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

Half Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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Appendix 3A.1

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20 August 2015

AMP reports A\$507 million net profit for 1H 15

AMP Limited has reported a net profit of A\$507 million for the half year to 30 June 2015¹, up 33 per cent on A\$382 million reported for 1H 14.

Underlying profit² was A\$570 million compared with A\$510 million for 1H 14, up 12 per cent half on half, driven by strong growth in all contemporary businesses.

The Board has declared a 12 per cent increase to the interim dividend to 14 cents per share compared with 12.5 cents per share for the 2014 interim dividend. This represents a payout ratio of 73 per cent of underlying profit and is within AMP's target range of paying 70-80 per cent.

"This is a very good result with contemporary businesses continuing to deliver growth," said AMP Chief Executive Craig Meller.

"The performance reflects a strong contribution from our core Australian business. The continuing delivery of our strategy to be a more customer driven organisation and our business efficiency program are on track.

"Together with the improvements across our Australian businesses, it is also particularly encouraging to see strong progress from our partnership in China," Mr Meller said.

Key performance measures

- **Underlying profit:** A\$570 million in 1H 15, up 12 per cent on 1H 14.
- **Cost to income:** The cost to income ratio was 43.1 per cent for 1H 15, an improvement of 1.9 percentage points on 1H 14. Controllable costs increased 1.1 per cent.
- **Cashflows:**
 - AMP Australian wealth management net cashflows were A\$1.2 billion in 1H 15, up A\$36 million on net cash flows of A\$1.1 billion in 1H 14. Total cashflows on AMP platforms continue to perform strongly, growing 11 per cent to A\$1.9 billion in 1H 15. These flows were partially offset by higher net cash outflows on external platforms of A\$774 million.

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

² Underlying profit is AMP's key measure of business profitability.

- AMP Capital external net cashflows were A\$3.0 billion, an increase of A\$1.4 billion from net cashflows of A\$1.6 billion for 1H 14. This was driven by stronger inflows generated by the China Life AMP Asset Management joint venture as well as institutional and retail domestic client flows.
- **Underlying return on equity:** Increased 1 percentage point to 13.5 per cent in 1H 15, largely reflecting the increase in underlying profit.

In wealth management, operating earnings for 1H 15 were up 13 per cent compared with 1H 14, reflecting stronger net cashflows and investment returns alongside a continued focus on managing costs.

In wealth protection, operating earnings were A\$99 million, up 9 per cent half on half, reflecting the impact of management actions. The environment continues to be volatile however claims and lapse outcomes remain in line with best estimate assumptions.

“The wealth protection business continues to stabilise and is delivering improved results, however we have more to do,” Mr Meller said.

Other key highlights

- **AMP Capital delivers strongly:** Operating earnings increased 26 per cent reflecting stronger performance fees and supportive market conditions for much of the half. There was a A\$1.4 billion improvement in external net cashflows³ to A\$3.0 billion, strong investment performance led by flagship funds and the continued success of the internationalisation of the business. The cost to income ratio of 58.7 per cent is below the target range of 60-65 per cent largely because of strong performance fees in 1H 15.
- **North AUM grew 16 per cent to A\$18.6 billion:** Customer numbers increased 14 per cent on the North platform to over 87,000 and North AUM increased A\$2.6 billion to A\$18.6 billion since December 2014. However net cashflows fell 4 per cent to A\$2.3 billion for 1H 15 largely as a result of more pension customers drawing down an income stream.
- **AMP Bank performs well:** The bank delivered A\$50 million operating earnings, up 19 per cent compared with 1H 14, reflecting an increase in residential mortgages and improved net interest margin. AMP aligned advisers contributed almost a quarter of new business in a period of intense competition.
- **Future of advice strategy:** A package of measures to lift the quality of advice is underway alongside a new approach to advice being piloted with encouraging results from consumer testing in five locations. AMP continues to invest in service, platforms and digital capability to improve adviser quality and productivity. Australian adviser numbers are stable at 3,762 in a period of considerable change.

³ Includes AMP Capital's 15 per cent share in cashflows of China Life AMP Asset Management joint venture.

