



ASX Announcement

16 February 2012

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**AMP Limited (ASX/NZX: AMP)**

**(also for release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010))**

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Part 1: Appendix 4E

**Part 2:** **AMP FY11 results show merger on track**

Part 3: Investor Presentation

Part 4: Investor Report

16 February 2012

## AMP FY11 results show merger on track

AMP Limited has reported a net profit of A\$688 million for the financial year to 31 December 2011 (FY10 A\$775 million), which includes nine months' contribution from AXA, following the merger of the two businesses on 30 March 2011<sup>1</sup>.

The FY11 result also includes M&A transaction and integration costs relating to the merger with AXA.

Underlying profit was A\$909 million compared with A\$760 million for FY10.

Underlying profit is AMP's preferred measure of profitability as it removes merger related costs and some of the impact of investment market volatility. It is the basis on which the Board determines the dividend payment and reflects the underlying business performance of AMP.

AMP's performance against key measures was as follows:

**Underlying profit:** A\$909 million, including a contribution from the AXA business from 31 March to 31 December 2011.

**Growth measures:**

- AMP Financial Services net cash outflows A\$581 million, down from net inflows of A\$789 million in FY10; AMP Capital external net cash outflows A\$1.2 billion, down from net inflows of A\$2.6 billion in FY10<sup>2</sup>.
- AMP Financial Services value of risk new business A\$215 million<sup>3</sup>.

**Investment performance:** 52 per cent of AMP Capital's funds under management met or exceeded benchmark over the 12 months to 31 December 2011<sup>4</sup>.

**Underlying return on equity:** 15.1 per cent reflecting AMP's expanded capital base following the merger with AXA and a prudent approach to capital management.

The cost to income ratio for the group for 2011 was 47.9 per cent which includes the impact of the AXA merger. On a like for like basis, including the benefit of cost synergies, controllable costs were up 1.5 per cent on FY10<sup>5</sup>.

<sup>1</sup> Given the inclusion of AXA's financial results for nine months from 31 March 2011, like for like comparisons are not always available or meaningful for many of the performance measures included in this announcement.

<sup>2</sup> FY11 cashflows include AXA for the 12 months. FY10 cashflows have not been restated for AXA. In the Investor Report on p.20 (AMP Financial Services) and p.34 (AMP Capital), FY10 cashflows have been restated to include AXA.

<sup>3</sup> FY11 value of new business includes AXA for the 12 months.

<sup>4</sup> This includes AXA's Investment Management business for the 12 months ended 31 December 2011.

The final 2011 dividend has been set at 14 cents per share, compared with the final 2010 dividend of 15 cents, and will be 50 per cent franked with the unfranked amount being declared conduit foreign income. The dividend results in a payout ratio of 84 per cent of underlying profit for FY11 and is within AMP's current target payout range of 75 to 85 per cent of underlying profit.

AMP will continue to offer its dividend reinvestment plan to shareholders for the FY11 dividend at a 1.5 per cent discount, with new shares being issued.

AMP's target payout range for future dividends has been reduced to 70 to 80 per cent of underlying profit. This reflects expected increased capital requirements to meet future business growth following the merger with AXA, increasing demand for more capital intensive products and an anticipated increase in regulatory capital requirements.

AMP remained strongly capitalised as at 31 December 2011 with A\$1.54 billion capital above minimum regulatory requirements (MRR), up from A\$1.48 billion as at 31 December 2010. Regulatory capital resources were 1.3 times shareholder MRR (1.5 times at 31 December 2010).

AMP continues to have a bias towards holding more capital than less given the current economic environment and ahead of anticipated changes in regulatory capital requirements.

As at 31 December 2011, group gearing remained low at 11 per cent on an S&P basis, while underlying interest cover remained strong at 12 times.

AMP Chief Executive Officer Craig Dunn said that while challenging market conditions continue to impact the business, the new AMP is well positioned to continue delivering on its growth strategy, while maintaining disciplined capital and cost management.

"The new AMP is stronger competitively, has a more diversified, balanced mix of business, a powerful domestic franchise, and growing opportunities offshore.

"Our investment in growth initiatives, combined with the benefits of the merger with AXA, has put AMP in a market-leading position in key segments in our target markets.

"The resilience of the business is evident from our growth in banking, risk insurance and new wealth management products, despite the very challenging business conditions," Mr Dunn said.

