

21 February 2013

Manager
ASX Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Manager
Market Information Services Section
New Zealand Stock Exchange
Level 24, NZX Centre, 11 Cable Street
Wellington, New Zealand

Announcement No: 04/2013

AMP Limited (ASX/NZX: AMP)

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

Full Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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AMP delivers A\$704 million net profit for FY 12

AMP Limited has reported a net profit of A\$704 million for the financial year to 31 December 2012¹, compared with A\$688 million for FY 11².

Underlying profit³ was A\$955 million compared with A\$909 million for FY 11.

The Board has declared a final dividend of 12.5 cents per share, the same rate as the 1H 12 interim dividend. This represents a payout ratio of 76 per cent for FY 12 of underlying profit and is within AMP's target range of 70-80 per cent of underlying profit. The dividend will be 65 per cent franked, with the unfranked amount being declared as conduit foreign income.

Shareholders will be invited to participate in AMP's dividend reinvestment plan (DRP), however no discount will apply to the DRP allocation price.

Performance against key measures

- **Underlying profit:** A\$955 million in FY 12. This includes A\$464 million for 2H 12 up 3.1 per cent compared with 2H 11.
- **Cost to income ratio:** 47.3 per cent for FY 12 and 48.4 per cent for 2H 12, falling 2.2 percentage points from 2H 11. Group-wide controllable costs fell 3 per cent in 2H 12 compared with 2H 11 – in line with market guidance. Group-wide controllable costs are expected to be around 2 per cent lower in FY 13.
- **Growth measures:**
 - AMP Financial Services (AFS) net cash inflows were A\$1,152 million, up from net outflows of A\$581 million in FY 11 reflecting the ongoing success of Flexible Super, the North wrap platform and AMP's new SMSF business unit.

¹ AMP's FY 12 profit metrics exclude MUTB's 15% share of AMP Capital's earnings from 1 March 2012.

² The FY 11 results included only nine months' contribution from the former AXA business, so in some instances like for like comparisons are not always meaningful. Therefore where appropriate, results for 2H 12 are compared with 2H 11 to provide more useful comparisons.

³ 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 and some of the impact of investment market volatility.

- AMP Capital external net cash outflows were A\$1,784 million compared with net cash outflows of A\$1,166 million in FY 11. Improving cash inflows were offset by the internalisation of the management of DUET (A\$1.2 billion) and net outflows from retail Japanese clients (A\$1.2 billion) following regulatory change in Japan and reflecting the strong Australian dollar.
- AMP Financial Services value of risk new business was A\$203 million, down from A\$215 million for FY 11.
- **Underlying return on equity:** 12.8 per cent for FY 12 compared with 15.1 per cent for FY 11. This reflects an expanded capital base following the merger with AXA, proceeds from the sale of a 15 per cent interest in AMP Capital to MUTB and use of the dividend reinvestment plan to build a buffer ahead of changes in regulatory capital requirements.

AMP Chief Executive Officer Craig Dunn said the company's result demonstrates good momentum in earnings, particularly in AMP's AUM driven businesses.

In Wealth Management and AMP Capital, operating earnings in 2H 12 were up on 2H 11 by 21 and 42 per cent respectively. This demonstrates the operating leverage of both these businesses to improving market conditions while maintaining disciplined cost control.

"The strong performance of our Wealth Management business reinforces the benefits of the merger with AXA, with a suite of contemporary products and services that cater for all key market segments, supported by Australia's leading financial advice network," Mr Dunn said.

Following the merger with AXA, planner and adviser numbers have continued to grow strongly in Australia, while the success of the North platform has helped to grow market share in superannuation and retail managed funds strongly over the past 12 months⁴.

"The ongoing strengthening of our core Australian business, along with our expansion into the self-managed fund sector and selected offshore markets through AMP Capital, continue to provide further opportunities for growth," Mr Dunn said.

