
Income protection (IP) claims	3	11	11	9	(11)
Lump sum claims	(12)	(8)	(7)	(3)	(7)
Group claims	3	(5)	(13)	(31)	(6)
Lapses	7	1	8	(21)	(12)
Other	1	(3)	4	(8)	3
Operating earnings	99	97	91	0	64
Individual risk API	1,476	1,498	1,453	1,448	1,395
Individual risk lapse rate	13.0%	14.8%	13.8%	15.5%	13.9%
Cost to income ratio	33.3%	33.6%	35.9%	71.4%	44.1%

- 9% growth in profit margins from 1H 14 driven by repricing of a group client in 2H 14 and disciplined cost management
- Management actions continued to drive positive IP claims and lapse outcomes
- New claims philosophy, process and system for retail and group IP being embedded into BAU; now moving to roll out in retail and group lump sum products

- 1H 15 lump sum experience reflects impact from term life claims. Identified targeted management actions to assist but underlying volatility expected to remain
- Individual risk API subdued, reflecting focus on margin improvement

# Wealth protection – improvement plan update

Encouraging results from management actions to date with work continuing to ensure sustainability over the long term

## 1H 15 progress and key deliverables

Tracking well 18 months into business recovery program. Encouraging results from management actions to date with work continuing to ensure long term sustainability

- › Completed rollout of new claims management philosophy and process across income protection with all staff trained; new system to be used for all IP business in 2H 15
- › Encouraging results from IP claims management process changes; focus shifting to embedding in BAU
- › Commencing application of learnings to management of lump sum (disability) claims and group risk
- › Early positive indicators from ongoing direct to customer campaigns targeting those with high propensity to lapse; 2H 15 focus on piloting campaigns with advised clients
- › New insurance offers developed from customer research being tested in market
- › Assumed industry leadership position on advised retail insurance remuneration reform<sup>1</sup> – fundamental to restoring customer trust and to long term stability of lapses; deferred implementation in line with industry timings; co-designing implementation approach with advisers

## Guidance

- 2H 15 profit margins expected to remain subdued by ongoing investment and constrained API growth while focus on recovery continues
- Best estimate claims assumptions remain in line with FY 13 and FY 14 guidance
- Best estimate assumptions for IP claims have now reverted to longer term levels in line with previous guidance
- Identified targeted management actions in lump sum experience but volatility expected to remain
- FY 15 best estimate lapse assumptions gradually reverting to a long term rate of approximately 13.5% by FY 17
- Lapse rates typically higher in 2H – reflecting timing of the majority of annual renewals

## Notes

1. For more details see appendix p29

# AMP Bank – overview

Continued strong growth in profits. Conservative credit and liquidity approach to prudential changes

Key performance measures	1H 15	1H 14
Operating earnings (A\$m)	50	42
Controllable costs (A\$m)	(31)	(26)
Cost to income ratio	30.0%	30.6%
Net interest margin	1.53%	1.35%
Residential mortgage book (A\$m)	14,587	13,486
Deposits (A\$m)	8,794	8,889
Return on capital <sup>1</sup>	16.3%	14.5%

- Strong rise in operating earnings in 1H 15 (up 19% on 1H 14) driven by loan growth and expansion of net interest margin
- Lending growth remains slightly above system with new retail mortgage business from advisers stable at 24%
- Net interest margin increased 18 bps due to targeted pricing initiatives, tight liquidity management and lower wholesale funding costs

- Controllable costs increased as a result of continued investment in systems and processes to improve experience and support growth
- Strong capital position, well above regulatory and internal thresholds; well placed to comply with Basel III capital requirements from 2016

#### Notes

1. The increase in return on capital in 1H 15 was partly due to a capital return to the group of A\$100m of common equity, following the on-lend of Additional Tier 1 capital from the AMP Wholesale Capital Notes issued in March 2015 (for more details see p25 of 1H 15 Investor Report)