### **Integration update**

The integration of the AXA and AMP businesses continues to track well. Full year run rate synergies of A\$55 million (after tax) were achieved by 31 December 2011, exceeding AMP's A\$30 million estimate, reflecting earlier than expected benefits from supply chain negotiations and the new organisational design.

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<sup>5</sup> Pro forma comparison based on management estimates. Refer to p.6 of the Investor Report.

Integration costs incurred to date are lower than anticipated due to the timing of costs incurred. The overall estimates for integration costs of A\$310 million (after tax) and the synergies of A\$140 million (after tax) are unchanged.

“We said from the outset that during the integration period we wanted to maintain business momentum, sharpen our competitive edge by delivering on synergies and drawing on the strengths of both companies, and build a stronger future growth platform for the company.

“We’ve made significant progress in the first nine months hitting all our key targets and maintaining business stability, including retaining 96 per cent of the value of the AXA and Charter financial advice network,” Mr Dunn said.

## **Business unit update**

### ***AMP Financial Services***

AMP Financial Services’ (AFS) operating earnings were A\$766 million for 2011, including nine months from relevant AXA businesses that have been merged into AFS.

AUM for AMP’s low cost retail superannuation and retirement product, AMP Flexible Super tripled over the year with closing AUM of A\$4.3 billion, while it attracted A\$3 billion in net cashflows.

The market-leading North platform has AUM of A\$2.2 billion as at 31 December 2011, while net cashflows increased 72 per cent over the prior year to A\$716 million, following its upgrade to full wrap capability in March. North will be made available more broadly to AMP planners and Hillross advisers in the first half of 2012.

AMP Bank outperformed system growth in both deposits and home loans and increased its operating earnings to A\$61 million, up 45 per cent on FY10. As at 31 December 2011, home loans were up 10 per cent on 31 December 2010 and deposits increased by 50 per cent compared with 31 December 2010.

Australian risk insurance is now a larger part of the AMP business contributing 26 per cent of operating earnings, up from 18 per cent prior to the merger<sup>6</sup>. In addition, AMP is now the largest provider of risk insurance products to Independent Financial Advisers (IFAs) in Australia.

FY11 Australian Annual Premium Income (API) for individual risk business increased 7.5 per cent on a like for like basis, representing good sales growth in both AMP and AXA products, as well as Consumer Price Index premium increases. Sales growth was offset by poorer income protection claims experience.

New Zealand API for individual risk grew 7.5 per cent over 2011 on a like for like basis.

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<sup>6</sup> Percentage profit contributions to business unit operating earnings based on second half operating earnings for contemporary wealth protection for 2011 and 2010 respectively.

Controllable costs in AFS, including the benefit of cost synergies, were up 1.3 per cent on a like for like basis compared with FY10.

AMP has the largest and best qualified adviser and planner network across Australia and New Zealand with 4,131 planners and advisers as at 31 December 2011. This increase of 116 on HY11 was achieved in an environment where planner numbers across the Australian financial adviser profession have declined.

“The growth in planner numbers demonstrates the attraction of AMP’s broad range of planner and adviser models and our commitment to helping grow planner and adviser businesses.

“We are a business firmly committed to the value of advice and the role advice plays in helping Australians and New Zealanders live better lives,” Mr Dunn said.

### ***AMP Capital***

AMP Capital’s operating earnings were A\$83 million. This includes operating earnings for the nine months to 31 December 2011 from AXA investment management of A\$11 million. Operating earnings in 2011 also reflected lower performance fees as a result of the current market conditions, and higher controllable costs compared to FY10.

Controllable costs in AMP Capital were up 3.8 per cent on a like for like basis compared with FY10 as the business invested in growth initiatives in Asia and its infrastructure business, particularly in the UK and Europe. The launch of new infrastructure products will tap into increasing client demand for alternative assets and the opportunities created by the sell down of European state owned assets.

Good external net cash inflows in fixed income and direct infrastructure were more than offset by outflows in direct property, Australian equities and AXA branded funds managed by other investment houses. The business attracted over \$1.1 billion in external net cashflows from Asia, with 7 per cent of overall AUM coming from Asian clients.

