AMP Investor Report

Full Year 2013

Management and contact details

Executive management team

Craig Meller	Managing Director and Chief Executive Officer
Lee Barnett	Chief Information Officer
Pauline Blight-Johnston	Group Executive, Insurance and Superannuation
Rob Caprioli	Group Executive, Advice and Banking
Stephen Dunne	Managing Director, AMP Capital
Gordon Lefevre	Chief Financial Officer – Designate
Matthew Percival	Group Executive, Public Affairs and Chief of Staff
Paul Sainsbury	Chief Customer Officer
Brian Salter	General Counsel
Colin Storrie	Chief Financial Officer
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Online reports

This investor report is available online at **www.amp.com.au/shareholdercentre** along with other investor relations information.

AMP Limited
ABN 49 079 354 519

Contents

Important note

This Investor Report provides financial information reflecting after income tax results for AMP shareholders. The principles of life insurance accounting are used in reporting the results of AFS. Information is provided on an operational basis (rather than statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data and internal management information useful for investors. This Investor Report is not audited. In preparing the Investor Report, management has had its external auditor, Ernst & Young, prepare a review statement in relation to specific matters pertaining to some of the information presented herein for management's purposes. This statement has been included in the document for the information of readers; however, it has been prepared solely for directors and management and should not be relied upon by any party other than the directors and management of AMP Limited.

Profit attributable to shareholders of AMP Limited has been prepared in accordance with Australian accounting standards.

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

This Investor Report is not an offer document and therefore has not been the subject of a full due diligence process typically used for an offer document. While AMP has sought to ensure that information in this Investor Report is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this Investor Report. In particular, information and statements in this Investor Report do not constitute investment advice or a recommendation on any matter, and should not be relied upon.

AMP also provides statutory reporting prescribed under the Corporations Act 2001. Those accounts will be available from AMP's website www.amp.com.au and reflect policyholder and shareholder interests.

FY 13 performance summary

FY 13 profit attributable to shareholders of AMP Limited of A$672m (FY 12 A$689m) and underlying profit of A$849m (FY 12 A$950m)[1]

- Australian wealth management operating earnings up 16%, AMP Bank up 34%, AFS New Zealand up 33%, Australian mature up 7%, on FY 12 respectively
- AMP Capital operating earnings unchanged on FY 12
- Australian wealth protection operating earnings down 66% on FY 12, reflecting poor claims experience, increased lapse rates and capitalised losses
- Underlying investment income down A$91m on FY 12 to A$135m, reflecting a lower rate of return applied to shareholder funds in 2013 due to the substantial fall in short-term interest rates over 2012

Key performance measures

FY 13 underlying profit of A$849m, down 11% on FY 12, reflecting lower Australian wealth protection profits and lower underlying investment income, partially offset by growth from AUM driven businesses and banking

FY 13 cost to income ratio of 49.4%, up 2.1 percentage points on FY 12; controllable costs down 2.6% on FY 12[2]

Growth measures:

- AFS FY 13 net cashflows were A$1,319m, up from net cashflows of A$308m in FY 12[3]
- AMP Capital external net cash outflows were A$1,039m, a reduced outflow from A$1,784m in FY 12. AMP Capital external net cash inflows improved to A$1,031m in 2H 13 from a net cash outflow of A$2,070m in 1H 13 as Japanese retail outflows slowed and infrastructure flows increased
- AFS value of risk new business declined A$87m on FY 12 to A$116m[4]

Underlying return on equity reduced 2.0 percentage points to 10.7% in FY 13 from FY 12, reflecting lower Australian wealth protection profits, lower underlying investment income and higher capital

AUM and API

- Total AUM of A$197b[5] in FY 13, up 15% from FY 12
- AFS AUM increased 17% to A$152b[5] in FY 13 from FY 12
  - Wealth management net cashflows of A$2,166m, up A$1,345m from FY 12; total WM AUM increased 17.3%
  - North net cashflows of A$4,125m, up by A$1,937m from FY 12; AMP Flexible Super retail net cashflows of A$1,958m, down A$380m from FY 12
- AMP Capital AUM increased 9% to A$140b in FY 13 from FY 12
- AFS Australia individual risk API increased 4% on FY 12 to A$1.4b, AFS Australia group risk API increased 3% on FY 12 to A$366m, AFS NZ individual risk API increased 1% on FY 12 to NZ$301m

Banking

- AMP Bank loan and deposit books up 7.6% and 1.5% respectively in FY 13, net interest margin up 16 basis points to 1.39% in FY 13 from FY 12, cost to income ratio of 29.6% decreased by 5.3 percentage points from FY 12, return on capital of 15.8% increased by 2.0 percentage points from FY 12

Controllable costs and cost ratios[2]

Total controllable costs decreased by 2.6% on FY 12 to A$1,301m; cost to income ratio up 2.1 percentage points to 49.4% in FY 13 with lower controllable costs more than offset by lower income

- AFS FY 13 controllable costs decreased 2.5% on FY 12 to A$894m (cost to income ratio 42.4%), AMP Capital controllable costs decreased 2% on FY 12 to A$318m in FY 13 (cost to income ratio 65.2%)
- AMP group controllable costs to AUM decreased 11 bps on FY 12 to 70 bps during FY 13

Capital management and dividend

- FY 13 shareholder regulatory capital resources were A$2,080m above minimum regulatory requirements from A$1,372m at 31 December 2012[6]. This reflects retained profits, additional capital issued under the dividend reinvestment plan (DRP), favourable investment markets, the impact of AMP Bank's repayment of a A$100m loan from Group Office and AMP Notes 2 issue of A$325m in December 2013
- Interest cover (underlying) remains strong at 12.3 times and gearing on an S&P basis is 13%
- FY 13 final dividend of 11.5 cents per share (cps) was declared, representing a total 2013 dividend payout ratio of 80% of underlying profit. The DRP continues to operate. No discount will apply to determine the DRP allocation price. AMP intends to neutralise the impact of the DRP. For the 2013 final dividend, shares will be acquired on market

1 Prior period underlying profit and profit attributable to shareholders have been revised in accordance with changes in accounting standards AASB 10 and AASB 119.
2 Prior period comparatives have been revised to reflect a reclassification of A$17m of controllable costs to variable costs. Refer to pages 15 and 19 for further details.
3 AFS current and comparative cashflows exclude SMSF.
4 Represents value of new business for AFS's Australian and New Zealand risk businesses.
5 Includes SMSF, refer to page 23.
6 After allowing for the impact of the Life and General Insurance Capital Standards (LAGIC) of A$272m.