- **New Zealand:** Operating earnings of A\$61 million, up 11 per cent compared with 1H 14, reflecting a turnaround in experience, favourable currency movements and costs being tightly managed. Cashflows continue to reflect the success of KiwiSaver, with KiwiSaver AUM up 20 per cent to NZ\$3.7 billion.

Capital management

AMP has A\$2.3 billion capital above minimum regulatory requirements at 30 June 2015, up from A\$2.0 billion at 31 December 2014. The increase is due to retained profits and the AMP Wholesale Capital Notes issuance, but partially offset by AMP's investment in China Life Pension Company in Q1 2015.

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

AMP will again offer a DRP to eligible shareholders and no discount will apply to the allocation price. Shares will be bought on market and the dividend will be franked to 85 per cent, up from 70 per cent 1H 14, with the unfranked amount being declared as conduit foreign income. 

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Financial summary

A\$m	1H 15	1H 14
Profit and Loss		
Australian wealth management	207	183
AMP Capital	72	57
Australian wealth protection	99	91
AMP Bank	50	42
New Zealand financial services	61	55
Australian mature	80	87
BU operating earnings	569	515
Group Office costs	(31)	(32)
Total operating earnings	538	483
Underlying investment income	60	69
Interest expense on corporate debt	(28)	(42)
Underlying profit	570	510
Other items	(2)	(3)
AXA integration costs	-	(11)
Business efficiency program costs	(33)	(49)
Amortisation of AXA acquired intangible assets	(42)	(44)
Profit before market adjustments and accounting mismatches	493	403
Market adjustment – investment income	2	8
Market adjustment – annuity fair value	12	6
Market adjustment – risk products	10	(4)
Accounting mismatches	(10)	(31)
Profit attributable to shareholders of AMP Limited	507	382

Q2 15 cashflows

Australian wealth management

Australian wealth management	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14
AMP Flexible Super ¹	1,998	1,733	(1,484)	(1,175)	514	558
North ²	2,930	2,537	(1,588)	(1,178)	1,342	1,359
Summit, Generations and iAccess ³	638	709	(986)	(1,056)	(348)	(347)
Flexible Lifetime (superannuation and pension) ⁴	697	689	(1,048)	(1,156)	(351)	(467)
Other retail investment and platforms ⁵	99	102	(122)	(180)	(23)	(78)
Total retail on AMP platforms	6,362	5,770	(5,228)	(4,745)	1,134	1,025
SignatureSuper and AMP Flexible Super - Employer	891	683	(588)	(466)	303	217
Other corporate superannuation ⁶	464	455	(613)	(571)	(149)	(116)
Total corporate superannuation	1,355	1,138	(1,201)	(1,037)	154	101
Total retail and corporate super on AMP Platforms	7,717	6,908	(6,429)	(5,782)	1,288	1,126
External platforms ⁷	520	645	(998)	(1,018)	(478)	(373)
Total Australian wealth management	8,237	7,553	(7,427)	(6,800)	810	753
Genesys practices that have left AMP	49	114	(247)	(89)	(198)	25
Total Australian wealth management⁸	8,188	7,439	(7,180)	(6,711)	1,008	728

¹ AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

² North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

³ Summit and Generations are owned and developed platforms. iAccess is ipac badged on Summit.

⁴ Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.

⁵ Other retail investment and platforms include Flexible Lifetime - Investments, AMP Personalised Portfolio and Synergy.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

⁷ External platforms comprise Asgard, Macquarie and BT Wrap platforms.

⁸ Australian wealth management excluding cashflows relating to Genesys practices that have left AMP.

Australian wealth management	Q1 15		Q2 15 Net cashflows				Total net cashflows	Other movements ¹	Q2 15
AUM (A\$m)	AUM	Superannuation	Pension	Investment					AUM
AMP Flexible Super	14,220	288	226	-			514	(379)	14,355
North	17,787	531	493	318			1,342	(576)	18,553
Summit, Generations and iAccess	14,358	(107)	(189)	(52)			(348)	(377)	13,633
Flexible Lifetime Super (superannuation and pension)	25,896	(182)	(169)	-			(351)	(625)	24,920
Other retail investment and platforms	3,227	(14)	(16)	7			(23)	(131)	3,073
Total retail on AMP platforms	75,488	516	345	273			1,134	(2,088)	74,534
SignatureSuper and AMP Flexible Super - Employer	13,782	279	24	-			303	(320)	13,765
Other corporate superannuation	13,597	(149)	-	-			(149)	(221)	13,227
Total corporate superannuation	27,379	130	24	-			154	(541)	26,992
Total retail and corporate super on AMP platforms	102,867	646	369	273			1,288	(2,629)	101,526
External platforms	13,244	(124)	(176)	(178)			(478)	(306)	12,460
Total Australian wealth management	116,111	522	193	95			810	(2,935)	113,986
Australian wealth management - AMP SMSF²	18,512							446	18,958
Assets under administration									

