

AMP announces 1H 22 results and return of capital to shareholders

1H 22 results highlights

- Significant progress on strategic priorities with simplified portfolio established for future AMP; 1H 22 earnings reflect disciplined focus on cost savings to offset margin compression; macroeconomic environment presents more challenging business conditions looking forward.
- Net profit after tax (NPAT) (underlying)¹ of A\$117 million (1H 21: A\$155 million), includes impact of previously announced North and Master Trust strategic repricing in 2021, and release of AMP Bank credit loss provision in 1H 21 of A\$12 million not repeated this period, partially offset by planned cost reductions.
- 1H 22 NPAT (statutory) increased to A\$481 million (1H 21: A\$146 million), predominately assisted by the gain on sale of the infrastructure debt platform.
- Strong capital position with A\$1.5 billion surplus above Board target capital level.
- Return of capital to shareholders of A\$1.1 billion comprising A\$350 million via an on-market share buyback to commence immediately, with a further A\$750 million of capital returns planned in FY 23, subject to regulatory and shareholder approval. The A\$750 million return is expected to comprise a combination of capital return, special dividend or further on-market share buyback.
- AMP Bank's residential mortgage book grew at 1.15x system in 1H 22 in challenging market conditions, while maintaining strong credit quality.
- AMP Bank net interest margin (NIM) of 1.32 per cent reflects competitive rates and customer preference towards lower margin fixed rate loans, which has since subsided; NIM improved in Q2 22 and is expected to continue to improve during 2H 22 in the higher interest rate environment.
- Australian Wealth Management total assets under management (AUM) of A\$126.3 billion (FY 21: A\$142.3 billion), primarily reflects negative investment market returns.
- Significant improvement in cashflows with net cash outflows of A\$1.9 billion in 1H 22, reducing from net cash outflows of A\$3.6 billion in 1H 21. Improved cashflow includes 49 per cent increase in cash inflows from independent financial advisers (IFAs) on the North platform to A\$758 million (1H 21: A\$510 million).
- Controllable costs reduced by A\$45 million from 1H 21; total cost reduction at 1H 22 of A\$315 million since FY 19, completing the A\$300 million cost-out program.
- Sales of Collimate Capital businesses to Dexu (September 2022) and DigitalBridge (November 2022) remain on track to complete.

¹ Net profit after tax (underlying) represents shareholder attributable net profit or loss after tax excluding non-recurring revenue and expenses. NPAT (underlying) is AMP's preferred measure of profitability as it best reflects the underlying performance of AMP's business units.

AMP Chief Executive Alexis George said:

"We have built strong momentum on the transformation of AMP into a simpler and more efficient organisation which is well placed to grow. The agreed sales of the Collimate Capital businesses are on track to complete in the second half of the year. Post completion there will be a renewed focus for AMP as a leading wealth management and banking business in Australia and New Zealand."

"The first half of the year has seen a challenging economic backdrop. Despite the decline in investment markets, our business is well positioned with a robust balance sheet that will help us to drive forward through a period of continued economic uncertainty."

"Our balance sheet has been further strengthened in the first half with the sale of assets, including the infrastructure debt platform and our remaining stake in Resolution Life Australasia."

"The strength of our balance sheet and capital position has enabled us to announce a return of capital to shareholders of A\$1.1 billion. This will include a A\$350 million on-market share buyback, to commence immediately, with a further A\$750 million of capital returns planned in FY 23, subject to regulatory and shareholder approval. We're pleased to be able to deliver on this commitment to our shareholders."

"While our profit has declined on 1H 21 due to a more challenging environment, it is also a reflection of the deliberate actions we took to reprice our offers in Master Trust and Platforms to continue delivering competitive offers to customers and set AMP up for longer-term success. Despite the decline in investment markets and anticipated margin compression, we delivered disciplined cost savings that have supported our earnings."

"AMP Bank continues to show its competitive strength as a digitally-enabled challenger bank with above system mortgage growth, while maintaining disciplined focus on credit quality. We have had a controlled launch of our new digital mortgage with a full roll out later in 2022, which will enable unconditional mortgage approval in as little as ten minutes."

"We have improved the competitiveness of North, with cash inflows from independent financial advisers up 49 per cent from 1H 21. We're not slowing pace, with more improvements planned for the second half as we build North to be one of Australia's leading investment platforms for advisers and their clients."

"AMP is entering its next era as a significantly simplified group, leading in wealth management and banking, and guided by a clear purpose – helping people create their tomorrow."