Financial summary

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Australian wealth management	**330**	172	158	285	15.8
AMP Bank	**83**	45	38	62	33.9
Australian wealth protection	**64**	-	64	190	(66.3)
Australian mature	**178**	93	85	167	6.6
New Zealand	**97**	51	46	73	32.9
AMP Financial Services	**752**	361	391	777	(3.2)
AMP Capital[2]	**99**	48	51	99	-
BU operating earnings	**851**	409	442	876	(2.9)
Group Office costs[1]	**(62)**	(30)	(32)	(66)	6.1
Total operating earnings	**789**	379	410	810	(2.6)
Underlying investment income[2]	**135**	69	66	226	(40.3)
Interest expense on corporate debt	**(75)**	(39)	(36)	(86)	12.8
Underlying profit	**849**	409	440	950	(10.6)
Other items[1,2,3]	**(2)**	3	(5)	21	n/a
AXA integration costs	**(57)**	(26)	(31)	(128)	55.5
Business efficiency program costs	**(39)**	(39)	-	-	n/a
Amortisation of AXA acquired intangible assets[2]	**(91)**	(44)	(47)	(99)	8.1
Profit before market adjustments and accounting mismatches	**660**	303	357	744	(11.3)
Market adjustment – investment income[2]	**2**	(1)	3	(12)	n/a
Market adjustment – annuity fair value	**27**	17	10	(9)	n/a
Market adjustment – risk products	**(5)**	(10)	5	(4)	(25.0)
Accounting mismatches[4]	**(12)**	(30)	18	(30)	60.0
Profit attributable to shareholders of AMP Limited	**672**	279	393	689	(2.5)

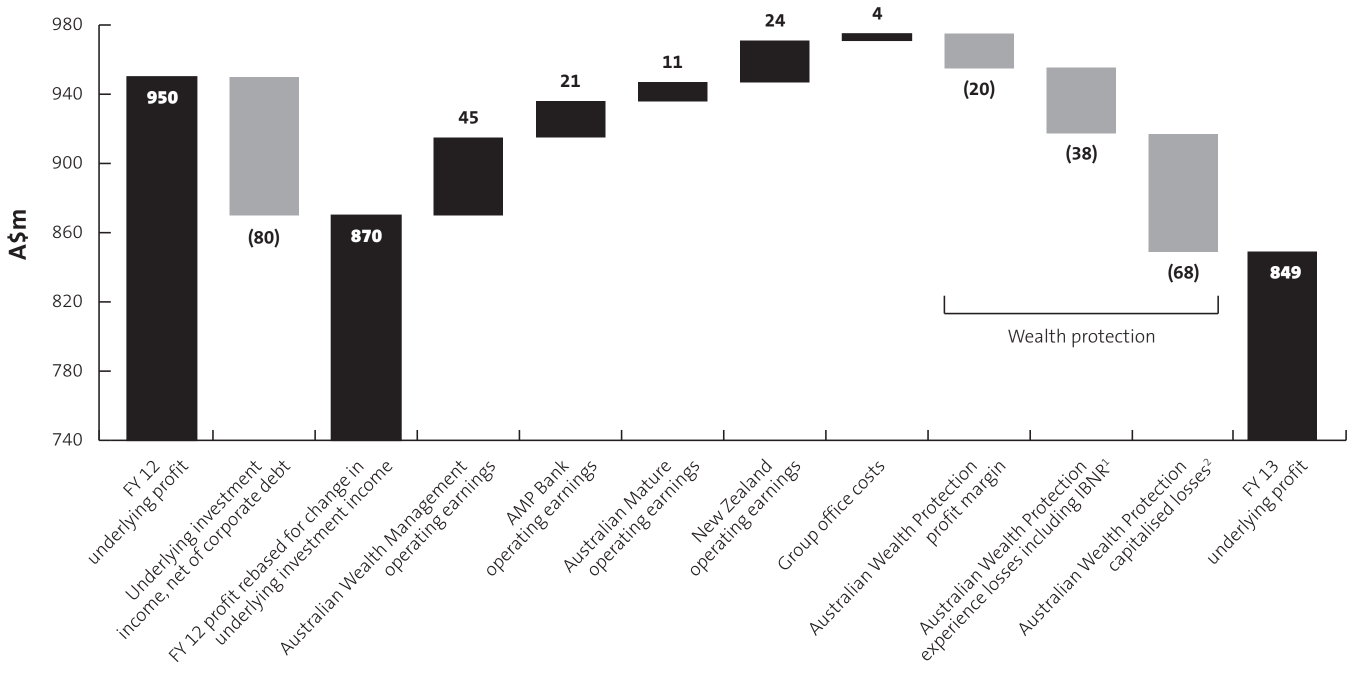
1 Prior period comparatives have been revised in accordance with changes in accounting standard AASB 119. Refer to page 39 for more detail.

2 Net of minority interests for the period from 1 March 2012.

3 Other items principally comprise one-off and non-recurring items. Refer to page 39 for more detail.

4 Prior period comparatives have been revised in accordance with changes in accounting standard AASB 10. Refer to page 40 for more detail.

Movement in FY 12 to FY 13 underlying profit



1 Includes strengthening of incurred but not reported (IBNR) reserves primarily in the AMP group insurance business ($15m).

