

ASX RELEASE | 10 August 2023

## AMP announces 1H 23 results

### Overview

- **Underlying Net Profit After Tax (NPAT)**<sup>1</sup> of \$112 million in line with 1H 22<sup>2</sup>
- Business unit performance includes:
  - **AMP Bank** underlying NPAT of \$57 million up 23.9% on 1H22.
  - **Platforms** underlying NPAT of \$44 million up 25.7% on 1H 22.
  - **Advice** underlying NPAT loss of \$25 million improved by \$5 million on 1H 22.
- **AMP Statutory NPAT** of \$261 million (1H22: \$469 million).
  - Statutory result in 1H 23 predominantly reflects the net gain of \$209m on the sale of the International Infrastructure Equity business and the Real Estate and Domestic Infrastructure Equity business, and SuperConcepts – and in 1H 22 the gain on sale of the Infrastructure Debt platform of \$390 million.
- **Controllable costs:**
  - 1H 23 controllable costs of \$362 million in line with 1H 22 - cost reduction benefits offset by inflation (\$14 million), and stranded costs from asset sales (\$10 million).
  - Business simplification program announced, targeting \$120 million reduction in cost base by end of FY 25 requiring one off investment of \$120-\$150 million over next two years.
- **Capital management:**
  - \$610 million of capital returned to shareholders since August 2022.
  - Further \$140 million expected to be returned by 31 October 2023 via interim dividend and remaining on-market buyback.
  - \$302 million of corporate debt paid down in July 2023.
  - In response to the judgment in the Financial Adviser Class Action on 5 July 2023, AMP has booked a provision of \$50 million for the half year, reflecting a current assessment of the potential liabilities related to the various advice practices that were the subject of the judgment.
  - Commencement of tranche three capital return temporarily paused, with an update to market no later than 31 December 2023.
- **Underlying earnings per share** of 3.8 cents for the period (up 11.8% on 1H 22).
- **Interim dividend** of 2.5 cents per share declared, 20% franked.

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.

2 1H 22 and FY 22 results have been restated to reflect the sale of SuperConcepts (now reported in discontinued operations)

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### **AMP Chief Executive Alexis George said:**

*"The performance of our underlying businesses continues to improve, with AMP Bank achieving disciplined mortgage growth in a competitive environment, the North platform significantly increasing inflows from Independent Financial Advisers, Advice further reducing costs, and Master Trust operating more efficiently and delivering strong investment returns for members.*

*"As part of our capital management program, we have returned \$610 million in capital to shareholders through the share buyback and dividends in the past 12 months, and we have a remaining \$140 million to be returned by the end of October 2023, through the interim dividend we have announced today and further share buybacks.*

*"We have booked a \$50 million provision in response to the judgment in the Financial Adviser Class Action. The process for the Court making orders from the judgment is ongoing and until finalised we won't make a decision on any appeal.*

*"Given the current uncertainty around the Court's judgment and other litigation matters, we are taking a prudent approach with our capital and liquidity and will pause tranche three of the capital return. We will review the decision to pause tranche three by no later than the end of the year. We remain committed to returning excess capital to shareholders and will not be engaging in large scale M&A activity in the near term.*

*"Reducing costs and improving efficiency remain a key focus for the organisation. Our FY 23 costs are on target to be in line with FY 22, and it's important to note that to achieve this we will absorb ~\$50 million of additional costs due to inflation and stranded costs related to our sold businesses.*

*"Today we have laid out a path for further simplification of AMP. We have outlined a target to deliver \$120 million in run rate controllable cost savings by FY 25, with a \$60 million reduction in FY 24 and a similar number for FY 25. This will be achieved through simplifying our technology architecture, removing stranded costs, reducing group costs including property, continued focus on the Advice business, re-platforming our Master Trust business and a disciplined approach to project spend. These cost initiatives are expected to reduce our cost to income ratio from the current 66.2% to the low 60s, with cost efficiency to be a continued focus for the group."*

## **Operating business unit results**

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### **AMP Bank**

Underlying NPAT increased by 23.9% to \$57 million, driven by disciplined loan growth and supported by our strong broker relationships. The residential mortgage book grew above system, increasing by 8.3% on 1H 22.

Investments in our loan processing have supported turnaround times reducing to an average of 8.4 days. Customer numbers across lending and deposits grew to over 192,000, with a focus on growing direct and digital channels. While arrears have increased slightly with recent interest rate rises, more than 40 per cent of AMP Bank home loan customers are four months or more ahead on their mortgage repayments, and the lending book overall maintains a strong credit profile.

AMP Bank's cost to income ratio improved to 43.9% from 49.9% in 1H 22, driven by growth in net interest income, up 13.6% to \$200 million. Net interest margin was 1.39% for the half. With the competitive funding environment it is anticipated that NIM for the year will be in the range of 1.30 – 1.35%.