Business unit results

NPAT (underlying) (A\$ million)	1H 22	1H 21	% change
AMP Bank	46	84	(45.2)
Australian Wealth Management ²	36	45	(20.0)
New Zealand Wealth Management	17	19	(10.5)
AMP Capital continuing operations ^{3,4}	26	16	62.5
Group Office	(8)	(9)	11.1
Total NPAT (underlying)	117	155	(24.5)

² Australian Wealth Management includes AMP Investments (formerly Multi-Asset Group) from 1 January, 2022. Prior period has been restated to reflect this.

³ AMP Capital continuing operations includes China Life AMP Asset Management Company (CLAMP), PCCP, and certain sponsor investments.

⁴ NPAT (underlying) has been restated to remove the discontinued NPAT of sold and held for sale AMP Capital businesses.

AMP Bank

A disciplined approach to managing the loan book in a challenging market environment has maintained AMP Bank's high-quality loan book while still achieving above system growth.

The residential mortgage book grew A\$705 million to A\$22.4 billion in 1H 22, representing 1.15x system, driven by continued service improvements and competitive pricing, whilst managing NIM compression.

A high-quality mortgage book was maintained with 68 per cent of customers being owner-occupied, an average book loan to value ratio (LVR) of 66 per cent (1H 21: 67 per cent) and dynamic LVR of 59 per cent (1H 21: 66 per cent).

1H 22 NIM of 1.32 per cent (FY 21: 1.62 per cent), was driven by mortgage margin compression, growth of fixed rate loans and holding higher liquid assets. NIM began to recover in Q2 22 due to the increasing interest rate environment and the bank's continued focus on optimising deposit and funding costs.

Total deposits increased by 12 per cent from FY 21 to A\$20.0 billion, representing 4.24x system, with a majority of flows coming from customer deposits. Deposit to loan ratio increased to 88 per cent at 1H 22 (FY 21: 81 per cent).

NPAT (underlying) of A\$46 million (1H 21: A\$84 million), reflects a reduction in net interest income to A\$176 million (1H 21: A\$204 million), and impact of credit loss provision release in 1H 21 that was not repeated this period (1H 21: A\$12 million).

Australian Wealth Management

Australian Wealth Management earnings were lower in 1H 22 compared to 1H 21 as a result of strategic repricing in North and Master Trust to provide competitive offers, that were largely offset by cost reductions and improvements in Advice. Comments on the wealth management divisions – Platforms, Master Trust and Advice – are set out below.

Platforms

North continues to generate strong inflows from both the IFA and aligned adviser markets following strategic repricing initiatives and continued enhancements to the platform's functionality and investment capability.

1H 22 NPAT (underlying) of A\$36 million (1H 21: A\$66 million) reflects planned repricing communicated to the market in 2021, investment to support growth and hedging losses on North Guarantee due to market volatility.

The North platform benefitted from A\$1.3 billion in net cashflows, helping to partially offset the impact of negative markets, with AUM declining to A\$56.0 billion (FY 21: A\$61.4 billion). North inflows from IFAs of \$758 million were up 49 per cent on 1H 21.

Overall Platforms AUM reduced to A\$63.9 billion (FY 21: A\$71.1 billion) driven by weaker investment markets, partly offset by positive net cashflows. Net cash inflows of A\$464 million in 1H 22 increased from A\$115 million of net cash outflows in 1H 21 and included pension payments of A\$0.8 billion (1H 21: A\$0.7 billion).

Master Trust

Ongoing focus on operational efficiency and completion of product simplification drove lower costs during a challenging period.

1H 22 NPAT (underlying) of A\$27 million (1H 21: A\$63 million) reflects the decision to deliver price reductions for members in FY 21, partly offset by lower costs through actions to drive efficiency and simplification.

AUM declined to A\$55.2 billion (FY 21: A\$62.9 billion), driven by weaker investment markets and cash outflows. Net cash outflows of A\$1.6 billion improved from net cash outflows of A\$2.6 billion in 1H 21, with strong investment performance in FY 21 helping to retain customers.

Advice

The Advice reshape and transition to a contemporary service model is delivering strong outcomes with Advice NPAT losses on track to halve in FY 22.

1H 22 NPAT (underlying) loss of A\$30 million, improved from a loss of A\$85 million at 1H 21, benefitting from the sale of the employed advice business and 1H 21 impairments not repeated in 1H 22.

Advice revenue was A\$7 million higher at A\$30 million, with revenue growth in portfolio of equity investments in 1H 22 and impairments in 1H 21 not repeated, offset by the impact of the employed advice sale in late 2021.