2 Reflects the difference between FY 13 capitalised losses of -A$48m and FY 12 capitalised loss reversals of +A$20m.

Financial summary cont'd

		FY 13	2H 13	1H 13	FY 12
Earnings[1]					
EPS basic – underlying (cps)		**28.8**	13.9	15.0	32.9
EPS basic – actual (cps)		**23.2**	9.6	13.6	24.2
RoE – underlying		**10.7%**	10.1%	11.2%	12.7%
RoE – actual		**8.5%**	6.9%	10.0%	9.2%
Dividend					
Dividend per share (cps)		**23.0**	11.5	11.5	25.0
Dividend payout ratio – underlying[1]		**80%**	83%	77%	76%
Ordinary shares on issue (m)[2]		**2,958**	2,958	2,945	2,930
Weighted average number of shares on issue (m)	– basic[2]	**2,944**	2,950	2,937	2,892
	– fully diluted[2]	**2,973**	2,980	2,961	2,915
	– statutory	**2,900**	2,907	2,888	2,845
Market capitalisation – end period (A$m)		**12,984**	12,984	12,514	14,095
Capital management					
AMP shareholder equity (A$m)		**8,154**	8,154	7,955	7,744
Corporate debt (excluding AMP Bank debt) (A$m)		**1,974**	1,974	1,679	1,579
S&P gearing		**13%**	13%	12%	11%
Interest cover – underlying (times)		**12.3**	12.3	13.2	12.1
Interest cover – actual (times)		**10.0**	10.0	10.6	9.2
EV and VNB					
AFS value of new business (A$m)[3]		**348**	177	171	424
AFS value of risk new business (3% dm) (A$m)[3]		**116**	47	69	203
AFS EV after transfers – AFS (3% dm) (A$m)[4]		**11,859**	11,859	11,646	11,695
AFS return on EV – AFS (3% dm)[3]		**8.2%**	4.6%	3.8%	12.4%
Cashflows and AUM					
AFS cash inflows (A$m)		**27,993**	14,681	13,312	24,661
AFS cash outflows (A$m)		**(26,674)**	(14,224)	(12,450)	(24,353)
AFS net cashflows (A$m)		**1,319**	457	862	308
AFS persistency		**88.4%**	88.8%	88.6%	87.5%
AFS AUM – AMP Capital managed (A$b)		**95**	95	90	86
AFS AUM – non-AMP Capital managed (A$b)		**57**	57	48	43
AMP Capital net cashflows – external (A$m)		**(1,039)**	1,031	(2,070)	(1,784)
AMP Capital net cashflows – internal (A$m)		**(3,136)**	(1,421)	(1,715)	(3,002)
AMP Capital AUM (A$b)		**140**	140	131	129
Total AUM (A$b)		**197**	197	179	172
Controllable costs (pre-tax) and cost ratios[1,5]					
Operating costs (A$m)		**1,203**	612	591	1,242
Project costs (A$m)		**98**	43	55	94
Total controllable costs (A$m)		**1,301**	655	646	1,336
Cost to income ratio		**49.4%**	50.6%	48.4%	47.3%
Controllable costs to AUM (bps)		**70**	68	72	81

1 Prior period comparatives have been revised in accordance with changes in accounting standards. Refer pages 39 and 40 for further details.

2 Number of shares has not been adjusted to remove treasury shares.

3 Return on EV is not annualised for half year periods.

4 FY 13 transfers of A$799m (FY 12 A$694m).

5 Prior period comparatives have been revised to reflect a reclassification of controllable costs to variable costs. Refer to pages 15 and 19 for further details.

Five year summary

		AMP FY 13	AMP FY 12	AMP + 9 months AXA FY 11	AMP FY 10	AMP FY 09
Earnings[1]						
Total operating earnings (A$m)		**789**	810	792	686	701
Underlying profit (A$m)		**849**	950	909	760	772
Profit attributable to shareholders of AMP Limited (A$m)		**672**	689	688	775	739
EPS basic – underlying (cps)		**28.8**	32.9	34.3	36.7	38.3
EPS basic – actual (cps)		**23.2**	24.2	26.3	37.9	37.1
RoE – underlying		**10.7%**	12.7%	15.1%	26.2%	31.6%
RoE – actual		**8.5%**	9.2%	11.5%	26.7%	30.3%
Dividend						
Dividend per share (cps)		**23.0**	25.0	29.0	30.0	30.0
Dividend payout ratio – underlying[1]		**80%**	76%	84%	82%	78%
Ordinary shares on issue (m)[2]		**2,958**	2,930	2,855	2,094	2,049
Weighted average number of shares on issue (m)	– basic[2]	**2,944**	2,892	2,648	2,070	2,016
	– fully diluted[2]	**2,973**	2,915	2,663	2,082	2,025
	– statutory	**2,900**	2,845	2,615	2,045	1,992
Share price for the period (A$)	– low	**4.21**	3.73	3.72	4.88	3.59
	– high	**5.67**	4.85	5.78	6.77	6.95
EV and VNB						
Value of new business (3% dm) (A$m)[3]		**348**	424	443	278	319
Value of risk new business (3% dm) (A$m)[3]		**116**	203	215	108	102
Return on EV (3% dm)[3]		**8.2%**	12.4%	11.0%	8.8%	11.3%
Financial position						
AMP shareholder equity (A$m)		**8,154**	7,744	7,014	3,046	2,706
Corporate debt (excluding AMP Bank debt) (A$m)		**1,974**	1,579	1,536	886	1,189
S&P gearing		**13%**	11%	11%	10%	13%
Interest cover – underlying (times)		**12.3**	12.1	12.1	11.6	11.9
Interest cover – actual (times)		**10**	9.2	9.4	11.8	11.4
Cashflows and AUM						
AFS net cashflows (A$m)[4]		**1,319**	308	(581)	789	1,661
AFS persistency[4]		**88.4%**	87.5%	87.9%	90.4%	90.1%
AMP Capital net cashflows – external (A$m)[4]		**(1,039)**	(1,784)	(1,166)	2,618	(1,077)
AMP Capital AUM (A$b)		**140**	129	123	98	95
AUM non-AMP Capital managed (A$b)		**57**	43	36	17	17
Total AUM (A$b)		**197**	172	159	115	112
Controllable costs (pre-tax) and cost ratios[1,5]						
Controllable costs (pre-tax) – AMP (A$m)		**1,301**	1,336	1,257	884	837
Cost to income ratio – AMP		**49.4%**	47.3%	47.9%	43.3%	41.7%
Controllable costs to AUM (bps)		**70**	81	82	78	79
Staff numbers						
AFS[6]		**3,712**	3,551	3,746	1,950	1,734
AMP Capital[7]		**933**	912	940	927	888
Group Office		**1,268**	1,366	1,362	853	888
Total staff numbers		**5,913**	5,829	6,048	3,730	3,510

1 2012 prior period comparatives have been revised in accordance with changes in accounting standards. Refer pages 39 and 40 for further details.

2 The number of shares has not been adjusted to remove treasury shares.

3 FY 11 VNB, risk VNB and return on EV includes AXA for 12 months to 31 December 2011. FY 09 and FY 10 comparatives have not been restated.

4 FY 11 cashflows and persistency include AXA for the 12 months.

5 FY 12 comparatives have been revised to reflect a reclassification of controllable costs to variable costs. Refer to pages 15 and 19 for further details.

6 Excludes planners.

7 FY 13 includes 229 shopping centre FTEs (228 in FY 12); however, the costs of these FTEs are recharged to shopping centres.

Strategic overview

AMP is Australia and New Zealand's leading independent wealth management company, with an expanding international investment management business and a growing retail banking business in Australia.

The integration with AXA is now almost complete and will deliver A$150m in annual post-tax synergies for a post-tax project spend of A$310m.

AMP's increased size and scale as a result of its merger with AXA mean the company is well placed to capitalise on market developments and changes in consumer behaviour through investment in growth areas and continuing focus on cost efficiency.