# New Zealand and Mature – key performance measures

Good cost control in NZ and Mature. Strong experience profits in NZ

New Zealand	1H 15	1H 14
Profit margins (A\$m)	48	46
Transitional tax relief (A\$m) <sup>1</sup>	9	10
Experience profits/(losses) (A\$m)	4	(1)
Operating earnings (A\$m) <sup>2</sup>	61	55
Net cashflows (A\$m)	202	188
Individual risk API (A\$m)	261	279
Individual risk lapse rate	11.7%	13.3%
Cost to income ratio	30.3%	31.6%

- Operating earnings up 11%, reflecting experience turnaround and favourable currency movements
- No further benefits from transitional tax relief from 2H 15

Mature	1H 15	1H 14
Operating earnings (A\$m)	80	87
AUM (A\$b)	22.6	22.5
Persistency	89.9%	89.7%
Controllable costs (A\$m)	(29)	(30)
Cost to income ratio	18.7%	17.7%

- Decline in operating earnings due to expected portfolio run-off and experience with impact partially offset by tight cost control

## Notes

1. Changes to the taxation of life insurance business in New Zealand will impact the business from 1 July 2015. This will result in a reduction in operating earnings of approximately A\$9m in 2H 15
2. In NZ dollar terms, operating earnings grew 10% from NZ\$59m (1H 14) to NZ\$65m (1H 15)

# Financial overview

## Section 3



## Financial overview – key points on P&L

A\$m	1H 15	1H 14	%
<b>Underlying profit</b>	<b>570</b>	<b>510</b>	<b>11.8</b>
Other items	(2)	(3)	
AXA integration costs	0	(11)	
Business efficiency program costs	(33)	(49)	
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### Notes

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# Financial overview – balance sheet and regulatory capital

Strong balance sheet with conservative ratios and regulatory capital surplus above minimum regulatory requirements

A\$m	1H 15	FY 14	Change
Shareholder equity	8,475	8,346	129
Total corporate subordinated debt <sup>1</sup>	1,283	1,008	275
Total corporate senior debt <sup>1</sup>	250	450	(200)
<b>Total capital resources<sup>2</sup></b>	<b>10,008</b>	<b>9,804</b>	<b>204</b>
Regulatory capital resources	3,749	3,650	99
<b>Shareholder regulatory capital resources above MRR</b>	<b>2,322</b>	<b>1,987</b>	<b>335</b>
<b>Debt metrics and liquidity</b>			
Corporate gearing	10%	10%	0
Interest cover (underlying)	18.5 times	14.6 times	3.9
Group cash (A\$m)	224	270	(46)
Undrawn syndicated loan (A\$m)	250	250	0

- Overall strong capital, corporate gearing ratios, interest cover and liquidity position
- In March 2015, AMP issued A\$275m of subordinated debt (AMP Wholesale Capital Notes) and redeemed A\$200m of senior debt (medium term notes)
- The issuance reflects, in part, the loss of transition arrangements on the A\$600m AXA Notes subordinated debt at their call date in March 2016
- The funds from the AMP Wholesale Capital Notes were on-lent to AMP Life, NMLA and AMP Bank as eligible capital, reducing AMP group's MRR
- Based on regulatory planned final capital standards for conglomerate groups, AMP expects to meet these requirements with existing capital resources

#### Notes

1. Refer to p28 of 1H 15 Investor Report for more details
2. Shown after accounting mismatches, cashflow hedge resources and other adjustments. Refer to p23 of 1H 15 Investor Report for more details