A continued focus on costs resulted in a reduction in controllable costs to A\$66 million in 1H 22 (1H 21: A\$101 million), reflecting progress of the Advice transformation and right-sizing of network support costs.

New Zealand Wealth Management

NZWM NPAT (underlying) of A\$17 million (1H 21: A\$19 million) was driven by the impact of lower investment markets on AUM, which declined to A\$10.2 billion in 1H 22 (FY 21: A\$12.2 billion).

NZWM maintained its position as a major participant in the KiwiSaver market, with A\$4.9 billion in AUM.

Cost to income ratio increased to 42.9 per cent (1H 21: 40.9 per cent), as a result of lower revenue due to market volatility. Controllable costs remained stable at A\$18 million, with ongoing simplification offsetting the inflationary pressures being experienced.

Capital position and return

AMP's capital position has strengthened further with surplus capital of A\$1.5 billion above total Board requirements as at 30 June 2022.

As a result of the strong capital position and the simplification of our business, AMP will return A\$1.1 billion of capital to shareholders comprising A\$350 million via an on-market share buyback, to commence immediately, with a further A\$750 million of capital returns planned in FY 23 subject to regulatory and shareholder approval. The A\$750 million is expected to comprise a combination of capital return, special dividend or further on-market share buyback.

AMP will also allocate approximately A\$400 million liquidity to pay down corporate debt and de-leverage the balance sheet.

In line with prior guidance, the Board has resolved not to declare a dividend in 1H 22.

More detailed information on the 1H 22 result is available in the 1H 22 investor report and presentation, both accessible at amp.com.au/shares.

An analyst briefing, starting at 11.00am, can be viewed (listen only) via webcast at amp.com.au/webcasts.

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Authorised for release by the AMP Limited Board.

Q2 22 Cashflows

AMP Bank

Deposits and loans (A\$m)	Q1 22	Movement ¹	Q2 22
	End balance		End balance
Customer deposits	13,161	404	13,565
At call deposits	9,970	(599)	9,371
Term deposits	3,191	1,003	4,194
Platforms ²	3,980	111	4,091
Master Trust ³	2,061	(168)	1,893
Other ⁴	298	131	429
Total deposits	19,500	478	19,978
Residential Mortgages	22,295	151	22,446
Practice Finance Loans	294	(10)	284
Total loans	22,589	141	22,730
Deposit to loan ratio	86%	2%	88%

1 Represents movements in AMP Bank's deposits, loan books and deposit to loan ratio.

2 At 30 Jun 2022, Platforms include North (A\$3.4b) and other platform deposits (A\$0.7b).

3 At 30 Jun 2022, Master Trust deposits include AMP Supercash (A\$1.8b) and Super TDs (A\$0.1b).

4 Other deposits include internal deposits and wholesale deposits.

Australian Wealth Management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 22	Q2 21	Q2 22	Q2 21	Q2 22	Q2 21
North ¹	3,865	4,800	(3,027)	(4,039)	838	761
Summit, Generations and iAccess ²	106	112	(296)	(445)	(190)	(333)
Other retail investment and platforms ³	-	6	(1)	(90)	(1)	(84)
External platforms ⁴	47	61	(269)	(407)	(222)	(346)
Total Platforms	4,018	4,979	(3,593)	(4,981)	425	(2)
Total retail superannuation	776	828	(1,188)	(1,817)	(412)	(989)
Total corporate superannuation	892	943	(994)	(1,158)	(102)	(215)
Total Master Trust	1,668	1,771	(2,182)	(2,975)	(514)	(1,204)
Other Wealth Management⁵	72	49	(582)	(429)	(510)	(380)
Total Australian Wealth Management	5,758	6,799	(6,357)	(8,385)	(599)	(1,586)

Cash inflow composition (A\$m)	Q2 22	Q2 21
Member contributions	1,388	1,402
Employer contributions	1,013	1,007
Total contributions	2,401	2,409
Transfers, rollovers in and other ⁶	3,357	4,390
Total Australian Wealth Management	5,758	6,799

1 North is a fully functioning wrap platform which includes guaranteed and non-guaranteed options. Includes North and MyNorth platforms.

2 Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.

3 Other retail investment and platforms includes AMP Personalised Portfolio.

4 External platforms comprise AMP administered, Asgard manufactured platform products.

5 Other Wealth Management includes Flexible Lifetime Investments and external investment mandate clients managed by AMP Investments following the transfer of MAG to AWM.

6 Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (e.g. retail superannuation to allocated pension/annuities) and external products.