Strategy

In FY 13, the company announced a strategic intent to better deliver on its promise to help people own tomorrow. The company will pursue four strategic priorities to achieve this.

1. Prioritise investment in the A$2.2 trillion[1] Australian wealth management market.
2. Transform the core Australian business to be more customer-focused by investing in multi-channel digital-oriented access, advice innovation and a new operating model.
3. Reduce costs to maintain market-leading efficiency and to reinvest in better customer solutions.
4. Invest selectively in Asia and internationally through AMP Capital, taking investment capabilities into new markets.

1. Prioritise investment in the A$2.2 trillion Australian wealth management market.

AMP is committed to leveraging its current leading positions in a market that is projected to double in size by 2022[2]. AMP's leading positions include:

– No. 1 in retail superannuation and pensions with 19.2% market share[3].
– No. 1 in individual risk insurance with 18.4% market share[3].
– No. 1 in financial advice with 19.7% market share[4].

2. Transform the core Australian business to become more relevant to customers.

AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands. Both customers and shareholders will be beneficiaries of this reshaping of the Australian business.

The company is investing significantly in its ability to better understand and anticipate customer needs, with the aim of ensuring that the products and services it takes to market are highly targeted and lead to an increased share-of-wallet and enduring customer loyalty.

AMP's approach to transforming the Australian business is to segment customers by life stage and, using new analytics capabilities, digital channels and advice propositions, determine the best products and services for each segment, and bring them to market quickly via a leaner, more agile operating model.

In FY 13, the company began to invest in the following transformation initiatives:

– a simplified management, organisation and governance structure
– the first phase of a mobile platform, including mobile apps for iOS and Android, the Evolve app to simplify the advice process, a tablet app to be released in 2014 and improved online transactional capabilities
– advice prototypes to broaden the way advice is delivered to customers, including a new Hillross branded advice model
– multi-asset fund consolidation, and
– re-engineering its wealth protection solutions.

In addition to investing in transforming the Australian business, AMP continues to invest in other areas with strong potential for profitable growth, including its SMSF business, the adviser network, the North platform and AMP Bank.

3. Reduce costs by investing in initiatives that matter most to customers and will deliver profitable growth.

AMP has put in place a three year business efficiency program to redirect investment to areas most important to its customers, and to reduce the cost base. The company expects the program to deliver A$200m in pre-tax recurring run rate cost savings by the end of 2016 for a one-off investment of A$320m pre-tax over three years. The recurring cost savings are estimated to be 80% controllable and 20% variable.

To deliver the targeted savings, initiatives commenced in FY 13 included:

– a supply chain review, including a review of the asset management supply chain
– redesign of some of the non-customer facing functions to drive efficiency
– automation and outsourcing of processes, and
– activities to improve, modernise and reduce the cost of core IT infrastructure.

4. Invest selectively in Asia and internationally through AMP Capital.

A core part of AMP's strategy is to invest selectively in Asia and more broadly through AMP Capital.

The company is doing this through strong distribution partnerships in China and Japan, broadening its global pension fund client base and strengthening its capabilities in property and infrastructure.

At FY 13, 7% of AMP Capital's AUM was sourced from international investors (including A$5.3b managed for clients in Japan). AMP Capital also managed more than A$2.6b on behalf of 63 overseas pension fund clients.

At FY 13, AMP Capital's business alliance with Mitsubishi UFJ Trust and Banking Corporation (MUTB) had three retail funds and two institutional funds in market with AUM of A$576m. In addition, Infrastructure Debt Fund II attracted commitments from 22 Japanese institutional clients through the distribution alliance with MUTB.

1 ABS – Managed Funds Industry in Australia – September 2013.
2 DEXXAR projections – May 2013.
3 Plan for Life – September 2013.
4 Money Management – July 2013.

Strategic overview cont'd

During the period, AMP Capital established a joint venture funds management company in China with China Life Asset Management Company, called China Life AMP Asset Management Company Ltd. In January 2014, the China Life AMP Money Market Fund raised RMB11.9b (A$2.2b) during its IPO period.

AMP Capital's strength in infrastructure and property continues to grow. The Infrastructure Debt Fund II has raised over A$450m from 29 clients across multiple countries, and the infrastructure business executed A$1.7b in transactions in FY 13. On behalf of investors, AMP Capital has a A$5b long-term property development pipeline across shopping centre, office and industrial sectors; this includes the redevelopment of Macquarie and Pacific Fair shopping centres.

FY 13 results highlights

The company's FY 13 underlying profit was A$849m compared to A$950m in FY 12. Robust earnings growth in most business units and disciplined cost management were offset by poor lapse and claims experience in wealth protection, and the impact of lower interest rates on earnings from shareholder capital.

During FY 13, AMP:

- achieved an average of 15% operating earnings growth across its businesses, excluding wealth protection
- lowered costs by 2.6%[1], ahead of guidance, reflecting the benefits of the integration with AXA and a focus on cost control
- improved its capital position, with A$2,080m in surplus capital above minimum regulatory requirements including the issue of A$325m of Basel III compliant Tier 2 capital
- quadrupled AFS net cashflows to A$1,319m (A$308m in FY 12), as a result of strong sales growth and new advisers joining the network
- successfully migrated a number of legacy platforms onto North's contemporary technology; AUM on this technology is now A$24.1b
- improved the performance of AMP Bank, with its return on capital increasing to 15.8% (13.8% in FY 12), net interest margins growing to 1.39% (1.23% in FY 12) and operating earnings rising to A$83m (A$62m in FY 12)
- added to its leading financial advice network in Australia and New Zealand, which grew by 130 to 4,406, and
- improved investment performance, with 86% of assets under management meeting or exceeding client goals over one year.

The company also:

- furthered its long-term relationship with China Life by establishing China Life AMP Asset Management Company which will offer access to domestic money market securities, fixed income and listed equities products
- gained approval from the Australian Prudential Regulation Authority (APRA) to launch 10 MySuper offers from 1 January 2014, and
- continued to grow its self-managed superannuation fund (SMSF) business with over 14,800 member accounts.

Capital management update

AMP continues to be well capitalised, with A$2.1b in regulatory capital resources above minimum regulatory requirements (MRR). This represented an increase of A$708m on FY 12 (after allowing for the impact of LAGIC).

It is AMP's current intention that AMP Notes will, subject to APRA approval (which is in its discretion and may not be given), be redeemed for cash on the Step-Up Date in May 2014. This would reduce shareholder regulatory capital resources above MRR by A$266m.