# Financial overview – interim 2015 dividend

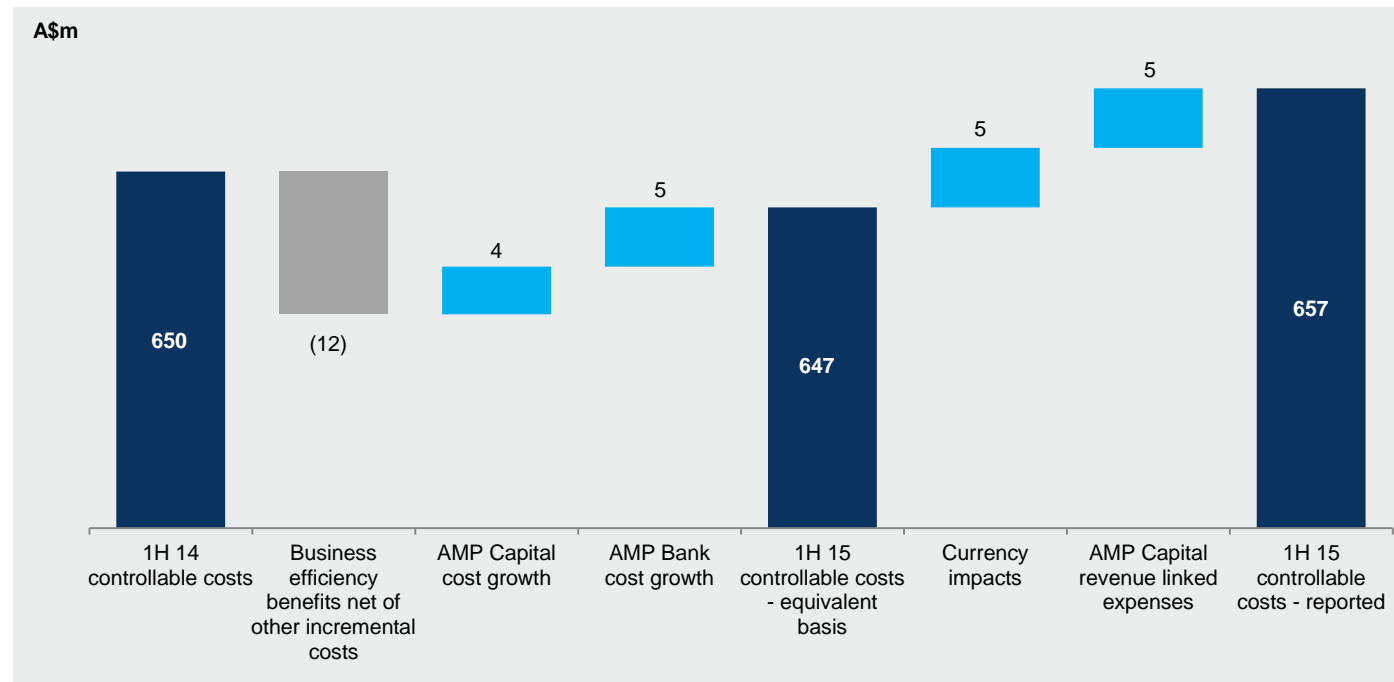
12% increase in  
interim dividend

**Interim 2015 dividend of 14 cents per share, franked to 85%, representing a first half payout ratio of 73% of underlying profit**

- AMP Limited target dividend payout ratio of 70% to 80% of underlying profit
- DRP will remain in place for eligible shareholders
- No discount will apply to the DRP allocation price. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under the DRP

# Financial overview – maintaining cost control

Business efficiency program benefits offset underlying cost growth and increased project investment in growth initiatives



