

20 February 2014

AMP Financial Services New Zealand reports an underlying operating profit of NZ\$132 million

AMP Financial Services has reported an underlying operating profit (after tax) of NZ\$132 million for the year ending 31 December 2013, compared with NZ\$119 million for the prior year.

Underlying operating profit, which includes investment earnings on shareholders' funds, increased during 2013 from improved operating performance, partly offset by a reduction in expected investment returns given lower interest rates.

Operating earnings rose to NZ\$115 million for the year ending 31 December 2013, compared with NZ\$93 million for the previous corresponding period.

The improvement is the result of higher revenues from growth in assets under management (AUM), a recovery in general insurance distribution margins, disciplined cost control measures and a significant improvement in claims experience in the life insurance business.

AMP Financial Services Managing Director New Zealand, Jack Regan, said that a disciplined focus on controllable costs has had a significant impact on overall operating earnings.

"Controllable costs, on a like for like basis, dropped from NZ\$111 million at 31 December 2012 to NZ\$102 million by 31 December 2013," said Mr Regan.

"We have also benefited from the completion of our integration programme of work which has delivered savings on office accommodation, synergies from a single organisational design and savings from product and system efficiencies.

"We will continue to invest in IT systems and enhanced processes to achieve greater efficiencies and improved customer, Adviser and employee experiences."

Net life insurance experience was a loss of NZ\$1 million for the year ending 31 December 2013, which is a significant improvement on the NZ\$10 million loss recorded in the previous corresponding period. The experience improvement over the period is mainly due to improved lump sum and income protection underwriting profits driven in part by effective claims management.

Total insurance premiums were marginally higher, at NZ\$340 million (FY 12 NZ\$337 million) with subdued new business sales, and lower customer retention as a consequence of price increases impacting the result. AMP, like other life insurers is passing on premium increases in response to the changes to life taxes in New Zealand.

“Customer retention remains a strong focus in a competitive environment. The changes to the taxation of life insurance will reduce underlying operating profits by approximately NZ\$20 million per annum from 1 July 2015.

“In response, we’ve made enhancements to our product offerings, which has helped position them more favourably in the marketplace,” said Mr Regan.

The full impact of these changes will broadly come into effect on 1 July 2015.

AMP is responding positively to the change, by progressively growing its revenue base, reducing overall costs and mitigating the capital impacts of distributing life insurance.

AMP’s wealth management business grew with AUM in 2013 rising from NZ\$7.1 billion to NZ\$7.8 billion, an increase of 10.2%.

In August 2013 AFS NZ consolidated its two KiwiSaver offerings into the AMP KiwiSaver Scheme providing greater scale and choice for KiwiSaver members. At the end of 2013, AFS NZ had close to 259,000 KiwiSaver customers and almost NZ\$2.9 billion in AUM, an increase of 19% year on year.

Following the merger of the schemes, the AMP Default fund received a five star Canstar award for outstanding value.

In the 2013 Morningstar rating report, published this month, the AMP KiwiSaver Scheme received a Silver rating, the highest rating ever awarded to a KiwiSaver Scheme.

The report described the AMP Capital team responsible for the KiwiSaver investment management as one of the most experienced and well-rounded teams in the New Zealand market.

Morningstar described the AMP KiwiSaver Scheme as being overseen by a highly reputable team, with a well-structured and disciplined process that earned the scheme one of their highest accolades.

The report also describes the AMP team as having all the necessary tools at its disposal to successfully deliver superior long-term results.

AMP understands that financial literacy is crucial for people to make informed saving and borrowing choices, and to own their tomorrow. That is why it has made improving financial literacy in New Zealand a priority. AMP’s financial literacy programme is focused on AMP customers and the community as a whole.

AMP is an official sponsor of New Zealand's National Strategy for Financial Literacy, which is run by the Commission for Financial Literacy and Retirement Income.

As well as the significant contributions AMP makes to the economy by helping New Zealanders achieve their financial goals, AMP is proud to run the highly regarded AMP Scholarships programme. In 2013 AMP awarded over \$300,000 to help a group of tomorrow's innovators, champions and leaders achieve their goals.

For more detail on AMP's corporate responsibility approach please see our Corporate Profile Report 2013 on amp.co.nz.

ENDS

Media contact:

Penny Newbigin

AMP Financial Services

021 0255 8009

- Morningstar's definition of 'Silver':
These funds have notable advantages across several, but perhaps not all, of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). While these are worthy funds with many positive features, they don't necessarily rise to the standard of best in breed. Funds rated Silver may be working their way up our list of recommended picks as we gain more familiarity and conviction in key pillars or working their way down based on degradation within specific pillars.