AMP's final 2013 dividend is 11.5 cents per share, franked to 70%. This represents a total 2013 dividend payout ratio of 80% of underlying profit. AMP will continue to offer the DRP to eligible shareholders. For the 2013 final dividend no discount will apply to the DRP allocation price. Given its strong capital position, AMP intends to neutralise the impact of the DRP. AMP intends to acquire shares on-market to satisfy any shares to be issued under the DRP. The DRP is reviewed every six months as part of the Board's review of the capital position and dividends.

Capital standards for conglomerate groups are currently being developed by APRA and will apply to AMP from 1 January 2015. See page 36 for more detail.

Wealth protection update

AMP wealth protection's FY 13 operating earnings of A$64m were down 66% on FY 12. The result was impacted by higher claims and lapse rates, leading to experience losses, reserve strengthening and capitalised losses. Performance reflected challenging external market factors and some issues specific to AMP (refer to AMP's FY 13 market presentation for more information).

During FY 13, AMP commenced wide-reaching actions driven by a new executive team to improve lapses and claims experience over the short and medium term. Actions and outcomes include:

- increasing size of the claims team, repricing the IP business to improve value and focusing on the claims finalisation pipeline to improve the timeliness of finalising claims; this led to more resources and better processes driving positive early signs of traction, particularly in IP claims, and
- increasing the size of retention teams to reach customers likely to lapse, rolling out tactical customer campaigns focused on pricing and value, and a review of business terms for adviser practices with high lapse rates; this has led to tactical campaigns which are delivering effective insights for customer offers, and changed business terms for adviser practices with high lapse rates.

Over the medium term, actions planned and in progress include developing new claims analytical tools, building a new claims technology platform and offering broader support – including rehabilitation – to customers on claim. AMP will also continue to improve its monitoring and management of lapse experience, develop a new retention management framework and review adviser remuneration structures at both industry and AMP levels.

1 Prior period comparatives have been revised to reflect a reclassification of controllable costs to variable costs. Refer to pages 15 and 19 for further details.

AMP Financial Services financial summary

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Australian wealth management	**330**	172	158	285	15.8
AMP Bank	**83**	45	38	62	33.9
Australian wealth protection	**199**	102	97	219	(9.1)
Australian mature	**177**	92	85	162	9.3
New Zealand	**98**	53	45	81	21.0
Profit margins	**887**	464	423	809	9.6
Australian wealth protection[1]	**(48)**	(48)	-	20	n/a
Capitalised (losses)/reversals	**(48)**	(48)	-	20	n/a
Australian wealth protection	**(87)**	(54)	(33)	(49)	(77.6)
Australian mature	**1**	1	-	5	(80.0)
New Zealand	**(1)**	(2)	1	(8)	87.5
Experience profits/(losses)	**(87)**	(55)	(32)	(52)	(67.3)
Operating earnings	**752**	361	391	777	(3.2)
Underlying investment income	**102**	52	50	168	(39.3)
Underlying operating profit after income tax	**854**	413	441	945	(9.6)
Controllable costs and cost ratios[2]					
Operating costs	**812**	412	400	840	(3.3)
Project costs	**82**	34	48	77	6.5
Total controllable costs	**894**	446	448	917	(2.5)
Cost to income ratio	**42.4%**	43.3%	41.6%	40.5%	n/a
Controllable costs to AUM (bps)[3]	**64**	62	67	76	n/a
Return on capital					
RoBUE	**18.4%**	17.8%	19.6%	22.5%	n/a
End period tangible capital resources – after transfers (A$m)[4]	**4,685**	4,685	4,484	4,333	8.1
Cashflows, AUM and persistency[5]					
AFS cash inflows (A$m)	**27,993**	14,681	13,312	24,661	13.5
AFS cash outflows (A$m)	**(26,674)**	(14,224)	(12,450)	(24,353)	(9.5)
AFS net cashflows (A$m)	**1,319**	457	862	308	328.2
AUM (pre-capital) (A$b)	**151.8**	151.8	137.9	129.5	17.2
Persistency	**88.4%**	88.8%	88.6%	87.5%	n/a
VNB – risk insurance and risk annual premium in-force (API)					
Value of risk new business (3% dm) (A$m)	**116**	47	69	203	(42.9)
Australian individual risk API (A$m)	**1,448**	1,446	1,395	1,389	4.1
New Zealand individual risk API (NZ$m)	**301**	301	301	298	1.0

1 Refer to page 14 for more detail on WP Capitalised (losses)/reversals.
2 Prior period comparatives have been revised to reflect a reclassification of controllable costs to variable costs. Refer to pages 15 and 19 for further details.
3 Average AUM is based on monthly average AUM excluding capital.
4 FY 12 not restated for the revised life insurance capital standards.
5 AFS current and comparative cashflows exclude SMSF.

Market share – AFS

Market share – Australia	September 2013 Total market size A$b	Market position (rank)	Market share %	September 2012 Total market size A$b	Market position (rank)	Market share %
Assets under management						
Superannuation including rollovers[1,4]	307.4	1	25.5	266.3	1	25.9
Corporate superannuation master funds[2]	111.8	2	21.7	95.5	1	22.7
Retirement income[1]	151.3	2	18.1	128.3	2	17.7
Unit trusts (excluding cash management trusts)[1,4]	148.6	6	8.0	115.6	6	8.7
Total retail managed funds (excluding cash management trusts)[1,4]	613.9	1	19.2	516.9	1	19.8
Total in-force annual premiums[3]						
Individual risk	7.9	1	18.4	7.2	1	19.1
Group risk	4.3	4	9.0	3.8	4	9.8

1 Source: Plan for Life 30 September 2013 – QDS Retail and Wholesale.

2 Source: Plan for Life 30 September 2013 – Corporate Super Master Funds Report.

3 Source: Plan for Life 30 September 2013 – Detailed Risk Statistics. In-force premiums individual risk excludes single premiums.

4 These figures include AMP SMSF including Cavendish, SuperIQ and Multiport products in the superannuation and unit trust categories totalling A$12.5b (September 2012 A$9.8b) and A$270m (September 2012 A$210m) respectively. SuperIQ is 49% owned; however, 100% of assets under administration are included.