¹ Other movements include fees, investment returns and taxes.

² AMP SMSF includes Multiport, Cavendish, SuperIQ, Your SMSF and Ascend administration platforms. SuperIQ is 49% owned by AMP, however 100% of assets under administration are included.

Australian wealth management	Q1 15	Q2 15
AUM (A\$m)	AUM	AUM
AUM by product		
Superannuation	68,158	67,022
Pension	34,051	33,406
Investment	13,902	13,558
Total	116,111	113,986
AUM by asset class		
Cash and fixed interest	30%	31%
Australian equities	33%	32%
International equities	26%	26%
Property	6%	6%
Other	5%	5%
Total	100%	100%

Australian wealth management	Q1 15	Q2 15
AUM summary (A\$b)	AUM	AUM
Closing AUM	116.1	114.0
Average AUM	113.4	115.9

AMP Capital

AMP Capital	Q1 15	Q2 15 Net cashflows		Total net cashflows	Other movements	Q2 15
AUM (A\$m)	AUM	Cash inflows	Cash outflows			AUM
External	50,229	3,067	(1,684)	1,382	(1,121)	50,490
Internal	110,282	6,436	(7,552)	(1,116)	(3,605)	105,561
Total AMP Capital	160,511	9,503	(9,237)	266	(4,726)	156,051

AMP Capital	Q1 15	Q2 15
AUM summary (A\$b)	AUM	AUM
Closing AUM	160.5	156.1
Average AUM	156.6	160.3

New Zealand financial services

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14
KiwiSaver	150	137	(77)	(70)	73	67
Other ¹	308	307	(231)	(245)	77	62
Total New Zealand	458	444	(308)	(315)	150	129

New Zealand financial services	Q1 15	Q2 15 Net cashflows				Total net cashflows	Other movements ²	Q2 15
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other			AUM
KiwiSaver	3,557	73	-	-	-	73	(363)	3,267
Other ¹	10,840	11	(1)	56	11	77	(1,094)	9,823
Total New Zealand	14,397	84	(1)	56	11	150	(1,457)	13,090

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

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

New Zealand wealth protection	Q1 15	Q2 15
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	243	217
Individual income protection	49	44
Group Risk	42	33
Total	334	294

Australian mature

Australian mature	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14
Australian mature	220	198	(616)	(633)	(396)	(435)

Australian mature	Q1 15	Q2 15 Net cashflows				Total net cashflows	Other movements ¹	Q2 15
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other			AUM
Australian mature	23,057	(178)	(54)	(32)	(132)	(396)	(111)	22,550

¹ Other movements include fees, investment returns and taxes.

AMP Bank

AMP Bank by product	Q1 15		Q2 15
Deposits and loans (A\$m)	End balance	Other movements ¹	End balance
Deposits (Supercash, Super TDs & Platform TDs) ²	3,971	(295)	3,676
Deposits (retail)	5,147	(29)	5,118
Loans	14,710	414	15,124

¹ Represents movements in AMP Bank's deposits and loan books.

² At 30 June 2015, deposits include AMP Super Cash and Super TD's (A\$2.3bn), platform and investment fund deposits (A\$1.0bn), and other deposits (A\$0.4bn).

Australian wealth protection

Australian wealth protection	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14
Individual risk	366	358	(157)	(140)	209	218
Group risk	81	108	(57)	(64)	24	44
Total Australian wealth protection	447	466	(214)	(204)	233	262

Australian wealth protection	Q1 15	Q2 15
Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	1,070	1,064
Individual income protection	416	412
Group Risk	440	442
Total	1,926	1,918