AMP has strengthened its claims and lapse assumptions in response to the challenging risk environment which has seen insurance lapses rise to their highest levels in more than a decade. This has reduced AMP's value metrics in its life insurance business. Operating earnings in the Wealth Protection business for 2H 12 of A\$56 million were down A\$51 million from the same period in 2011, because of poorer claims and lapse experience.

With substantial falls in short-term interest rates over the past year, the assumed after tax return for underlying investment income on shareholder funds has been lowered for FY 13. Further details are set out on page 35 of the Investor Report.

Other key highlights

- **Strengthened capital position** – A\$2,420 million capital in excess of minimum regulatory requirements at 31 December 2012, up A\$877 million on 31 December 2011 and A\$374 million on 30 June 2012⁵.
- **AXA integration on track** – over 77 per cent of integration projects will be completed by March 2013 with the merger on track to be completed by June 2014, six months ahead of schedule. The total targeted integration synergies of A\$150 million (post tax) remain unchanged from previous market guidance and continue to be delivered faster than expected, contributing to the good cost outcome.

⁴ Source: Plan for Life 30 September 2012 – QDS Retail & Wholesale.

⁵ These excess capital amounts are before allowing for the impact of the new Life and General Insurance Capital standards (LAGIC) which took effect from 1 January 2013.

- **Largest professional financial adviser network in Australia** – AMP’s planner and adviser network grew at a faster rate than the market with an increase of 209 advisers to 3,636, maintaining AMP’s market-leading position and demonstrating AMP’s continued appeal to financial planning professionals.
- **North platform growing strongly** – the award winning and market leading North platform’s cashflows tripled to A\$2.2 billion in FY 12 following its rollout across the broader AMP advice network. North had A\$4.7 billion of assets under management at 31 December 2012.
- **Flexible Super reaches A\$7.3 billion in assets under management** – AMP’s low cost flagship retail superannuation and retirement product attracted A\$2.6 billion in net cashflows in FY 12. Launched in 2010, the product is one of the fastest growing products of its type in the market.
- **AMP now the market leader in SMSF administration** – following the establishment of its separate AMP SMSF business unit, reporting directly to the CEO, AMP is successfully positioning itself to capitalise on the fastest growing sector of the Australian superannuation market. The number of SMSF accounts under administration tripled during the year through organic client growth along with the acquisition of administration services provider Cavendish.
- **Growth in assets under management to A\$172 billion driving earnings momentum** – stronger net cashflows in Wealth Management, along with improving markets and investment returns in both Wealth Management and AMP Capital, underpinned strong growth in AUM, including A\$10.5 billion now administered in SMSFs.
- **Challenging risk insurance market** – sales of individual risk insurance saw annual premium income (API) in Australia up 6 per cent in FY 12. This was impacted by an increase in policy lapse rates, which along with higher claims costs, saw declining insurance profits in both Australia and New Zealand, consistent with the broader industry.
- **AMP Financial Services New Zealand** – reported operating earnings of A\$73 million for the year ending 31 December 2012, compared with A\$76 million for FY 11. Solid revenue growth and disciplined cost control were offset by claims experience losses.
- **Expanded international reach** – AMP Capital continued to expand its international client base while building out its alliance with MUTB – where it attracted A\$530 million in retail net cashflows. Significant new funds were also invested with AMP Capital by some of the world’s largest and most sophisticated institutional investors, including the UAE’s Abu Dhabi Investment Authority, Canada’s CPP Investment Board, and China’s National Council for Social Security Fund.
- **Strong investment performance** – 81 per cent of client funds managed by AMP Capital met or exceeded benchmark over the last 12 months and 71 per cent over the last three years against a target of 75 per cent.
- **Strong contribution from AMP Bank** – with operating earnings of A\$33 million in 2H 12, up 10 per cent compared with 2H 11.