Market share – New Zealand	September 2013 Total market size NZ$b	Market position (rank)	Market share %	September 2012 Total market size NZ$b	Market position (rank)	Market share %
Assets under management						
Retail superannuation[1]	4.0	1	52.2	4.0	1	49.3
Unit trusts[1]	15.5	4	10.6	12.1	4	13.7
Insurance bonds[1]	0.6	3	21.1	0.6	3	21.9
Total retail funds[1]	37.6	1	17.7	30.9	1	19.9
Corporate superannuation[2]	4.9	1	44.9	4.4	1	45.3
KiwiSaver[1]	16.7	3	16.4	13.0	3	17.8
Total in-force annual premiums[3]						
Individual risk	1.7	2	18.2	1.6	2	19.0
Conventional	0.1	1	78.5	0.1	1	72.9

1 Measured by AUM. Source: Fund Source Research Limited September 2013.

2 Measured by AUM. Source: Eriksen's Master Trust Survey September 2013.

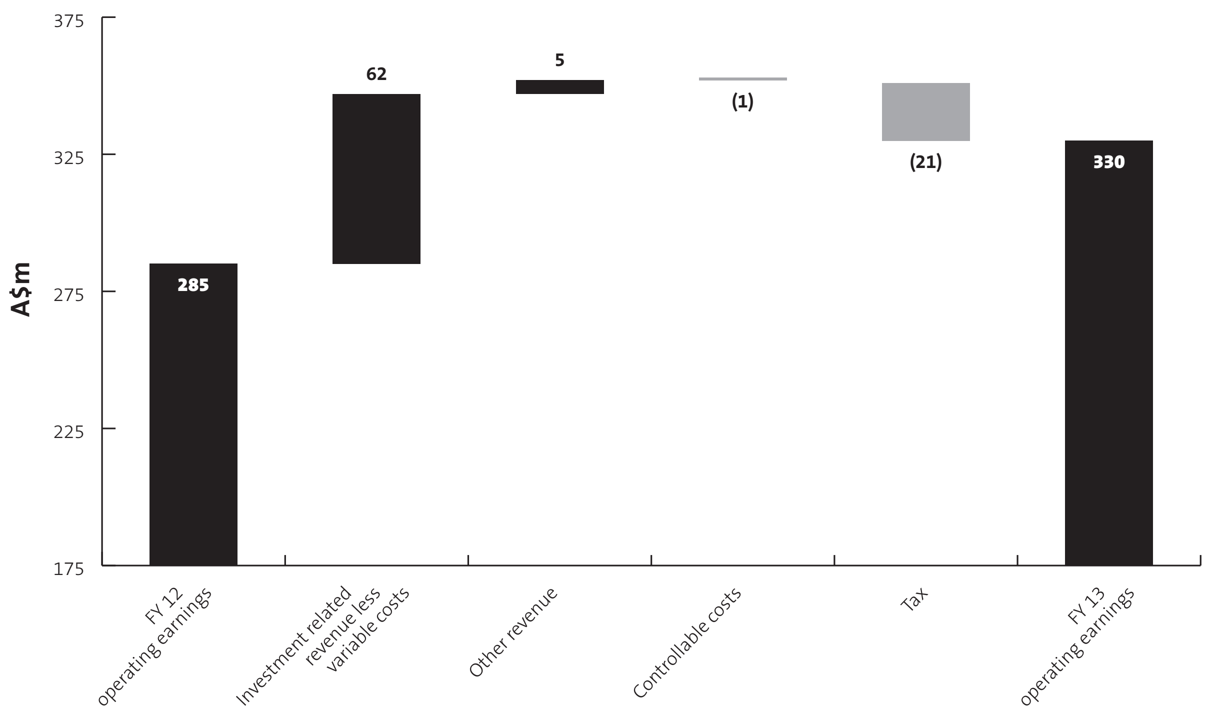
3 Measured by in-force premium. Source: FSC Statistics September 2013.

Australian wealth management

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Revenue					
Investment related[1]	**1,127**	581	546	1,026	9.8
Other[2]	**106**	55	51	101	5.0
Total revenue	**1,233**	636	597	1,127	9.4
Investment management expense	**(252)**	(131)	(121)	(213)	(18.3)
Controllable costs	**(510)**	(259)	(251)	(509)	(0.2)
Tax expense	**(141)**	(74)	(67)	(120)	(17.5)
Operating earnings	**330**	172	158	285	15.8
Underlying investment income	**21**	9	12	33	(36.4)
Underlying operating profit after income tax	**351**	181	170	318	10.4
RoBUE	**43.0%**	44.0%	39.8%	42.0%	n/a
End period tangible capital resources – after transfers (A$m)[3]	**760**	760	723	787	(3.4)
Net cashflows (A$m)[4]	**2,166**	783	1,383	821	163.8
AUM (A$b)[4]	**100.5**	100.5	91.8	85.7	17.3
Average AUM (A$b)[4,5]	**93.5**	96.8	90.1	82.0	14.0
Persistency[4]	**88.0%**	88.5%	88.2%	86.6%	n/a
Cost to income ratio	**50.4%**	49.9%	50.9%	52.9%	n/a
Investment related revenue to AUM (bps)[1,4,6]	**121**	119	122	125	n/a
Investment management expense to AUM (bps)[1,4,6]	**27**	27	27	26	n/a
Investment related revenue less variable costs to AUM (bps)[1,4,6]	**94**	92	95	99	n/a
Controllable costs to AUM (bps)[4,6]	**55**	53	56	62	n/a
Operating earnings to AUM (bps)[4,6]	**35**	35	35	35	n/a

1 Investment related revenue refers to revenue on superannuation, allocated pension and investment products.
2 Other revenue includes SMSF revenues and product fees, platform fees and advice fees received by licensees on AFS wealth protection and movements in the value of client registers purchased from financial planners.
3 FY 12 not restated for the revised life insurance capital standards.
4 Excludes SMSF.
5 Average AUM is based on monthly average AUM excluding capital.
6 Ratio based on 184 days in 2H 13 and 181 days in 1H 13.

Movement in FY 12 to FY 13 operating earnings



Australian wealth management cont'd

Business overview

The wealth management (WM) business provides customers with superannuation, retirement income, investment, SMSF administration and financial planning services (through aligned and owned advice businesses).

WM's key priorities are to:
- build a stronger, more customer centric business whilst remaining vigilant on cost control
- improve the quality of the advice experience and develop complementary advice channels
- implement a comprehensive customer and product strategy which accounts for the new regulatory environment
- improve adviser productivity
- develop a strong SMSF capability.

AMP Bank has been excluded from WM for reporting purposes in FY 13. For detail on AMP Bank, refer to pages 12 and 13.

Operating earnings

Operating earnings increased by A$45m (16%) to A$330m in FY 13 from A$285m in FY 12. The increase in operating earnings was due to:
- stronger net cashflows and improved investment markets leading to a 14% growth in average AUM
- higher member fees from increased customer numbers and less small account rebates as customer balances have risen, and
- continued cost focus including the realisation of cost synergies.

Growth in Other Revenue was primarily driven by SMSF revenues, following strategic acquisitions and strong organic growth.

