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Announcement No: 20/2016  
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\$523 million net profit 1H 16** 

Part Three: Investor Presentation

Part Four: Investor Report

Part Five: Directors' Report and Financial Report

18 August 2016

## AMP reports A\$523 million net profit for 1H 16

AMP Limited (ASX: AMP; ADR: AMLYY) has reported a net profit of A\$523 million for the half year to 30 June 2016<sup>1</sup>, up 3 per cent on A\$507 million for 1H 15.

Underlying profit<sup>2</sup> was A\$513 million compared with A\$570 million for 1H 15, down 10 per cent year on year, impacted by higher claims in Australian wealth protection and volatile investment market conditions.

The Board has declared an interim dividend of 14 cents per share, in line with the 2015 interim dividend. This represents a payout ratio of 81 per cent of underlying profit.

“AMP Capital, AMP Bank and our New Zealand business have performed strongly, while Australian wealth management has demonstrated resilient performance in a difficult market environment,” said AMP Chief Executive Craig Meller.

“While first half claims experience was poor, we continue to focus on improving the outcomes for customers and shareholders in our wealth protection business, with actions underway to improve capital efficiency and reduce volatility.

“More broadly, AMP has made substantial progress on the implementation of our growth strategy, which will release the long-term potential of our business, deliver better outcomes for our customers while improving overall financial performance for shareholders.”

### Key performance measures

- **Underlying profit:** A\$513 million in 1H 16, down 10 per cent on 1H 15.
- **Cost to income:** Group cost to income ratio increased 2.4 percentage points from 1H 15 to 45.5 per cent in 1H 16. Total controllable costs increased A\$6 million on 1H 15 to A\$663 million as underlying cost growth and increased investment in growth initiatives were largely offset by business efficiency program benefits.

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<sup>1</sup> AMP's profit measures exclude MUTB's 15 per cent share of AMP Capital's earnings.

<sup>2</sup> Underlying profit is the basis on which the AMP Board determines the dividend payment and reflects the business performance of AMP. It is AMP's preferred measure of profitability as it removes one-off costs, the impact of some investment market volatility and accounting mismatches.

- **Cashflows:**
  - Australian wealth management net cashflows were A\$582 million in 1H 16, down from A\$1,152 million in 1H 15. Retail and corporate super platform net cashflows were subdued reflecting investment market volatility and weaker investor confidence given uncertainty around proposed changes to superannuation.
  - AMP Capital external net cash outflows were A\$153 million in 1H 16, down from net cash inflows of A\$3,025 million in 1H 15. Challenging domestic market conditions offset strong flows into infrastructure and property asset classes.
- **Underlying return on equity:** Reduced 1.6 percentage points to 11.9 per cent in 1H 16 from 1H 15, largely reflecting the decline in underlying profit.

Australian wealth management operating earnings for 1H 16 were A\$195 million, down 6 per cent compared with 1H 15, driven by challenging investment market conditions but partially offset by disciplined cost control.

Australian wealth protection operating earnings were A\$47 million in 1H 16 compared with A\$99 million in 1H 15. The performance was impacted by poor claims experience across income protection, lump sum and group insurance.

“To address performance in the insurance business AMP is strengthening income protection assumptions, repricing, continuing the transformation of claims management and accelerating our capital management initiatives,” said Mr Meller.

### Key highlights

- **AMP Capital:** A 15 per cent increase in operating earnings reflects the growth in fee income over the half, with the international expansion strategy driving growth from a more attractive asset mix. Cashflows show a shift into property and infrastructure. These real assets now represent over 50 per cent of externally managed assets under management (AUM) and continue to perform well.
- **AMP Bank:** The bank’s strong growth momentum continues with operating earnings increasing by 18 per cent to A\$59 million in 1H 16 from an expanded net interest margin and above system growth in the loan book.
- **New Zealand:** Operating earnings in New Zealand were up 2 per cent, reflecting higher profit margins and good experience. Excluding the effect of the tax relief reduction, operating earnings increased by 19 per cent.
- **North AUM grew 26 per cent to A\$23.4 billion:** The launch of an expanded North offering supported the strong growth of assets under management to A\$23.4 billion during the half.
- **Business efficiency program:** The successful delivery of the business efficiency program is largely complete. Overall the program will contribute A\$200 million in pre-tax run rate savings by the end of 2016, which more than offsets the investment in growth initiatives.

## Capital management

AMP continues to actively manage capital with Level 3 eligible capital resources at 30 June 2016 A\$1,917 million above minimum regulatory requirements, down from A\$2,542 million at 31 December 2015. The decrease mainly reflects the redemption of the A\$600 million of Subordinated Notes in March.

AMP maintains a strong balance sheet, with little change to gearing and access to significant liquidity.

The 1H 16 interim dividend will be franked at 90 per cent in line with the FY 15 final dividend. AMP's dividend policy target range is 70 to 90 per cent of underlying profit.