In late 2011, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB), a key division of one of Japan’s largest diversified banking groups, announced they will form a strategic capital alliance under which MUTB would distribute AMP Capital products in the Japanese market, complementing the existing distribution relationships held by AMP Capital in Japan. MUTB will also acquire a 15 per cent minority interest in AMP Capital Holdings Limited, the parent company of the AMP Capital group of companies.

This alliance will give AMP Capital the opportunity to replicate its successful Australian and New Zealand distribution footprint in the world’s second largest savings market.

### **Outlook**

Mr Dunn said that while Europe and other parts of the world are at risk of recession, Australia was in relatively good shape with high interest rates by global standards allowing for greater monetary stimulus if necessary.

“Despite the challenging environment, the merged AMP is in a powerful competitive position to deliver on its growth strategy and achieve better outcomes for customers.

“AMP is a formidable competitor in our home markets of Australia and New Zealand. We have a compelling set of assets and capabilities that put us in a strong position to succeed and grow strongly in our target customer segments. The increased scale of the merged business will also allow us to achieve new cost efficiencies.


“In executing our strategy we have been mindful of the evolving regulatory environment and we remain confident in our ability to capitalise on the opportunities future change presents.

“Our focus remains on building on the foundations of the new AMP to achieve a stronger and even more competitive AMP, meeting the needs of an increasingly diverse customer base,” said Mr Dunn.

**Note:**

Shareholders are invited to join a live webcast of the investment analyst briefing at 12.30pm today by visiting [www.amp.com.au/shareholdercentre/webcasts](http://www.amp.com.au/shareholdercentre/webcasts).

A replay of the presentation will also be available shortly after the briefing has concluded.

Attached below are AMP Limited’s financial summary, AMP Financial Services cashflows and AMP Financial Services and AMP Capital AUM for the quarter ending 31 December 2011. 

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## AMP Financial summary FY11

A\$m	FY 11 <sup>1</sup>
<b>Profit and loss</b>	
Australian contemporary wealth management <sup>2</sup>	322
Australian contemporary wealth protection <sup>2</sup>	215
Australian mature <sup>2</sup>	153
New Zealand <sup>2</sup>	76
AMP Financial Services	766
AMP Capital <sup>2</sup>	83
<b>BU operating earnings</b>	<b>849</b>
Group Office costs <sup>2</sup>	(57)
<b>Total operating earnings</b>	<b>792</b>
Underlying investment income <sup>2</sup>	183
Interest expense on corporate debt <sup>2</sup>	(82)
AMP Limited tax loss recognition	16
<b>Underlying profit</b>	<b>909</b>
Market adjustment - investment income <sup>2</sup>	(50)
Market adjustment - annuity fair value	13
Market adjustment - risk products <sup>2</sup>	53
Loan hedge revaluations	3
Other items <sup>3</sup>	1
<b>Profit after income tax before timing differences</b>	<b>929</b>
M&A transaction costs <sup>2,4</sup>	(42)
AXA integration costs <sup>2</sup>	(105)
Amortisation of AXA acquired intangible assets <sup>2</sup>	(75)
Accounting mismatches	(19)
<b>Net profit attributable to shareholders of AMP Limited</b>	<b>688</b>

1 In March 2011, AMP merged with AXA Asia Pacific Holdings Limited's Australian and New Zealand businesses (AXA). FY11 includes AXA operating earnings for the period 31 March to 31 December 2011.

