

For immediate release

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AMP NZ first-half results: operating earnings up 5% to \$59m

Leading wealth management and insurance provider, AMP Financial Services, has today announced operating earnings of NZ\$59.4 million for the half-year to 30 June 2014. This is an increase of 5% from the same time last year and has been driven by increasing profit margins.

Profit margins for the half-year were NZ\$60 million, an uplift of 8% for the first half on 1H 13, primarily driven by a reduction in controllable costs and an increase in assets under management (AUM).

Net cashflows grew significantly from NZ\$4 million in 1H 13 to NZ\$202 million in 1H 2014 bolstered by favourable KiwiSaver cashflows and the transfer of new advisers and their clients on to the AMP financial services platforms.

Experience losses for 1H 14 were NZ\$0.5 million reflecting higher than expected Lump Sum claims.

Life insurance annual premium income has been flat over the half, a result that is consistent with much of the industry. The current pressure on households with rising insurance costs is clearly having an impact on consumers' appetite to protect their personal risk.

Jack Regan, Managing Director, of AMP New Zealand says: "In a highly competitive market, the New Zealand business has had a strong start to the year which has been driven by our continued focus on controllable costs and an increase in assets under management."

Controllable costs for the first half of 2014 fell to NZ\$45 million (down from NZ\$53 million for 1H 13) a decrease of NZ\$8 million. AUM grew by 6% to NZ\$13.5 billion, up from NZ\$12.7 billion, significantly bolstered by a 22% growth in KiwiSaver funds.

"Cost savings for the first half of the year have stemmed from the streamlining of duplicate wealth management product sets, including the 2013 merger of the AMP and former AXA KiwiSaver Schemes and from reduced employment costs," continues Regan.

"In 2008 the business reported a cost to income ratio of 47%, this has now fallen to 31.6% in 1H 14 (down from 37% in 1H13) which is further evidence of the journey the business has been on to reduce costs and improve revenue," he continues.

There is a continued focus to offset the future impact on operating earnings of changes to the taxation of life insurance business which are due to come into effect on 1 July 2015. These changes will impact all New Zealand life insurance businesses, not just AMP.

The business continues to progressively grow its revenue base, reduce overall costs and evolve distribution channels to reduce the capital impacts of distributing life insurance. The cost efficiencies delivered are allowing us to minimise the impact of price increases for life insurance that are expected ahead of the changes to taxation of life insurance in July 2015 and to pass on lower fees to our KiwiSaver customers.

“Many of the changes and strategies we implemented across the business over the last 12-18 months are having a positive impact and we expect this to continue for the remainder of the year,” points out Regan.

“We are continuing to invest in the future of the business with an ongoing focus on maximising cost efficiencies, evolving distribution capability and delivering product and market innovation. We are also looking at further rationalisation of duplicate wealth management product sets, leading to reduced expenditure on legacy IT systems.

“Additionally, the simplification of business processes is ongoing with the aim of delivering a first class experience to customers and their advisers at a reduced cost,” he continues.

KiwiSaver continues to be a key contributor to growth

KiwiSaver cashflows are up NZ\$71 million on 1H 13 to NZ\$157 million driven by the increased rate of compulsory employer KiwiSaver contributions and competitive product features.

“KiwiSaver continues to be a strong growth driver for the New Zealand business with the improvement in net cashflows driven in part by an 83% increase in KiwiSaver flows from NZ\$86 million to NZ\$157 million over the comparable period from 2013. The first half of 2014 represents a full six months of cashflows at the new 3% minimum rates for employer and employee contributions and saw funds under management exceed the \$3 billion mark for the first time,” says Regan

In May, the AMP KiwiSaver Scheme was successful in being re-appointed as one of the Government appointed default providers for another seven years. A key requirement for default providers is to provide member education to support decision making about which fund to invest in.

From 1 July 2014 AMP dropped its member fee for all KiwiSaver members from \$2.95 to \$1.95, and its Fund Fees from 0.534% to 0.35% meaning members get to keep more of their contributions.

“We believe KiwiSaver is an essential part of helping New Zealanders prepare for retirement and were delighted to be re-appointed as a default KiwiSaver provider. As part of our commitment to supporting members reaching their retirement goals, in the first half of 2014 we spoke to thousands of customers to take them through a risk profile and to help them make an informed decision about their retirement plans. As part of this programme we switched more than NZ\$36 million in KiwiSaver funds from default to active accounts,” points out Regan.

Key Milestones in 1H 14

Recruitment and growth in AMP’s 360 and Direct businesses reflects its focus on providing market leading wealth solutions for clients and an emphasis on delivering a training environment for advisers of the future.

AMP continues to support a diverse range of advisers in their business and succession planning. This is reflected in AMP’s new adviser recruitment. The company is also supporting adviser businesses that are growing and undertaking a range of facilitated purchases of business to allow adviser exits and retirement in line with their own lifestyle goals.

In order to help customers take ownership of their retirement savings and provide them with additional digital solutions, AMP has launched an online sign up function for KiwiSaver. Hundreds of customers have signed up since the launch and advisers have indicated that it is a great tool to help deliver KiwiSaver solutions for their clients.

During the first half of 2014 funds under management of AMP’s WealthView investment platform grew by 71% from 1H 13, and now has nearly NZ\$1 billion, reflecting the acquisition of new clients and the transfer of funds.

In June AMP successfully made the final payment of NZ\$19.1 million, plus an additional NZ\$2.37 million in interest, to bond holders invested in the ‘frozen’ fund Mortgage Backed Bonds Limited (MBBL). The resolution of this moratorium is a significant achievement given there have been few instances since the GFC whereby frozen funds have delivered a full return of principal as well as interest payments to investors.

AMP’s cultural transformation programme focused on the customer, began with the launch of the ‘Own It’ programme (customer conversation and mind set training) and 70% of employees have attended in 1H 14.

Responding to the universal challenge of retention of talent and promotion of diversity in leadership, AMP has continued with its bespoke leadership development programme for its senior women; the AMP Women in Leadership Pathways Programme. In 1H 2014 we launched the second intake of the programme. ‘

With a focus on increased workforce effectiveness and a more productive workforce, in 1H 2014 AMP launched a revised wellness programme. Additions to the existing programme include: 10,000 steps challenge, personnel health checks, flu vaccines and skin checks being made available to all staff.

Ends

For further information, please contact, Dee Crooks, Head of PR and Communications at AMP on 09 337 7281 or 027 886 2119.

Notes to Editors

About AMP

- AMP is a leading wealth management and insurance provider in the New Zealand marketplace and has been supporting the financial welfare of customers for 160 years
- Our customers hold more than 870,000 investment, savings and insurance products
- AMP has one of the largest networks of advisers in New Zealand
- AMP is the only default KiwiSaver provider with both a 'silver' rating from Morningstar and a 5 Star Canstar Award
- AMP has approximately 260,000 KiwiSaver Scheme members and more than \$3 billion funds under management, equating to around 14% market share
- We've awarded more than \$1.8 million in the last 16 years through our AMP Foundation
- In 2013 we:
 - helped more than 1,800 kiwis buy their first home through KiwiSaver
 - paid out \$46.75 million in general insurance claims
 - supported approximately 73,000 New Zealanders who were unable to work because of an injury or illness by paying out nearly \$9 million in income protection insurance
 - wrote \$644 million in new mortgages, and
 - provided advice over the phone to more than 150,000 New Zealanders – more than 400 people per day.