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Manager
ASX Market Announcements
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Announcement No: 24/2014
AMP Limited (ASX/NZX: AMP)

Half Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

- Part One:** **Appendix 4D** 
- Part Two:** AMP reports A\$382 million net profit 1H 14
- Part Three:** Investor Presentation
- Part Four:** Investor Report
- Part Five:** Directors' Report and Financial Report

AMP Limited

ABN 49 079 354 519

ASX Appendix 4D for the Half Year Ended 30 June 2014

The information contained in this document should be read in conjunction with the AMP Limited Directors' Report and Financial Report for the half year ended 30 June 2014 and the AMP Limited Annual Report for the year ended 31 December 2013 and any public announcements made by AMP Limited and its controlled entities during the half year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 Jun 2014 \$m	30 Jun 2013 \$m	% movement
Financial results			
Revenue from ordinary activities ¹	7,245	9,081	-20%
Profit from ordinary activities after tax attributable to members	382	393	-3%
Net profit for the period attributable to members	382	393	-3%

Notes

- 1 Revenue as per the Income statement of \$7,245m (2013: \$9,081m) comprises Premiums and related revenue \$1,173m (2013: \$1,103m), Fee revenue \$1,335m (2013: \$1,166m), Other revenue \$60m (2013: \$317m), Investment gains and (losses) gains of \$4,670m (2013: gains of \$6,488m) and Share of profit or (loss) of associates accounted for using the equity method \$7m (2013: \$7m).

	Amount per security (cents)	Franked amount per security (cents)
Dividends		
Interim dividend (franked to 70% at a tax rate of 30%) ^{1, 2}		
- Interim dividend	12.50	8.75

The record date to determine entitlements to the interim dividend 5 Sep 2014
The date the interim dividend is payable 10 Oct 2014

- 1 The unfranked component of the 2014 interim dividend will be paid from conduit foreign income.
- 2 AMP has a dividend reinvestment plan (DRP) under which shareholders who have a registered address in, and are residents of, Australia and New Zealand are invited to reinvest all or part of any dividends receivable in additional shares. The price of the shares under the plan will be the arithmetic average of the daily volume weighted average price per share of all shares sold in the ordinary course of trading on the ASX for the 10 days from 9 September 2014 to 22 September 2014, rounded to the nearest one cent. For the 2014 interim dividend, no discount to the price will apply. AMP intends to acquire shares on-market to satisfy any entitlements under the DRP. Shares provided under the DRP will rank equally in all respects with existing fully paid AMP ordinary shares. The last date for receipt of election notes from shareholders wanting to commence, cease or vary their participation in the DRP for the 2014 interim dividend is by 5:00pm (Australian Eastern Time) on 8 September 2014.

	30 Jun 2014 \$	30 Jun 2013 \$
Net tangible assets per ordinary share		
Net tangible assets per ordinary share	1.35	1.18

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For the half year ended 30 June 2014

COMMENTARY

AMP is Australia and New Zealand's leading independent wealth management company, with an expanding international investment management business and a growing retail banking business in Australia.

The company serves customers in Australia and New Zealand. It also serves clients in Asia, Europe, the Middle East and North America. AMP has 5,697 employees, around 835,000 shareholders and \$205 billion of assets under management (AUM).

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, administration, banking and investment services for self-managed super funds, income protection, disability and life insurance, and selected banking products. AMP has 4,441 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of Australian wealth management, AMP Bank, Australian wealth protection, Australian mature, New Zealand financial services and AMP Capital.

The *Australian wealth management (WM)* business provides customers with superannuation, retirement income, investment, SMSF administration and financial planning services (through aligned and owned advice businesses).

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products with around 100,000 customers. It also has a small portfolio of practice finance loans. The Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

Australian wealth protection (WP) comprises individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

The *Australian mature (Mature)* business is the largest closed life insurance business in Australia. Mature AUM supports capital guaranteed products (75%) and market linked products (25%). Mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

New Zealand financial services provides tailored financial products and solutions to New Zealanders through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being the market leader in advice and in providing support to advisers.

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Mitsubishi UFJ Trust and Banking Corporation (MUTB) holds a 15% ownership interest in AMP Capital. AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited, a funds management company in China established to offer retail and institutional investors in China access to leading investment solutions.

Review of operations and results

AMP's profit attributable to shareholders of AMP Limited for the half year ended 30 June 2014 was \$382 million (1H 13: \$393 million).

Basic earnings per share for the half year ended 30 June 2014 on a statutory basis were 13.1 cents per share (1H 13: 13.6 cents per share).

Underlying profit is the basis on which the board determines the dividend payment. It is AMP's key measure of profitability, as it smooths investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. AMP's underlying profit for the half year ended 30 June 2014 was \$510 million (1H 13: \$440 million). On an underlying basis, earnings were 17.2 cents per share (1H 13: 15.0 cents per share).

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For the half year ended 30 June 2014

AMP's key performance measures were as follows:

- 1H 14 underlying profit of \$510 million, up 16% on 1H 13, reflecting a 17% increase in business unit operating earnings from 1H 13, partially offset by increased interest expense on higher average corporate debt
- 1H 14 cost to income ratio of 45.0%, an improvement of 3.4 percentage points on 1H 13; controllable costs up \$4 million (0.6%) to \$650 million
- Australian wealth management 1H 14 net cashflows were \$1,116 million, down \$267 million from net cashflows of \$1,383 million in 1H 13 (cashflows exclude SMSF). Higher total retail net cashflows on AMP platforms of \$1,625 million were partially offset by higher net cash outflows on external platforms of \$615 million.
- AMP Capital external net cashflows were \$1,642 million, up \$3,712 million from a net cash outflow of \$2,070 million in 1H 13, driven by stronger inflows generated by the China Life AMP Asset Management joint venture and MUTB alliance
- Underlying return on equity increased 1.3 percentage points to 12.5% in 1H 14 from 1H 13, reflecting the increase in underlying profit, partially offset by higher average capital held.