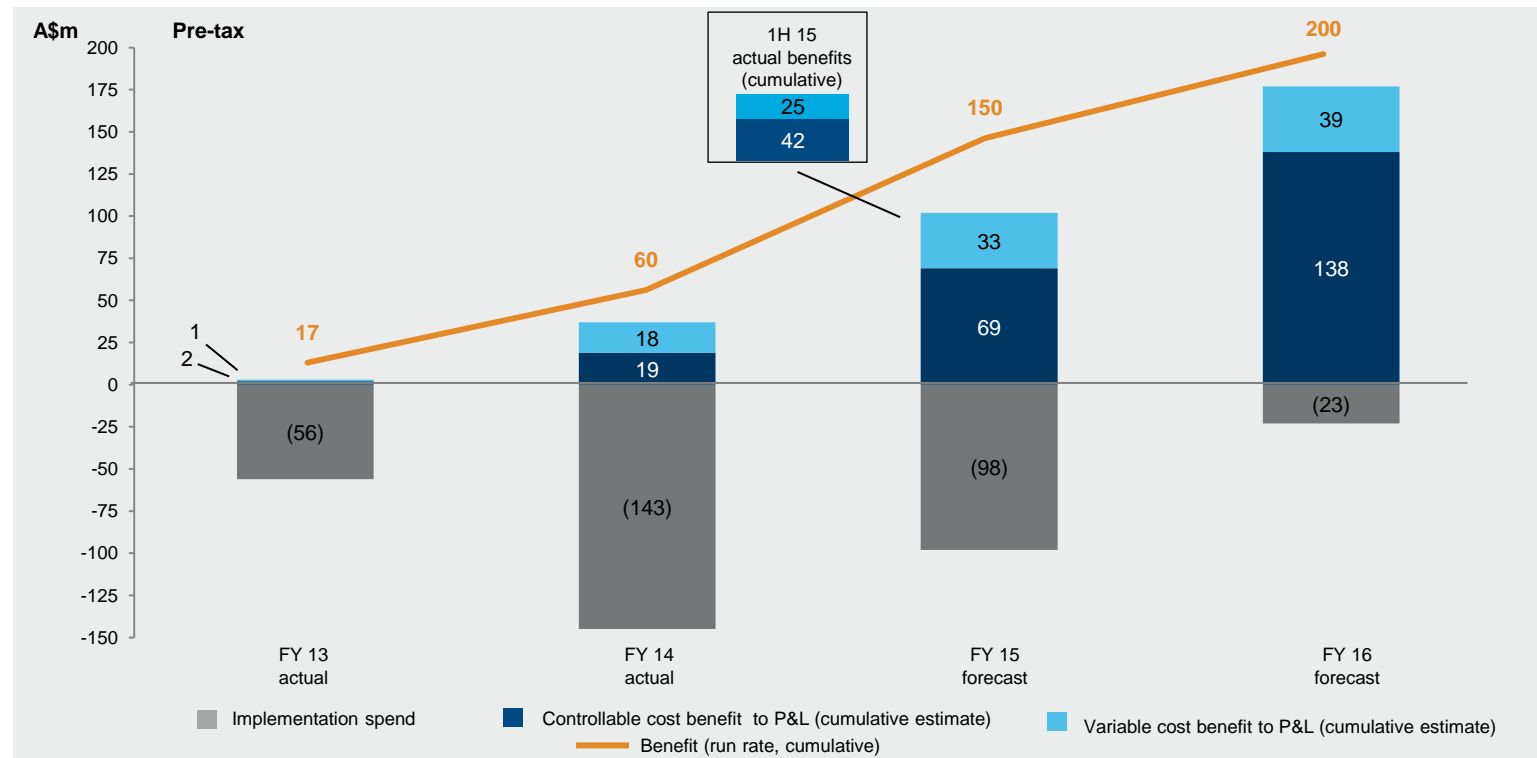
## 1H 15 total controllable costs of A\$657m

- Business efficiency program on track
- Lower A\$ adversely impacted non-domestic business costs
- AMP Capital cost growth primarily due to international expansion; AMP Bank cost growth due to capacity and capability build

- FY 15 total controllable costs expected to reflect underlying controllable cost growth of 2.5% - 3% before forecast business efficiency program benefits of A\$50m

# Financial overview – business efficiency program

Efficiency program benefits on track to deliver A\$200m pre tax run rate savings by end 2016



- Program delivering to plan. Majority of planned initiatives are completed or underway. Final phase of program planning has commenced
- No change to FY 16 run rate forecast or delivery profile
- No change from prior guidance regarding benefit emergence

- Early delivery of benefits has been used to accelerate investments in transformation initiatives
- One-off program costs of A\$320m pre tax over 3 years funded through existing capital surplus and future retained earnings

# Financial overview – business efficiency program

Program well into execution with many core initiatives on track to complete by the end of FY 15