Capital management

AMP held A\$2,420 million capital in excess of minimum regulatory requirements (MRR) under capital standards existing at 31 December 2012. This was an increase of A\$877 million on 31 December 2011, and included an increase in the shareholder surplus above MRR of A\$654 million to A\$1,644 million.

New Life and General Insurance Capital (LAGIC) standards applied from 1 January 2013. AMP is well prepared for the introduction of these more stringent standards, which require an additional A\$272 million of shareholder regulatory capital. After the application of LAGIC, the shareholder surplus above regulatory requirements increased by A\$382 million on FY 11. For more detail please refer to page 34 of the Investor Report.

AMP continues to hold a significant capital surplus in the lead up to APRA’s finalisation of its new capital standards for Conglomerates, which are expected to come into effect from 1 January 2014.

AMP maintains a strong balance sheet with gearing on an S&P basis steady at 11 per cent and significant access to liquidity.

Outlook

AMP expects the business environment in Australia to remain challenging in 2013, although improving investor sentiment both domestically and internationally is welcome given AMP's significant operational leverage to stronger investment markets.

"We remain focused on driving better outcomes for our customers and clients, investing in the right opportunities and continuing to drive efficiencies across the business, so that AMP is well positioned for the challenges of today and in the future," Mr Dunn said. 

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Financial summary FY 12

| A\$m | FY 12 |
|--|------------|
| Profit and loss | |
| Australian wealth management | 347 |
| Australian wealth protection | 190 |
| Australian mature | 167 |
| New Zealand | 73 |
| AMP Financial Services | 777 |
| AMP Capital | 99 |
| BU operating earnings | 876 |
| Group Office costs | (61) |
| Total operating earnings | 815 |
| Underlying investment income | 226 |
| Interest expense on corporate debt | (86) |
| AMP Limited tax loss recognition | - |
| Underlying profit | 955 |
| Market adjustment – investment income | (12) |
| Market adjustment – annuity fair value | (9) |
| Market adjustment – risk products | (4) |
| Other items | 34 |
| Profit after income tax before AXA merger adjustments and accounting mismatches | 964 |
| M&A transaction costs | (4) |
| AXA integration costs | (128) |
| Amortisation of AXA acquired intangible assets | (99) |
| Accounting mismatches | (29) |
| Profit attributable to shareholders of AMP Limited | 704 |