Investment related revenue to AUM

FY 13 investment related revenue to AUM was 121 bps, a 4 bps reduction from FY 12. The margin decline in FY 13 was largely attributable to a gradual change in product and fee mix associated with the strong growth rates of cashflows on the North platform relative to older products and platforms and higher fee rebates and discounts as investment markets in FY 13 drove higher average AUM balances for customers. In 2H 13, the decline in investment related revenue to AUM was partially offset by higher fees from greater AUM weightings towards higher margin growth asset classes.

FY 13 investment management expense to AUM of 27 bps was 1 bp higher than in FY 12, reflecting a greater AUM weighting towards higher margin growth asset classes.

Since 2011, AMP has guided to margin compression on investment related revenue to AUM of 3.5%-4.5% per annum over the MySuper implementation period to 2017. Average compression since guidance was initiated has been 3.5%. As MySuper plan transitions have now commenced, average compression is expected to be around the higher end of the range, through to 2017, as previously guided.

AMP SMSF

AMP SMSF comprises Cavendish, Multiport, Ascend, YourSMSF and AMP's 49% shareholding in SuperIQ. Established in 2012, AMP SMSF forms part of WM's consolidated reporting.

The drivers for SMSF success are expected to be scale and efficiency in administration, developing advice capabilities, broadening distribution reach and packaging product solutions relevant to SMSF customers.

One of the key measures of AMP SMSF's business performance is growth in the number of SMSF accounts administered.

During Q4 13, a number of strategic acquisitions were announced including:
- SuperIQ's acquisition of the SMSF administration business Tranzact (642 member accounts) and ANZ's SMSF administration business, Super Concepts (3,700 member accounts), and
- AMP's acquisition of Supercorp's SMSF administration business, YourSMSF (1,090 member accounts) and a 19.4% share in its technology business.

Excluding these acquisitions, member account numbers increased by a net 683 in FY 13, partially offset by a reduction of 380 accounts as a result of the loss of an outsourced administration agreement. At FY 13, AMP SMSF administered 14,835 member accounts (5,077 through SuperIQ), up from 9,100 at FY 12.

SMSF revenue, including the 49% equity accounted interest in SuperIQ, is reported as part of Other Revenue.

AMP SMSF contributed A$19m to Other Revenue in FY 13, up from A$10m in FY 12, but contributed a small operating loss to WM operating earnings, reflecting the start-up phase of the business.

MySuper

From 1 January 2014, MySuper became the default super investment option for all superannuation customers who have not provided an investment direction to their superannuation provider. New contributions from these customers will go into the relevant MySuper offer. By 1 July 2017, their existing super balances will be transferred into a MySuper plan (unless an investment direction is provided by the customer in the interim).

MySuper has been a major initiative for AMP. In all, three standard MySuper solutions and seven tailored MySuper solutions have been developed and approved by APRA. In addition, AMP has contacted over one million customers and 100,000 employers, informing them of the new solutions as well as delivering face-to-face training to more than 1,700 corporate super planners.

AMP's corporate super business holds the majority of AMP's default accounts. At FY 13, approximately A$15b of WM AUM was considered default business as defined by the MySuper regulations. The transition of these default accounts is captured as part of the margin compression guidance provided.

Controllable costs

WM controllable costs increased marginally in FY 13 to A$510m from A$509m in FY 12.

Synergy benefits accruing from AMP's merger with AXA in 2011 as well as strong control of underlying cost growth allowed for investment supporting the growth in the North platform and consolidation of platform technology. Cost increases for WM also came from the continued establishment and expansion of the SMSF business unit (including a number of acquisitions), as well as a higher allocation of group overhead costs.

The FY 13 cost to income ratio fell by 2.5 percentage points from FY 12 to 50.4% as a result of strong revenue growth offsetting the marginal increase in controllable costs. Controllable costs to AUM decreased 7 bps to 55 bps in FY 13.

Return on capital

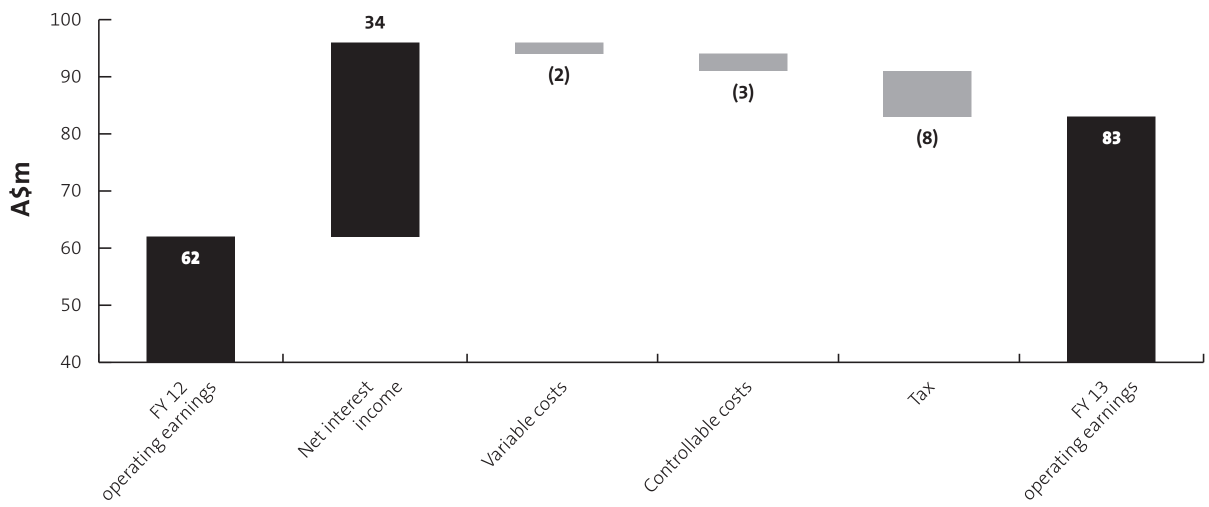
RoBUE for FY 13 was 43.0%, up from 42.0% in FY 12, reflecting strong growth in operating earnings.