	Q1 22	Q2 22 Net cashflows						Q2 22
AUM (A\$m)	AUM	Super-annuation	Pension payments	Other pension	Investment	Total net cashflows	Other movements ¹	AUM
North	59,770	622	(405)	484	137	838	(4,565)	56,043
Summit, Generations and iAccess	6,101	(63)	(35)	(60)	(32)	(190)	(423)	5,488
Other retail investment and platforms ²	2	-	-	-	(1)	(1)	(1)	-
External platforms	2,826	(25)	(17)	(40)	(140)	(222)	(192)	2,412
Total Platforms	68,699	534	(457)	384	(36)	425	(5,181)	63,943
Total retail superannuation ³	31,709	(166)	(93)	(153)	-	(412)	(2,335)	28,962
Total corporate superannuation ⁴	28,330	(84)	(7)	(11)	-	(102)	(1,946)	26,282
Total Master Trust	60,039	(250)	(100)	(164)	-	(514)	(4,281)	55,244
Other Wealth Management ²	7,728	(148)	-	(107)	(255)	(510)	(125)	7,093
Total Australian Wealth Management	136,466	136	(557)	113	(291)	(599)	(9,587)	126,280
Assets under administration - SuperConcepts ⁵	17,186	-	-	-	-	-	(1,339)	15,847
Total AUM and administration	153,652	136	(557)	113	(291)	(599)	(10,926)	142,127

AUM (A\$m)	Q1 22	Q2 22
AUM by product	AUM	AUM
Superannuation	80,410	74,765
Pension	34,928	32,189
Investment	21,128	19,326
Total	136,466	126,280
AUM by asset class		
Cash and fixed interest	28%	29%
Australian equities	29%	29%
International equities	32%	32%
Property	6%	5%
Other	5%	5%
Total	100%	100%

	Q1 22	Q2 22
AUM (A\$b)	AUM	AUM
Closing AUM	136.5	126.3
Average AUM	137.1	132.1

1 Other movements include fees, investment returns, distributions, taxes and foreign exchange movements.

2 Q1 22 AUM restated to report Flexible Lifetime Investments in Other Wealth Management. Now includes Flexible Lifetime Investments and external investment mandate clients managed by AMP Investments following the transfer of MAG to AWM.

3 Retail superannuation includes A\$6.7b in MySuper (Q1 22 A\$7.0b).

4 Corporate superannuation includes A\$14.7b in MySuper (Q1 22 A\$15.6b).

5 SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, Moore Stephens Annual, Ascend and SuperConcepts platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

New Zealand Wealth Management

Cashflows by product (A\$m)	Cash inflows		Cash outflows		Net cashflows	
	Q2 22	Q2 21	Q2 22	Q2 21	Q2 22	Q2 21
KiwiSaver	150	183	(129)	(211)	21	(28)
Other ¹	81	128	(167)	(247)	(86)	(119)
Total New Zealand Wealth Management	231	311	(296)	(458)	(65)	(147)

AUM (A\$m)	Q1 22	Q2 22 Net cashflows			Other movements ²	Q2 22
	AUM	Super-annuation	Investment	Total net cashflows		AUM
KiwiSaver	5,403	21	-	21	(505)	4,919
Other ¹	5,903	(35)	(51)	(86)	(531)	5,286
Total New Zealand Wealth Management	11,306	(14)	(51)	(65)	(1,036)	10,205

1 Other includes superannuation, retail investment platform and legacy products.

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

AMP Capital

AUM (A\$m)	Q1 22	Q2 22 Net cashflows			Other movements ¹	Q2 22	Q2 22
	Restated AUM	Cash inflows	Cash outflows	Total net cashflows		AUM	Uncalled Committed Capital
Infrastructure equity - Domestic	10,340	314	(373)	(59)	215	10,496	-
Infrastructure equity - Global	7,964	-	(315)	(315)	204	7,853	1,118
Real estate	21,901	571	(409)	162	(153)	21,910	-
Investments to transfer to AMP	12,306	979	(923)	56	766	13,128	-
AUM by asset class (closing)	52,511	1,864	(2,020)	(156)	1,032	53,387	1,118
AUM by asset class (average)	53,679	n/a	n/a	n/a	n/a	53,082	n/a
External	48,643	1,827	(1,945)	(118)	1,274	49,799	-
Internal	3,868	37	(75)	(38)	(242)	3,588	-

¹ Other movements include fees, investment returns, distributions, taxes, foreign exchange movements and real estate debt refinancing.