A dividend reinvestment plan (DRP) will continue to be offered to eligible AMP shareholders. A discount will not apply to the allocation price and shares will be bought on market to satisfy DRP allocations.

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## Financial summary

A\$m	1H 16	1H 15
<b>Profit and loss</b>		
Australian wealth management	195	207
AMP Capital	83	72
Australian wealth protection	47	99
AMP Bank	59	50
New Zealand financial services	62	61
Australian mature	69	80
<b>BU operating earnings</b>	<b>515</b>	<b>569</b>
Group office costs	(30)	(31)
<b>Total operating earnings</b>	<b>485</b>	<b>538</b>
Underlying investment income	61	60
Interest expense on corporate debt	(33)	(28)
<b>Underlying profit</b>	<b>513</b>	<b>570</b>
Other items	(6)	(2)
Business efficiency program costs	(12)	(33)
Amortisation of AXA acquired intangible assets	(39)	(42)
<b>Profit before market adjustments and accounting mismatches</b>	<b>456</b>	<b>493</b>
Market adjustment - investment income	56	2
Market adjustment - annuity fair value	(18)	12
Market adjustment - risk products	25	10
Accounting mismatches	4	(10)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>523</b>	<b>507</b>

## Q2 16 cashflows

### Australian wealth management

Australian wealth management	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 16	Q2 15	Q2 16	Q2 15	Q2 16	Q2 15
North <sup>1</sup>	3,998	2,930	(2,154)	(1,588)	1,844	1,342
AMP Flexible Super <sup>2</sup>	1,442	1,998	(1,306)	(1,484)	136	514
Summit, Generations and iAccess <sup>3</sup>	441	638	(809)	(986)	(368)	(348)
Flexible Lifetime Super (superannuation and pension) <sup>4</sup>	630	697	(921)	(1,048)	(291)	(351)
Other retail investment and platforms <sup>5</sup>	55	99	(679)	(122)	(624)	(23)
<b>Total retail on AMP platforms</b>	<b>6,566</b>	<b>6,362</b>	<b>(5,869)</b>	<b>(5,228)</b>	<b>697</b>	<b>1,134</b>
SignatureSuper and AMP Flexible Super - Employer	852	891	(637)	(588)	215	303
Other corporate superannuation <sup>6</sup>	458	464	(528)	(613)	(70)	(149)
<b>Total corporate superannuation</b>	<b>1,310</b>	<b>1,355</b>	<b>(1,165)</b>	<b>(1,201)</b>	<b>145</b>	<b>154</b>
<b>Total retail and corporate super on AMP platforms</b>	<b>7,876</b>	<b>7,717</b>	<b>(7,034)</b>	<b>(6,429)</b>	<b>842</b>	<b>1,288</b>
External platforms <sup>7</sup>	365	520	(834)	(998)	(469)	(478)
<b>Total Australian wealth management</b>	<b>8,241</b>	<b>8,237</b>	<b>(7,868)</b>	<b>(7,427)</b>	<b>373</b>	<b>810</b>
Genesys practices that have left AMP	18	49	(96)	(247)	(78)	(198)
<b>Total Australian wealth management (pro forma)<sup>8</sup></b>	<b>8,223</b>	<b>8,188</b>	<b>(7,772)</b>	<b>(7,180)</b>	<b>451</b>	<b>1,008</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> Australian wealth management excluding cashflows relating to Genesys practices that have left AMP.

Australian wealth management	Q1 16	Q2 16 Net cashflows				Total	Other	Q2 16
AUM (A\$m)	AUM	Superannuation	Pension	Investment	net cashflows	movements <sup>1</sup>	AUM	
North	21,230	782	817	245	1,844	286	23,360	
AMP Flexible Super	14,920	179	(43)	-	136	354	15,410	
Summit, Generations and iAccess	12,359	(147)	(149)	(72)	(368)	205	12,196	
Flexible Lifetime Super (superannuation and pension)	23,253	(121)	(170)	-	(291)	503	23,465	
Other retail investment and platforms	2,915	(376)	(215)	(33)	(624)	72	2,363	
<b>Total retail on AMP platforms</b>	<b>74,677</b>	<b>317</b>	<b>240</b>	<b>140</b>	<b>697</b>	<b>1,420</b>	<b>76,794</b>	
SignatureSuper and AMP Flexible Super - Employer	14,638	201	14	-	215	247	15,100	
Other corporate superannuation	12,388	(70)	-	-	(70)	159	12,477	
<b>Total corporate superannuation</b>	<b>27,026</b>	<b>131</b>	<b>14</b>	<b>-</b>	<b>145</b>	<b>406</b>	<b>27,577</b>	
<b>Total retail and corporate superannuation on AMP platforms</b>	<b>101,703</b>	<b>448</b>	<b>254</b>	<b>140</b>	<b>842</b>	<b>1,826</b>	<b>104,371</b>	
External platforms	10,889	(173)	(158)	(138)	(469)	160	10,580	
<b>Total Australian wealth management</b>	<b>112,592</b>	<b>275</b>	<b>96</b>	<b>2</b>	<b>373</b>	<b>1,986</b>	<b>114,951</b>	
<b>Australian wealth management - SuperConcepts<sup>2</sup></b>								
Assets under administration	18,188					93	18,281	

<sup>1</sup> Other movements include fees, investment returns 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, JustSuper and a new large client.