### **Platforms**

Underlying NPAT increased by 25.7% over 1H 22 to \$44 million, largely driven by an improved investment outcome from the North guarantee. This was partly offset by lower AUM-based revenue, as well as spending to support business growth.

Inflows to North from Independent Financial Advisers (IFAs) increased by 48%, driven by continued investment in managed portfolios and functionality enhancements. Net cashflows of \$741 million (excluding pension payments) were impacted by the shift of non-super investment away from Platforms reflecting current economic conditions. Average AUM remained broadly in line with 1H 22 at \$67.3 billion (1H 22: \$67.6 billion).

### **Master Trust**

Underlying NPAT of \$28 million increased 7.7% on 1H 22, supported by the ongoing focus on costs, offset by the impact on margins as we simplified the investment menu. Controllable costs were reduced by 10.6% on 1H 22. Negative net cashflows improved by 31% as a result of lower outflows, supported by a strong member value proposition.

AMP MySuper has delivered strong investment returns for members for the financial year ending 30 June 2023. AMP's Lifestage MySuper 1970s option, the largest of the Lifestage options by funds under management, returned 9.1% for members.

### **Advice**

Progress on transforming the Advice business continued, with the underlying NPAT loss improving \$5 million to \$25 million compared to 1H 22, reflecting the ongoing focus on costs and scaling of practices to deliver efficiencies. Controllable costs improved 9.1% on 1H 22, with further initiatives completed in 1H 23 expected to flow through in 2H 23.

The ongoing focus on scaling and supporting a high quality network of advisers was illustrated with revenue per practice increasing 10.3%. Analysis indicates that 50% of practices in the AMP Advice network generate revenue over \$1 million, compared to 30% in the broader industry.

### **New Zealand Wealth Management**

New Zealand Wealth Management delivered a stable result, with underlying NPAT of \$17 million, flat on 1H 22, reflecting higher distribution revenue, offsetting the impact of lower AUM based revenue. Controllable costs remained stable despite inflation, and the business has diversified its revenues through the divestment of a legacy business and the acquisition of *enable.me*, which delivers non-AUM based revenue through fee-based coaching programs.

## **Capital**

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AMP has declared an interim dividend of 2.5 cents per share, 20% franked, payable on 29 September 2023 to shareholders.

The capital return program has resulted in \$610 million returned to shareholders since August 2022 and a further \$140 million expected to be returned by October 2023 via an interim dividend and on-market share buyback. This will amount to \$750 million of capital returned to shareholders.

During 1H 23, AMP completed its capital and balance sheet review, and determined to:

- Pay down debt to improve financial resilience, with \$302 million of corporate debt paid down in July
- Return capital prudently in relation to the resolution of litigation outcomes
- Continue simplification of our legal and operational footprint to benefit liquidity and cost management

While remaining committed to returning surplus capital to shareholders, given the current uncertainty surrounding the outcome of the Financial Adviser Class Action and other litigation matters, Tranche 3 of the capital return program has been paused. An update will be provided no later than 31 December 2023.

**Alexis George continued:**

*“We have significantly reduced the size and complexity of AMP’s business, whilst continuing to resolve legacy issues. The changes we have made are allowing us to focus on driving performance and strategic investment in our growth businesses, with our eyes firmly on the future.”*

More detailed information on the 1H 23 result is available in the 1H 23 Presentation and AMP Data Pack, accessible at [amp.com.au/shares](https://amp.com.au/shares).

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

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Authorised for release by the AMP Limited Board.

## Q2 23 Cashflows

### AMP Bank

| Deposits and loans (A\$m)    | Q1 23         | Movement <sup>1</sup> | Q2 23         |
|------------------------------|---------------|-----------------------|---------------|
|                              | End balance   |                       | End balance   |
| Customer deposits            | 14,218        | 401                   | 14,619        |
| At call deposits             | 8,150         | 107                   | 8,257         |
| Term deposits                | 6,068         | 294                   | 6,362         |
| Platforms <sup>2</sup>       | 4,265         | 236                   | 4,501         |
| Master Trust <sup>3</sup>    | 1,849         | 21                    | 1,870         |
| Other <sup>4</sup>           | 272           | 31                    | 303           |
| <b>Total deposits</b>        | <b>20,604</b> | <b>689</b>            | <b>21,293</b> |
| Residential Mortgages        | 23,941        | 359                   | 24,300        |
| Practice Finance Loans       | 244           | (7)                   | 237           |
| <b>Total loans</b>           | <b>24,185</b> | <b>352</b>            | <b>24,537</b> |
| <b>Deposit to loan ratio</b> | <b>85%</b>    | <b>2%</b>             | <b>87%</b>    |