Q4 12 Cashflows

| Cashflows by product (A\$m) | Cash inflows | | Cash outflows | | Net cashflows | |
|---|--------------|--------------|---------------|--------------|---------------|--------------|
| | Q4 12 | Q4 11 | Q4 12 | Q4 11 | Q4 12 | Q4 11 |
| Australian wealth management | | | | | | |
| AMP Flexible Super ¹ | 1,399 | 1,289 | 776 | 552 | 623 | 737 |
| North ² | 1,386 | 481 | 478 | 217 | 908 | 264 |
| Summit, Generations and iAccess (including Assure) ³ | 510 | 611 | 894 | 899 | (384) | (288) |
| Flexible Lifetime Super (superannuation and pension) ⁴ | 529 | 539 | 1,190 | 1,130 | (661) | (591) |
| Other retail investment and platforms ⁵ | 81 | 99 | 164 | 178 | (83) | (79) |
| Total retail on AMP platforms | 3,905 | 3,019 | 3,502 | 2,976 | 403 | 43 |
| Corporate superannuation and pensions ⁶ | 839 | 1,216 | 780 | 1,139 | 59 | 77 |
| Corporate superannuation mandate wins | 127 | 0 | 0 | 0 | 127 | 0 |
| Total corporate superannuation | 966 | 1,216 | 780 | 1,139 | 186 | 77 |
| Total retail and corporate super on AMP Platforms | 4,871 | 4,235 | 4,282 | 4,115 | 589 | 120 |
| External platforms ⁷ | 600 | 696 | 908 | 978 | (308) | (282) |
| Total Australian wealth management | 5,471 | 4,931 | 5,190 | 5,093 | 281 | (162) |
| SMSF ⁸ | 296 | 142 | 75 | 61 | 221 | 81 |
| Total Australian wealth protection | | | | | | |
| Individual risk | 343 | 313 | 153 | 129 | 190 | 184 |
| Group risk | 79 | 58 | 56 | 53 | 23 | 5 |
| Total Australian wealth protection | 422 | 371 | 209 | 182 | 213 | 189 |
| Australian mature | 151 | 174 | 598 | 642 | (447) | (468) |
| Total Australia | 6,340 | 5,618 | 6,072 | 5,978 | 268 | (360) |
| New Zealand | | | | | | |
| KiwiSaver | 88 | 81 | 53 | 25 | 35 | 56 |
| Other | 190 | 190 | 247 | 217 | (57) | (27) |
| New Zealand | 278 | 271 | 300 | 242 | (22) | 29 |
| Total AFS cashflows | 6,618 | 5,889 | 6,372 | 6,220 | 246 | (331) |
| Australian wealth management - AMP Bank by product⁹ | | | | | | |
| Deposits (Supercash, Super TDs & Platform TDs) | | | | | (99) | 473 |
| Deposits (Retail) | | | | | (140) | 262 |
| Mortgages | | | | | 140 | 81 |
| Cashflows by distribution channel (A\$m) | | | | | | |
| AMP Financial Planning | 2,609 | 2,190 | 2,458 | 2,118 | 151 | 72 |
| Hillross | 515 | 425 | 500 | 547 | 15 | (122) |
| Charter Financial Planning | 936 | 795 | 793 | 797 | 143 | (2) |
| Jigsaw advisers | 84 | 81 | 101 | 87 | (17) | (6) |
| ipac group advisers and Tynan Mackenzie | 457 | 374 | 483 | 444 | (26) | (70) |
| Genesys group advisers | 366 | 234 | 360 | 343 | 6 | (109) |
| Direct (including corporate superannuation) | 466 | 764 | 338 | 675 | 128 | 89 |
| Centrally managed clients and other | 287 | 201 | 321 | 270 | (34) | (69) |
| 3rd party distributors | 620 | 554 | 718 | 697 | (98) | (143) |
| Total Australia | 6,340 | 5,618 | 6,072 | 5,978 | 268 | (360) |
| New Zealand | 278 | 271 | 300 | 242 | (22) | 29 |
| Total AFS cashflows | 6,618 | 5,889 | 6,372 | 6,220 | 246 | (331) |

1 AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail and SME 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 and Assure are ipac badges 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 is included.

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

6 Corporate superannuation and pensions comprise SignatureSuper, CustomSuper, SuperLeader and AXA Business Super.

7 External platforms comprise Asgard, BT Wrap, Macquarie Wrap, Solar and other margin earning platforms used by Genesys.

8 SMSF includes Multiport, SuperIQ, and Ascend administration platforms. SuperIQ is 49% owned by AMP, however 100% of cashflows are included. As the Cavendish business primarily operates an annual administration service, cashflows are not captured in the same manner as for AMP's other businesses. All changes in Cavendish AUM have been reported as "other movements" in the AUM table. Whilst administered SMSF funds may invest in other AFS products there is currently no material overlap between SMSF cashflows and cashflows of other AFS products.