FY 15 focus areas	FY 15 progress
Continue to improve service efficiencies and test new ways of delivering advice to lift advice productivity	Simplified operating model and channel rationalisation to reduce management structures and deliver consolidation benefits Streamlining delivery of services to business partners. Refocused spend on adviser education
Following success of multi-asset fund review, moving to complete second phase to consolidate externally managed funds and create a more efficient fund structure	Second phase will be completed in 2H 15. Benefits will emerge as cost savings through lower asset management fees and reduced pricing for customers. Will look to begin a third phase of this program in 2H 15
Complete finance transformation to reduce costs and deliver a greater value-add function	Successfully transitioned selected core processes to offshore business partner Business tools being developed to improve finance efficiency and effectiveness Implemented a more targeted service proposition to remove lower value services Completed the integration of actuarial teams, processes and systems
Complete IT infrastructure projects	Move to more efficient IT platform to be completed in 2H 15. Strong benefits emerging from move to cloud based storage. Expected completion in early Q1 2016
Complete all four phases of back office transitions and establish sustainable improvement program	Program of work to be completed by end of Q3 2015. Successful transitions with strong delivery of expected benefits. Continuous improvement program in place with business partner

# Strategy update

## Section 4



# Charting a path to stronger growth

Continued momentum on strategy implementation

## Strategic priorities

1. Prioritise investment in A\$2.6tr<sup>1</sup> Australian wealth management market by **building on leading market positions to capture growth** as superannuation industry doubles in size by 2025<sup>2</sup>
2. Transform core Australian business **to centre on customer**, driving stronger revenue growth from target segments to remain relevant in a fast changing world
3. Reduce costs to maintain **market-leading efficiency** and reinvest in new customer solutions
4. Invest selectively in **Asia and internationally** primarily through AMP Capital by leveraging investment and business capabilities in demand globally to move profitably into new markets

## Notes

1. Australian Bureau of Statistics Managed Funds Report, Managed Funds Industry, March 2015
2. Dynamics of the Australian Superannuation System, *The next 20 years: 2013 – 2033*, Deloitte, Sept 2013; and AMP modelling

# Creating a contemporary, customer centric business

Building wealth management model of the future

## Progress against 2015 priorities

### Transform face-to-face advice model

- Strong customer and adviser feedback to new advice pilots to date; testing continues
- Emergence of opportunities to improve advice process with potential to reduce cost to serve and increase productivity
- Leading initiatives to protect consumers' interests and restore trust in financial advice profession

### Build omni-channel experience for customers

- Introduced mobile payment option AMPwave
- On track to launch new integrated wealth and banking portal *My AMP* in 2H 15

### Build better customer solutions

- Testing new customer offers in market, targeting priority segments
- Continuing to deliver strong results from superannuation consolidation and corporate superannuation welcome campaigns; welcome program extended to new customers via digital and direct channels
- New customer interaction engine commissioned with expanded capabilities scheduled for release 2H 15, enabling proactive identification of next best activity across digital and contact centres

### Improve service capability and quality

- Continuous improvements to customer communications, encouraging digital engagement where possible
- Continued investment in up-skilling contact centre staff to improve service delivery
- New mortgage origination process being piloted
- New claims philosophy, process and system rolled out across income protection for retail and group; 2H 15 focus on embedding into BAU and transferring learnings to management of retail and group lump sum
- Continued rollout of customer measurement system and improvement processes across key customer-facing functions
- Defined and launched service specifications for key customer-facing functions to build more consistent brand experience



# Investing selectively in offshore growth

International profile of business continues to grow

## Building partnerships with national champions

### Deepening relationships with Chinese and Japanese partners to drive cashflows

- China Life AMP Asset Management joint venture<sup>1</sup> now managing more than A\$8b<sup>2</sup> in AUM for Chinese retail and institutional investors
  - › JV launched nine new mutual funds in 1H 15
  - › AMP Capital's share of net cashflows was A\$682m for 1H 15
- AMP Capital's business alliance with MUTB managing A\$7.4b for clients in Japan
  - › Now have 13 retail and 4 institutional funds in market with MUTB with A\$1.9b in funds under management
  - › MUTB raised over A\$400m from 35 institutional clients for Infrastructure Debt Fund II