AMP's total AUM was \$205 billion at 30 June 2014 (\$197 billion at 31 December 2013).

Differences between underlying profit and statutory profit

The 30 June 2014 underlying profit of \$510 million excludes the impact (net of any tax effect) of:

- net loss from one-off and non-recurring items of \$3 million
- AXA integration costs of \$11 million
- business efficiency program costs of \$49 million
- amortisation of AXA acquired intangible assets of \$44 million
- market adjustment gains of \$10 million, and
- accounting mismatches loss of \$31 million.

A reconciliation between underlying profit and statutory profit is provided in note 2 of the financial report.

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the group.

The impact of accounting mismatches on profit after tax arising from policyholder assets is as follows:

	1H 14	1H 13
Accounting mismatch profit/(loss)	\$m	\$m
Investments in controlled entities	3	19
Treasury shares	(37)	11
Superannuation products invested with AMP Bank	3	(10)
Owner occupied property	-	(2)
Total accounting mismatch profit/(loss)	(31)	18

Capital management

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to \$8.03 billion at 30 June 2014 from \$8.09 billion at 31 December 2013. .

AMP remains well capitalised, with \$1.94 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 30 June 2014 (\$2.08 billion at 31 December 2013).

AMP's interim 2014 dividend is 12.5 cents per share, franked to 70%. This represents a first half 2014 dividend payout ratio of 73% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2014 interim dividend 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.

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For the half year ended 30 June 2014

DETAILS OF MOVEMENTS IN CONTROLLED ENTITIES

Changes in controlled entities comprise entities acquired and disposed through (a) activities in respect of investment entities controlled by the AMP life insurance entities' statutory funds and (b) purchase, sale, formation, and deregistration of minor operating controlled entities. There has been no material contribution to the profit of AMP group from entities acquired and disposed of during the half year.

Changes in controlled entities during the half year ended 30 June 2014

Name of entity	Date control	
	gained over entity	lost over entity
Forsythes Financial Services Pty Ltd	1-Jan-14	
Joreki Pty Ltd	1-Jan-14	
Trenthills Financial Planning Pty Limited	1-Jan-14	
Trenthills Financial Services Pty Limited	1-Jan-14	
Genesys Hobart Pty Ltd	27-Mar-14	
AMP Cash Management Trust	30-Mar-14	
AMP Capital Specialist Geared Australian Share Fund	30-Mar-14	
AMP Capital Specialist International Share Fund	30-Mar-14	
AMP Capital Specialist Small Companies Fund	30-Mar-14	
Future Directions Private Equity Fund	30-Mar-14	
AMP Capital Managed Cash fund	30-Mar-14	
AMP Private Capital Funds Holdings Limited		30-Mar-14
Future Directions Geared Australian Share Fund		30-Mar-14
Future Directions Small Companies Fund		30-Mar-14
Wholesale Global Equities Index Fund Unhedged		30-Mar-14
Lindwall Group Pty Limited		31-Mar-14
Strategic Wealth Solutions Pty Limited		31-Mar-14

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DETAILS OF INVESTMENTS IN ASSOCIATED ENTITIES AND JOINT VENTURE ENTITIES

The majority of investment assets held by AMP are in the Australian life insurance statutory funds and measured at fair value through profit or loss. At any one time, the life insurance statutory funds hold investments in various vehicles, including associated entities, on behalf of policyholders. These investments are not part of the core wealth management business of AMP and did not have a material impact on the financial performance of the company. Investments in other associated entities which are accounted for using the equity method comprise a number of minor operating entities.

Significant associates and joint ventures of the Group as at 30 June 2014

	Ownership Interest	
	30 Jun 2014	31 Dec 2013
	%	%
AIMS AMP Capital Industrial REIT	5	5
AIMS AMP Capital Property Management Ltd	50	50
AIMS AMP Capital industrial REIT Management Ltd	50	50
AMP Capital Listed Property Trust Fund	32	30
All Financial Services	49	49
AMP Capital Global Property Securities Fund	38	38
AMP Capital Multi-Asset Fund	43	49
AMP Capital NZ Shares Fund	25	-
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	26	26
AMP Capital Property Portfolio	40	40
AMP Capital Shares NZ Index Fund	35	35
AMP Capital Shopping Centre Fund	34	31
AMP Capital Strategic NZ Shares Fund	45	38
AMP Equity Trust	44	42
AMP Haumi Management Ltd	50	50
Asian Giants Infrastructure	38	37
Australian Financial Risk Management	40	40
China Life AMP Asset Management Company Ltd	15	15
Darling Park Property Trust	50	50
Diversified Investment Strategy No 2	-	38
Enhanced Index Share Fund Class C	48	-
Esplanade Property Trust	50	50
Future Directions Emerging Fund	40	36
Global Property Securities Fund Class C	38	38
Gove Aluminium Finance	30	30
Hyperion Australian Growth Companies Fund	23	23
K2 Australian Absolute Return Fund	24	22
Listed Property Trusts Fund	32	30
Marrickville Metro Trust	50	50
Pimco Diversified Fixed Interest Fund	29	25
Property Income Fund	29	29
PSK Financial Services Pty Ltd	32	24
Rare Infrastructure Value Fund	21	18
Responsible Investments Leader Balanced Fund	26	32
Responsible Investments Leaders Australian Share Fund	44	46
Sugarland Shopping Centre Trust	50	50
Super IQ Pty Limited	49	49
Templeton Global Trust Fund	28	29
Trenthills Financial Services	-	50
Value Plus Australia Share Fund	32	29
Wholesale Cash Management Trust	-	28