2 All line items impacted by the merger with AXA.

3 Other items principally comprise one-off and non-recurring items. Refer to page 44 for more detail.

4 M&A transaction costs principally relate to the merger with AXA. Refer to page 44 for more detail.

Q4 11 Cashflows<sup>1</sup>

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10
<b>Australian contemporary wealth management</b>						
AMP Flexible Super <sup>2</sup>	1,289	1,081	552	367	737	714
North <sup>3</sup>	481	375	217	292	264	83
Multiport <sup>4</sup>	142	78	61	39	81	39
Summit, Generations and iAccess (including Assure) <sup>5</sup>	611	736	899	851	(288)	(115)
Flexible Lifetime Super (superannuation and pension) <sup>6</sup>	539	646	1,130	1,221	(591)	(575)
Synergy <sup>7</sup>	26	35	79	85	(53)	(50)
Retail investment <sup>8</sup>	73	99	99	101	(26)	(2)
<b>Total retail on AMP platforms</b>	<b>3,161</b>	<b>3,050</b>	<b>3,037</b>	<b>2,956</b>	<b>124</b>	<b>94</b>
Corporate superannuation and pensions <sup>9</sup>	1,216	891	1,139	727	77	164
Corporate superannuation mandate wins	-	78	-	-	-	78
<b>Total corporate super</b>	<b>1,216</b>	<b>969</b>	<b>1,139</b>	<b>727</b>	<b>77</b>	<b>242</b>
External platforms <sup>10</sup>	696	669	978	1,069	(282)	(400)
<b>Total Australian contemporary wealth management</b>	<b>5,073</b>	<b>4,688</b>	<b>5,154</b>	<b>4,752</b>	<b>(81)</b>	<b>(64)</b>
<b>Total Australian contemporary wealth protection</b>						
Individual risk	313	291	129	130	184	161
Group risk	58	64	53	57	5	7
<b>Total Australian contemporary wealth protection</b>	<b>371</b>	<b>355</b>	<b>182</b>	<b>187</b>	<b>189</b>	<b>168</b>
<b>Total Australian contemporary</b>	<b>5,444</b>	<b>5,043</b>	<b>5,336</b>	<b>4,939</b>	<b>108</b>	<b>104</b>
<b>Australian mature</b>	<b>174</b>	<b>169</b>	<b>642</b>	<b>648</b>	<b>(468)</b>	<b>(479)</b>
<b>Total Australia</b>	<b>5,618</b>	<b>5,212</b>	<b>5,978</b>	<b>5,587</b>	<b>(360)</b>	<b>(375)</b>
<b>New Zealand</b>						
Kiw iSaver	81	82	25	20	56	62
Other	190	194	217	251	(27)	(57)
<b>New Zealand</b>	<b>271</b>	<b>276</b>	<b>242</b>	<b>271</b>	<b>29</b>	<b>5</b>
<b>Total AFS cashflows</b>	<b>5,889</b>	<b>5,488</b>	<b>6,220</b>	<b>5,858</b>	<b>(331)</b>	<b>(370)</b>
<b>Australian contemporary wealth management - AMP Bank by product<sup>11</sup></b>						
Deposit (Supercash, Super TDs & Platform TDs)					473	39
Deposits (retail)					262	215
Mortgages					81	263

**Q4 11 Cashflows continued<sup>1</sup>**

Cashflows by distribution channel (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10
AMP Financial Planning	2,190	2,112	2,118	2,034	72	78
Hillross	425	400	547	423	(122)	(23)
AXA Financial Planning	239	333	243	327	(4)	6
Charter Financial Planning	556	524	554	504	2	20
Jigsaw advisers	81	80	87	73	(6)	7
ipac group advisers and Tynan Mackenzie	374	282	444	427	(70)	(145)
Genesys group advisers	234	266	343	454	(109)	(188)
Direct (including corporate superannuation)	764	695	675	417	89	278
Centrally managed clients and other	201	200	270	277	(69)	(77)
3rd party distributors	554	320	697	651	(143)	(331)
<b>Total Australia</b>	<b>5,618</b>	<b>5,212</b>	<b>5,978</b>	<b>5,587</b>	<b>(360)</b>	<b>(375)</b>
<b>New Zealand</b>	<b>271</b>	<b>276</b>	<b>242</b>	<b>271</b>	<b>29</b>	<b>5</b>
<b>Total AFS cashflows</b>	<b>5,889</b>	<b>5,488</b>	<b>6,220</b>	<b>5,858</b>	<b>(331)</b>	<b>(370)</b>

- 1 Comparatives have been restated to include AXA.
- 2 AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail and SME business.
- 3 North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.
- 4 Multiport is an administration platform for SMSF and IMA business.
- 5 Summit and Generations are AXA owned and developed platforms. iAccess and Assure are ipac badges of Summit.
- 6 Flexible Lifetime Super (superannuation and pensions) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes is included.
- 7 Synergy is an in-house platform used by Genesys.
- 8 Retail investment includes Flexible Lifetime - Investments and AMP Personal Portfolio.
- 9 Corporate superannuation and pensions comprise SignatureSuper, CustomSuper, SuperLeader and AXA business super.
- 10 External platforms comprise Asgard, BT Wrap, Macquarie Wrap, Solar and other margin earning platforms used by Genesys.
- 11 Represents movements in AMP Bank's deposits and mortgage books for the quarter.