## Targeting pension funds globally

### Capitalising on international investor interest in infrastructure and property capabilities

- Now managing A\$14b for global investors
- Includes more than A\$4.8b for 134 global pension fund clients (up from 119 at FY 14)
- Infrastructure Debt Fund III in market and targeting US\$2b in commitments
- Global Infrastructure Fund attracted A\$0.4b in commitments from investors across Asia, Europe and North America
- A\$5b Australian property development program has attracted strong interest from international and domestic investors
  - › Major redevelopments underway or planned for Pacific Fair (Gold Coast); Garden City and Karrinyup (Perth); and Sydney's 200 George Street
  - › Quay Quarter redevelopment opportunity progressing with stage 2 development application submitted

#### Notes

1. AMP Capital holds a 15% stake in the joint venture
2. AMP Capital's 15% share of joint venture AUM is A\$1.2b

# Summary

Strong financial performance and progress on long-term strategy, yielding returns for shareholders

- Strong result with all contemporary businesses continuing to deliver growth
- Recovery of wealth protection business on track with more still to do
- Strategy execution creating potential for long-term growth
  - › Improving customer centricity of core Australian business with foundation capabilities being put in place and implemented as BAU
  - › Business efficiency program on track, with savings re-invested in growth initiatives
  - › Increasing international profile of investment management business
- Balance sheet strong, with surplus capital of A\$2.3b
- Interim dividend 14 cents a share, franked to 85%

# Appendix

## Section 5



# Guidance summary

## Costs

- FY 15 total controllable costs expected to reflect underlying controllable cost growth of 2.5% - 3% before forecast business efficiency program benefits of A\$50m
- Expect business efficiency program pre tax costs of A\$98m in FY 15 and A\$23m in FY 16
- Business efficiency program estimated cumulative controllable cost benefit to P&L of A\$69m in FY 15 and A\$138m in FY 16 (see slide 19 for estimated variable cost savings)
- Amortisation of acquired AXA intangibles of approximately A\$80m in FY 15 (post tax)
- AMP Capital targeting cost to income ratio at lower end of 60%-65% range over medium term

## Wealth management

- As MySuper plan transitions have now commenced, average margin compression of around 4.5% per annum is expected through to June 2017; may be volatile from period to period
- Post the MySuper transition period, margin compression is expected to reduce to longer term average

## Wealth protection

- 2H 15 profit margins expected to remain subdued by ongoing investment and constrained API growth while focus on recovery continues
- Best estimate claims assumptions remain in line with FY 13 and FY 14 guidance
- Best estimate assumptions for IP claims have now reverted to longer-term levels in line with previous guidance
- Identified targeted management actions in lump sum experience but volatility expected to remain
- FY 15 best estimate lapse assumptions gradually reverting to a long term rate of approximately 13.5% by FY 17
- Lapse rates typically higher in 2H – reflecting timing for the majority of annual renewals

## Bank

- Targeting lending growth at or above system subject to funding availability and return on capital hurdles and credit quality targets being met
- AMP Bank has implemented a number of measures designed to comply with regulatory requirements to reinforce sound lending practices, including increased supervision of risk profiles, investment lending and serviceability of residential mortgages. These measures include changes to credit policies relating to, and the availability and pricing of, AMP Bank investment lending products. This is expected to slow the growth of AMP Bank investment loans in 2H 15 and into 2016

## Mature

- Expected to run off between 4%-6% per annum; in volatile investment markets this run-off rate can vary substantially

## Dividend policy

- Targeting payout ratio of 70%-80% of underlying profit

## Conglomerate Standards

- The regulator has released its planned final capital standards for conglomerate groups but deferred implementation to allow for any potential changes that may result from the FSI recommendations and the Government's response to them. The regulator has committed to providing a minimum 12 months' transition time before any new standards come into force
- Expect to be compliant with the requirements when implemented. Based on standards in their current form, expect to meet additional capital requirements from within existing capital resources

# Advice update

Continue to advocate for the value of financial advice

## **Market leader in financial advice across Australia**

- Largest network of financial advisers in Australia - 1H 15 adviser numbers steady at 3,762<sup>1</sup>
- Firmly believe in the value of quality financial advice
- Strategic intent to help more customers with more advice more often
- Piloting new approaches to delivery of face to face advice