9 Represents movements in AMP Bank's deposits and mortgage books for the quarter.

Q4 12 AUM

| AUM (A\$m) | Q3 12 | Q4 12 Net cashflows | | | | | Total net cashflows | Other movements ¹ | Q4 12 AUM |
|---|----------------|---------------------|-------------|-------------|-----------|--------------|---------------------|------------------------------|----------------|
| | AUM | Super-annuation | Pension | Investment | SMSF | Other | | | |
| Australian wealth management | | | | | | | | | |
| AMP Flexible Super | 6,513 | 332 | 291 | - | - | - | 623 | 173 | 7,309 |
| North | 3,717 | 350 | 376 | 182 | - | - | 908 | 78 | 4,703 |
| Summit, Generations and iAccess (including Assure) | 13,697 | (232) | (93) | (59) | - | - | (384) | 551 | 13,864 |
| Flexible Lifetime (superannuation and pension) | 23,352 | (401) | (260) | - | - | - | (661) | 761 | 23,452 |
| Other retail investment and platforms | 3,139 | (30) | (32) | (21) | - | - | (83) | 105 | 3,161 |
| Total retail on AMP platforms | 50,418 | 19 | 282 | 102 | - | - | 403 | 1,668 | 52,489 |
| Total corporate superannuation | 20,428 | 172 | 14 | - | - | - | 186 | 548 | 21,162 |
| Total retail and corporate superannuation on AMP platforms | 70,846 | 191 | 296 | 102 | - | - | 589 | 2,216 | 73,651 |
| External platforms | 13,296 | (88) | (85) | (135) | - | - | (308) | (980) | 12,008 |
| Total Australian wealth management | 84,142 | 103 | 211 | (33) | - | - | 281 | 1,236 | 85,659 |
| SMSF | 10,031 | 86 | - | 52 | 83 | - | 221 | 260 | 10,512 |
| Australian wealth protection | | | | | | | 213 | (213) | |
| Australian mature | 23,073 | (198) | (64) | (11) | - | (174) | (447) | 403 | 23,029 |
| Total Australia | 117,246 | (9) | 147 | 8 | 83 | 39 | 268 | 1,686 | 119,200 |
| New Zealand | | | | | | | | | |
| KiwiSaver | 1,845 | 35 | - | - | - | - | 35 | 28 | 1,908 |
| Other | 8,302 | (3) | (1) | (56) | - | 3 | (57) | 152 | 8,397 |
| New Zealand | 10,147 | 32 | (1) | (56) | - | 3 | (22) | 180 | 10,305 |
| Total AUM | 127,393 | 23 | 146 | (48) | 83 | 42 | 246 | 1,866 | 129,505 |
| Australian wealth management - AMP Bank by product | | | | | | | | | |
| Deposits (Supercash, Super TDs & Platform TDs) | 4,515 | | | | | | | (99) | 4,416 |
| Deposits (retail) | 4,026 | | | | | | | (140) | 3,886 |
| Mortgages | 12,244 | | | | | | | 140 | 12,384 |

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

Q4 12 AUM and API summary

| AUM (A\$m) | Q3 12 AUM | Q4 12 AUM |
|--|---------------|---------------|
| Australian wealth management - AUM by product | | |
| Superannuation | 51,663 | 53,252 |
| Pension | 21,585 | 22,523 |
| Investment | 10,894 | 9,884 |
| Total | 84,142 | 85,659 |
| Australian wealth management - AUM by asset class | | |
| Cash and fixed interest | 33% | 34% |
| Australian equities | 34% | 33% |
| International equities | 23% | 22% |
| Property | 6% | 6% |
| Other | 4% | 5% |
| Total | 100% | 100% |
| AUM summary (A\$b) | | |
| Australian wealth management | | |
| Closing AUM | 84 | 86 |
| Average AUM | 82 | 85 |
| Asset Management | | |
| AMP Capital | | |
| Closing AUM | 126.9 | 128.6 |
| Average AUM | 125.3 | 127.8 |
| Risk insurance Annual Premium Income - API (A\$m) | | |
| Australia | | |
| Individual lump sum | 978 | 982 |
| Individual income protection | 404 | 407 |
| Group risk | 353 | 357 |
| Total Australia | 1,735 | 1,746 |
| New Zealand | | |
| Individual lump sum | 200 | 201 |
| Individual income protection | 35 | 36 |
| Group risk | 31 | 31 |
| Total New Zealand | 266 | 268 |
| Total API | 2,001 | 2,014 |