## Q4 11 AUM

AUM (A\$m)	Q3 11	Q4 11 Net cashflows				Total	Other	Q4 11
	AUM	Superannuation	Pension	Investment	Other	net cashflows	movements <sup>1</sup>	AUM
<b>Australian contemporary wealth management</b>								
AMP Flexible Super	3,469	359	378	-	-	737	59	4,265
North	1,951	128	105	31	-	264	25	2,240
Multiport	1,254	69	-	12	-	81	(12)	1,323
Summit, Generations and iAccess (including Assure)	13,513	(108)	(75)	(105)	-	(288)	208	13,433
Flexible Lifetime (superannuation and pension)	23,367	(298)	(293)	-	-	(591)	382	23,158
Synergy	1,379	(17)	(24)	(12)	-	(53)	(9)	1,317
Retail investment	1,883	-	-	(26)	-	(26)	20	1,877
<b>Total retail on AMP platforms</b>	<b>46,816</b>	<b>133</b>	<b>91</b>	<b>(100)</b>	<b>-</b>	<b>124</b>	<b>673</b>	<b>47,613</b>
<b>Total corporate super</b>	<b>18,922</b>	<b>(35)</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>176</b>	<b>19,175</b>
External platforms	12,668	(138)	(75)	(69)	-	(282)	85	12,471
<b>Total Australian contemporary wealth management</b>	<b>78,406</b>	<b>(40)</b>	<b>128</b>	<b>(169)</b>	<b>-</b>	<b>(81)</b>	<b>934</b>	<b>79,259</b>
<b>Australian contemporary wealth protection</b>					<b>189</b>	<b>189</b>	<b>(189)</b>	
<b>Australian mature</b>	<b>23,209</b>	<b>(208)</b>	<b>(71)</b>	<b>(8)</b>	<b>(181)</b>	<b>(468)</b>	<b>(23)</b>	<b>22,718</b>
<b>Total Australia</b>	<b>101,615</b>	<b>(248)</b>	<b>57</b>	<b>(177)</b>	<b>8</b>	<b>(360)</b>	<b>722</b>	<b>101,977</b>
<b>New Zealand</b>								
Kiw iSaver	1,431	56	-	-	-	56	(25)	1,462
Other	8,003	(6)	(1)	(25)	5	(27)	(201)	7,775
<b>New Zealand</b>	<b>9,434</b>	<b>50</b>	<b>(1)</b>	<b>(25)</b>	<b>5</b>	<b>29</b>	<b>(226)</b>	<b>9,237</b>
<b>Total AUM</b>	<b>111,049</b>	<b>(198)</b>	<b>56</b>	<b>(202)</b>	<b>13</b>	<b>(331)</b>	<b>496</b>	<b>111,214</b>
<b>Australian contemporary wealth management - AMP Bank by product</b>								
Deposit (Supercash, Super TDs & Platform TDs)	2,828						473	3,301
Deposits (retail)	3,598						262	3,860
Mortgages	11,092						81	11,173

**Q4 11 AUM and API summary**

	Q3 11	Q4 11
AUM (A\$m)	AUM	AUM
<b>Australian contemporary wealth management - AUM by product</b>		
Superannuation	48,767	49,257
Pension	18,933	19,370
Investment	10,706	10,632
<b>Total</b>	<b>78,406</b>	<b>79,259</b>

**Australian contemporary wealth management - AUM by asset class**

Cash and fixed interest	32%	32%
Australian equities	34%	35%
International equities	23%	23%
Property	6%	6%
Other	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**AUM summary (A\$b)**

<b>Australian contemporary wealth management</b>		
Closing AUM	78.4	79.3
Average AUM	80.5	79.0
<b>Asset Management</b>		
<b>AMPCI</b>		
Closing AUM	123.2	123.0
Average AUM	126.8	123.5

**Risk insurance Annual Premium Income - API (A\$m)**

<b>Australia</b>		
Individual lump sum	913	920
Individual income protection	369	374
Group risk	343	346
<b>New Zealand</b>		
Individual lump sum	189	184
Individual income protection	37	35
Group risk	30	30
<b>Total</b>	<b>1,880</b>	<b>1,889</b>