## **Supported and led initiatives to protect consumers' interests and restore their trust and confidence in the profession:**

- Embedding FOFA reforms and driving improved standards across the industry
- Supporting ASIC's Financial Adviser Register
- Guiding advisers through personal pathways to achieve new education requirements – CFP, FChFP or MoFP. A third of advisers already meet these standards
- Appointed Belinda Gibson – past deputy ASIC Chair – to lead AMP Advice Review Panel to review customer complaints about the quality of advice from AMP advisers when the customer is not satisfied with AMP's response through normal channels
- Worked with industry and The Ethics Centre to develop program on Ethical Literacy for those working in financial advice
- Industry leadership position on retail insurance remuneration reform; co-designing implementation approach with advisers
- Investing in services, platforms and digital capabilities to enhance adviser quality and productivity and embed regulatory change

Notes

1. For more details see p33 of 1H 15 Investor Report

# Regulatory environment

Development	Impacts / Issues	AMP position
<b>Future of Financial Advice reforms</b>	<ul style="list-style-type: none"> <li>- Opt-in statements for customers</li> <li>- Fee disclosure statements</li> </ul>	<ul style="list-style-type: none"> <li>- Support FOFA reforms</li> <li>- Providing ongoing training and monitoring of advisers to ensure compliance</li> </ul>
<b>Life insurance remuneration reform</b> <ul style="list-style-type: none"> <li>- ASIC review of retail life insurance advice – October 2014</li> <li>- Trowbridge report - March 2015</li> <li>- Government &amp; industry response - June 2015</li> </ul>	<ul style="list-style-type: none"> <li>- Significant changes to advised life insurance remuneration</li> </ul>	<ul style="list-style-type: none"> <li>- Early response to Trowbridge report to demonstrate commitment to reform</li> <li>- Subsequently aligned with industry timeframe</li> <li>- Supporting Financial Services Council and Association of Financial Advisers to implement reforms</li> </ul>
<b>Senate Inquiry into Scrutiny of Financial Advice</b> <ul style="list-style-type: none"> <li>- Inquiry commissioned Sep 2014</li> <li>- Report due 1 February 2016</li> </ul>	<b>Scope</b> <ul style="list-style-type: none"> <li>- Current level of consumer protections</li> <li>- Role of, and oversight by, regulatory agencies</li> <li>- Compensation mechanisms</li> <li>- Mechanisms to ensure breaches are transparent</li> <li>- Response of industry participants to misconduct</li> <li>- Launch of Financial Adviser Register</li> </ul>	<ul style="list-style-type: none"> <li>- Lodged a submission to the Senate Inquiry setting out our first-mover measures to lift professional standards and deliver quality financial advice</li> </ul>
<b>Financial System Inquiry</b> <ul style="list-style-type: none"> <li>- Government response expected by mid to late 2015</li> </ul>	<b>Recommendations</b> <ul style="list-style-type: none"> <li>- Potential capital requirements for banks</li> <li>- Potential new retirement incomes products</li> <li>- Government response to PJC recommendations to lift quality of advice products</li> <li>- Increased competition and governance of super industry</li> </ul>	<ul style="list-style-type: none"> <li>- Supports view that current system, including MySuper, needs time to bed down</li> <li>- Supports competition and choice for all super members</li> <li>- As one of leading players in retirement incomes, supports further development of retirement income products</li> </ul>
<b>Australia's Tax Reforms</b> <ul style="list-style-type: none"> <li>- Government green paper due late 2015</li> </ul>	<b>Scope</b> <ul style="list-style-type: none"> <li>- To undertake a review of Australia's taxation system including GST and post-retirement taxation settings</li> <li>- Government undertaken not to change taxation of super</li> <li>- ALP has released policy to tax super earnings</li> </ul>	<ul style="list-style-type: none"> <li>- Participating in industry consultation process</li> </ul>

# Important disclaimer

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