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

2. At 30 June 2023, Platforms include Cash (A\$3.6b) and Term Deposits (A\$0.9b).

3. At 30 June 2023, Master Trust deposits include AMP Supercash (A\$1.7b) and Super TDs (A\$0.1b).

4. Other deposits include internal deposits and wholesale deposits.

### Platforms

| Cashflows by product (A\$m)     | Cash inflows <sup>1</sup> |              | Cash outflows <sup>1,2</sup> |                | Net cashflows <sup>2</sup> |            |
|---------------------------------|---------------------------|--------------|------------------------------|----------------|----------------------------|------------|
|                                 | Q2 23                     | Q2 22        | Q2 23                        | Q2 22          | Q2 23                      | Q2 22      |
| North <sup>3</sup>              | 6,863                     | 3,865        | (4,240)                      | (2,622)        | 2,623                      | 1,243      |
| Legacy Platforms <sup>4</sup>   | 4                         | 106          | (1,922)                      | (262)          | (1,918)                    | (156)      |
| External platforms <sup>5</sup> | 35                        | 47           | (151)                        | (252)          | (116)                      | (205)      |
| <b>Total Platforms</b>          | <b>6,902</b>              | <b>4,018</b> | <b>(6,313)</b>               | <b>(3,136)</b> | <b>589</b>                 | <b>882</b> |

| Platforms cash inflow composition (A\$m)       | Q2 23        | Q2 22        |
|--|--------------|--------------|
| Member contributions                           | 1,144        | 1,128        |
| Employer contributions                         | 220          | 197          |
| <b>Total contributions</b>                     | <b>1,364</b> | <b>1,325</b> |
| Transfers, rollovers in and other <sup>6</sup> | 5,538        | 2,693        |
| <b>Total Platforms</b>                         | <b>6,902</b> | <b>4,018</b> |

1. Inflows and outflows include those from internal and external sources. Internal includes transfers across and within products.

2. Net Cashflows excludes regular pension payments to members. Prior periods have been restated to reflect this.

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

4. Legacy Platforms include Summit, Generations, iAccess and AMP Personalised Portfolio. During Q4 22 Summit and Generations were closed and during Q2 23 iAccess was closed, with existing customers migrated to MyNorth.

5. External platforms comprise Asgard platform products issued by AMP.

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.

| AUM (A\$m)             | Q1 23         | Q2 23 Net cashflows <sup>1</sup> |              | Net cashflows | Other movements <sup>2</sup> |              | Q2 23         |
|------------------------|---------------|----------------------------------|--------------|---------------|------------------------------|--------------|---------------|
|                        | AUM           | Super-annuation                  | Investment   |               | Pension payments             | Market/Other | AUM           |
| North                  | 62,846        | 2,402                            | 221          | 2,623         | (452)                        | 1,359        | 66,376        |
| Legacy Platforms       | 1,900         | (1,504)                          | (414)        | (1,918)       | (4)                          | 22           | -             |
| External platforms     | 2,017         | (57)                             | (59)         | (116)         | (9)                          | 54           | 1,946         |
| <b>Total Platforms</b> | <b>66,763</b> | <b>841</b>                       | <b>(252)</b> | <b>589</b>    | <b>(465)</b>                 | <b>1,435</b> | <b>68,322</b> |

| AUM (A\$m)              | Q1 23         | Q2 23         |
|-------------------------|---------------|---------------|
| AUM by product          | AUM           | AUM           |
| Superannuation          | 25,100        | 26,072        |
| Pension                 | 27,814        | 28,346        |
| Investment              | 13,849        | 13,904        |
| <b>Total</b>            | <b>66,763</b> | <b>68,322</b> |
| AUM by asset class      | Q1 23         | Q2 23         |
| Cash and fixed interest | 32%           | 31%           |
| Australian equities     | 33%           | 33%           |
| International equities  | 28%           | 29%           |
| Property                | 5%            | 5%            |
| Other                   | 2%            | 2%            |
| <b>Total</b>            | <b>100%</b>   | <b>100%</b>   |

|             | Q1 23 | Q2 23 |
|-------------|-------|-------|
| AUM (A\$b)  | AUM   | AUM   |
| Closing AUM | 66.8  | 68.3  |
| Average AUM | 66.8  | 67.9  |

1 Net Cashflows excludes regular pension payments to members. Prior periods have been restated to reflect this.

2 Other movements includes pension payments, fees, investment returns, distributions, taxes and foreign exchange movements.