Australian wealth management	Q1 16	Q2 16
AUM (A\$m)	AUM	AUM
<b>AUM by product</b>		
Superannuation	65,732	67,977
Pension	33,590	34,057
Investment	13,270	12,917
<b>Total</b>	<b>112,592</b>	<b>114,951</b>
<b>AUM by asset class</b>		
Cash and fixed interest	32%	32%
Australian equities	32%	32%
International equities	25%	25%
Property	6%	6%
Other	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Australian wealth management</b>	<b>Q1 16</b>	<b>Q2 16</b>

## AMP reports A\$523 million net profit for 1H 16 ...6

AMP summary (A\$b)	AUM	AUM
Closing AUM	112.6	115.0
Average AUM	112.1	115.0

### AMP Capital

AMP Capital	Q1 16	Q2 16 Net cashflows			Total	Other	Q2 16
AUM (A\$m)	AUM	Cash inflows	Cash outflows	net cashflows	movements <sup>1</sup>	AUM	
External	51,909	3,466	(3,142)	324	2,461	54,694	
Internal	104,626	3,786	(5,181)	(1,395)	2,476	105,707	
<b>Total AMP Capital</b>	<b>156,535</b>	<b>7,252</b>	<b>(8,323)</b>	<b>(1,071)</b>	<b>4,937</b>	<b>160,401</b>	

AMP Capital	Q1 16	Q2 16
AUM summary (A\$b)	AUM	AUM
Closing AUM	156.5	160.4
Average AUM	157.2	159.5

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

### New Zealand financial services

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 16	Q2 15	Q2 16	Q2 15	Q2 16	Q2 15
KiwiSaver	143	150	(87)	(77)	56	73
Other <sup>1</sup>	199	308	(242)	(231)	(43)	77
<b>Total New Zealand</b>	<b>342</b>	<b>458</b>	<b>(329)</b>	<b>(308)</b>	<b>13</b>	<b>150</b>

New Zealand financial services	Q1 16	Q2 16 Net cashflows				Total	Other	Q2 16
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>2</sup>	AUM
KiwiSaver	3,616	56	-	-	-	56	246	3,918
Other <sup>1</sup>	10,016	(15)	(1)	(34)	7	(43)	652	10,625
<b>Total New Zealand</b>	<b>13,632</b>	<b>41</b>	<b>(1)</b>	<b>(34)</b>	<b>7</b>	<b>13</b>	<b>898</b>	<b>14,543</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	Q1 16	Q2 16
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	225	238
Individual income protection	45	48
Group risk	35	38
<b>Total</b>	<b>305</b>	<b>324</b>

### Australian mature

Australian mature	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 16	Q2 15	Q2 16	Q2 15	Q2 16	Q2 15
<b>Australian mature</b>	<b>161</b>	<b>220</b>	<b>(529)</b>	<b>(616)</b>	<b>(368)</b>	<b>(396)</b>

Australian mature	Q1 16	Q2 16 Net cashflows				Total	Other	Q2 16
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>1</sup>	AUM
<b>Australian mature</b>	<b>21,480</b>	<b>(171)</b>	<b>(48)</b>	<b>(17)</b>	<b>(132)</b>	<b>(368)</b>	<b>415</b>	<b>21,527</b>

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

## AMP Bank

AMP Bank by product	Q1 16		Q2 16	
Deposits and loans (A\$m)	end balance	Other movements <sup>1</sup>	end balance	
Deposits (Supercash, Super TDs and Platform TDs) <sup>2</sup>	4,466	301	4,767	
Deposits (retail) <sup>2</sup>	4,790	370	5,160	
Deposits (other) <sup>2</sup>	777	9	786	
Loans	15,265	744	16,009	

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

<sup>2</sup> At 30 June 2016, deposits include AMP Bank retail deposits (A\$5.2b), AMP Supercash and Super TDs (A\$2.2b), North and platform deposits (A\$2.6b), internal deposits (A\$0.5b) and other wholesale deposits (A\$0.2b).

## Australian wealth protection

Australian wealth protection	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 16	Q2 15	Q2 16	Q2 15	Q2 16	Q2 15
Individual risk	363	366	(178)	(157)	185	209
Group risk	112	81	(86)	(57)	26	24
<b>Total Australian wealth protection</b>	<b>475</b>	<b>447</b>	<b>(264)</b>	<b>(214)</b>	<b>211</b>	<b>233</b>

Australian wealth protection	Q1 16	Q2 16
Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	1,096	1,085
Individual income protection	405	402
Group risk	442	440
<b>Total</b>	<b>1,943</b>	<b>1,927</b>