## Master Trust

|                             | Cash inflows <sup>1</sup> |              | Cash outflows <sup>1,2</sup> |                | Net cashflows <sup>2</sup> |              |
|-----------------------------|---------------------------|--------------|------------------------------|----------------|----------------------------|--------------|
| Cashflows by product (A\$m) | Q2 23                     | Q2 22        | Q2 23                        | Q2 22          | Q2 23                      | Q2 22        |
| Retail superannuation       | 775                       | 776          | (1,028)                      | (1,095)        | (253)                      | (319)        |
| Corporate superannuation    | 839                       | 892          | (969)                        | (987)          | (130)                      | (95)         |
| <b>Total Master Trust</b>   | <b>1,614</b>              | <b>1,668</b> | <b>(1,997)</b>               | <b>(2,082)</b> | <b>(383)</b>               | <b>(414)</b> |

| Master Trust cash inflow composition (A\$m)    | Q2 23        | Q2 22        |
|--|--------------|--------------|
| Member contributions                           | 246          | 260          |
| Employer contributions                         | 843          | 816          |
| <b>Total contributions</b>                     | <b>1,089</b> | <b>1,076</b> |
| Transfers, rollovers in and other <sup>3</sup> | 525          | 592          |
| <b>Total Master Trust</b>                      | <b>1,614</b> | <b>1,668</b> |

1 Inflows and outflows include those from internal and external sources. Internal includes transfers across and within products.

2 Net Cashflows excludes regular pension payments to members. Prior periods have been restated to reflect this.

3 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 23         | Q2 23 Net cashflows <sup>1</sup> |            | Net cashflows | Other movements <sup>2</sup> |              | Q2 23         |
|---------------------------------------|---------------|----------------------------------|------------|---------------|------------------------------|--------------|---------------|
| AUM (A\$m)                            | AUM           | Super-annuation                  | Investment |               | Pension payments             | Market/Other | AUM           |
| Retail superannuation <sup>3</sup>    | 28,702        | (253)                            | -          | (253)         | (80)                         | 788          | 29,157        |
| Corporate superannuation <sup>4</sup> | 25,866        | (130)                            | -          | (130)         | (25)                         | 559          | 26,270        |
| <b>Total Master Trust</b>             | <b>54,568</b> | <b>(383)</b>                     | <b>-</b>   | <b>(383)</b>  | <b>(105)</b>                 | <b>1,347</b> | <b>55,427</b> |

| AUM (A\$m)              | Q1 23         | Q2 23         |
|-------------------------|---------------|---------------|
| AUM by product          | AUM           | AUM           |
| Superannuation          | 49,293        | 50,260        |
| Pension                 | 5,275         | 5,167         |
| <b>Total</b>            | <b>54,568</b> | <b>55,427</b> |
| AUM by asset class      | Q1 23         | Q2 23         |
| Cash and fixed interest | 23%           | 23%           |
| Australian equities     | 29%           | 29%           |
| International equities  | 33%           | 33%           |
| Property                | 6%            | 6%            |
| Other                   | 9%            | 9%            |
| <b>Total</b>            | <b>100%</b>   | <b>100%</b>   |

|             | Q1 23 | Q2 23 |
|-------------|-------|-------|
| AUM (A\$b)  | AUM   | AUM   |
| Closing AUM | 54.6  | 55.4  |
| Average AUM | 54.9  | 55.1  |

1 Net Cashflows excludes regular pension payments to members. Prior periods have been restated to reflect this.

2 Other movements includes pension payments, fees, investment returns, distributions, taxes and foreign exchange movements.

3 Retail superannuation includes A\$7.3b in MySuper (Q1 23 A\$7.0b).

4 Corporate superannuation includes A\$15.3b in MySuper (Q1 23 A\$14.9b).

## New Zealand Wealth Management

| Cashflows by product (A\$m)                | Cash inflows |            | Cash outflows |              | Net cashflows |             |
|--|--------------|------------|---------------|--------------|---------------|-------------|
|  | Q2 23        | Q2 22      | Q2 23         | Q2 22        | Q2 23         | Q2 22       |
| KiwiSaver                                  | 156          | 150        | (126)         | (129)        | 30            | 21          |
| Other <sup>1</sup>                         | 173          | 81         | (251)         | (167)        | (78)          | (86)        |
| <b>Total New Zealand wealth management</b> | <b>329</b>   | <b>231</b> | <b>(377)</b>  | <b>(296)</b> | <b>(48)</b>   | <b>(65)</b> |

| AUM (A\$m)                                 | Q1 23         | Q2 23 Net cashflows |             |               | Other movements <sup>2</sup> | Q2 23         |
|--|---------------|---------------------|-------------|---------------|------------------------------|---------------|
|  | AUM           | Super-annuation     | Investment  | Net cashflows |                              | AUM           |
| KiwiSaver                                  | 5,416         | 30                  | -           | 30            | 90                           | 5,536         |
| Other <sup>1</sup>                         | 5,256         | (42)                | (36)        | (78)          | 75                           | 5,253         |
| <b>Total New Zealand wealth management</b> | <b>10,672</b> | <b>(12)</b>         | <b>(36)</b> | <b>(48)</b>   | <b>165</b>                   | <b>10,789</b> |

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.