AMP Bank

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Net interest income	**209**	108	101	175	19.4
Fee and other income[1]	**10**	6	4	10	-
Total revenue	**219**	114	105	185	18.4
Bank variable costs	**(51)**	(25)	(26)	(49)	(4.1)
Controllable costs	**(50)**	(25)	(25)	(47)	(6.4)
Tax expense	**(35)**	(19)	(16)	(27)	(29.6)
Operating profit after income tax	**83**	45	38	62	33.9
Return on capital	**15.8%**	16.2%	15.4%	13.8%	n/a
Total capital resources (A$m)	**565**	565	520	482	17.2
Capital Adequacy Ratio	**11.8%**	11.8%	12.3%	13.8%	n/a
Common Equity Tier 1 Capital Ratio	**8.7%**	8.7%	8.9%	9.1%	n/a
Net Interest Margin (over average interest earning assets)	**1.39%**	1.38%	1.39%	1.23%	n/a
Mortgages new business – AMP aligned channel %	**19%**	17%	20%	17%	n/a
Total loans (A$m)	**13,322**	13,322	12,756	12,384	7.6
Residential mortgages (A$m)	**12,856**	12,856	12,335	12,005	7.1
Practice loans to AMP aligned advisers (A$m)	**466**	466	421	379	23.0
Mortgages – existing business weighted average loan to value ratio (LVR)	**67%**	67%	66%	66%	n/a
Mortgages – 90+ days in arrears	**0.37%**	0.37%	0.51%	0.44%	n/a
Total deposits (A$m)	**8,741**	8,741	8,427	8,615	1.5
Loan impairment expense to average gross loans and advances	**0.02%**	0.01%	0.03%	0.01%	n/a
Total loan provisions to gross loans and advances	**0.03%**	0.03%	0.04%	0.03%	n/a
Cost to income ratio	**29.6%**	27.8%	31.5%	34.9%	n/a

1 Fee and other income mainly comprises mortgage origination, servicing and discharge fees.

Movement in FY 12 to FY 13 operating earnings



AMP Bank cont'd

Business overview

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products for around 100,000 customers. It also has a portfolio of practice finance loans. The Bank distributes through brokers, AMP planners, and direct to retail customers via phone and internet banking.

The Bank's key priorities are to:

- deliver compelling customer-centric propositions which meet a broader range of customer needs
- combine technology and excellence in customer service to make it easier for customers to do their banking with AMP
- drive growth through the Bank's access to AMP's distribution networks and platforms by enabling and encouraging advisers to offer banking solutions to clients to meet their core banking needs, and
- continue to optimise the Bank's funding sources and invest in operating capacity to enable growth.

Operating earnings and return on capital

Operating earnings increased A$21m (34%) to A$83m in FY 13 from A$62m in FY 12.

AMP Bank's return on capital was 15.8% for the year, up from 13.8% in FY 12 mainly due to the higher net interest margins, partially offset by higher average capital.

Revenue increased 18.4% in FY 13 on FY 12, driven mainly by higher net interest margin and mortgage book growth. The net interest margin in FY 13 was 1.39%, up from 1.23% in FY 12, due to a full period impact of loan repricing changes made in 2012, management of funding and liquidity costs, more favourable wholesale funding market conditions and active margin management during the year.

Lending

AMP Bank's total loan book increased by A$938m (7.6%) to A$13.3b in FY 13. There was growth in mortgage demand in the year across the AMP planner channels and also a stronger take-up of practice finance loans. Management targets lending growth above system growth, subject to funding availability.

Residential mortgage growth was 7.1% in FY 13. Owner occupied loans made up 68% of the mortgage portfolio at year end, while investment property loans were 32%.

Practice finance loans have grown by 23% in the year to A$466m, reflecting the Bank's commitment to supporting the financial planning businesses of the AMP group.

Asset quality improved, with mortgages in arrears (90+ days) at 0.37% as at December 2013, compared to 0.44% at December 2012. Loan impairment expense to average gross loans and advances was 0.02% in FY 13 (compared with 0.01% in FY 12).

Variable and controllable costs

AMP Bank's variable costs increased by A$2m (4.1%) in FY 13, largely attributable to higher commissions, mortgage acquisition costs and securitisation financing costs.

AMP Bank's controllable costs increased A$3m (6.4%) to A$50m in FY 13, from A$47m in FY 12 due to increased staff to service the growth in residential and practice finance lending.

The cost to income ratio decreased by 5.3 percentage points to 29.6% in FY 13 from 34.9% in FY 12 driven by higher net interest margins and proactive management of costs. The low cost to income ratio reflects AMP Bank's direct distribution model.

Funding, liquidity and capital management

AMP Bank continues to maintain a diversified funding base and liquidity profile.

AMP Bank's funding comprises a combination of on-balance sheet and off-balance sheet funding. Total funding of A$16.5b at FY 13 (FY 12 A$14.5b) was composed of customer deposits 53% (FY 12 59%), residential mortgage backed securities (RMBS) 24% (FY 12 26%), wholesale funding of 18% (FY 12 9%), subordinated debt 1% (FY 12 2%) and shareholder equity 4% (FY 12 4%).

The growth in FY 13 mortgages was largely funded through an increase in wholesale funding. This included the issuance of A$1.05b in medium-term notes and A$1.15b in RMBS. New RMBS issued during the year included a A$500m warehouse facility established in November 2013 with the Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU).

The deposit book increased by A$126m (1.5%) to A$8.7b[1] in FY 13. The customer deposit to loan ratio[2] was 65.6% for FY 13, compared with 69.6% for FY 12.

AMP Bank has been actively managing its liquidity portfolio and taking steps to reduce its Basel III net cash outflows so that it will meet the new liquidity requirements scheduled for implementation on 1 January 2015. This includes the launch of the new Notice Saver Account which has grown to A$203m since it was launched in June 2013.

The capital adequacy ratio (CAR) was 11.8% as at December 2013 (13.8% as at December 2012). CAR decreased primarily due to the early repayment of A$100m of Tier 2 debt in 2013 which AMP Bank had prefunded with a A$150m Tier 2 debt issuance in December 2012. Common Equity Tier 1 capital as at December 2013 was 8.7%, (9.1% as at December 2012), with the decrease mainly due to loan growth and increased liquidity, both of which increased AMP Bank's risk weighted assets. Both capital ratios remain well above both APRA and internal thresholds.

1 At 31 December 2013, deposits include AMP Bank customer deposits (A$4.3b), AMP Super Cash and Super TDs (A$2.7b), platform and investment fund deposits (A$1.4b), and other deposits (A$0.3b).

2 Customer deposit to loan ratio includes total customer deposits divided by total loans.

Australian wealth protection

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Profit margins	**199**	102	97	219	(9.1)
Capitalised (losses)/reversals	**(48)**	(48)	-	20	n/a
Experience profits/(losses)	**(87)**	(54)	(33)	(49)	(77.6)
Operating earnings	**64**	-	64	190	(66.3)
Underlying investment income	**47**	25	22	89	(47.2)
Underlying operating profit after income tax	**111**	25	86	279	(60.2)
RoBUE	**5.0%**	2.2%	8.1%	14.4%	n/a
End period tangible capital resources – after transfers (A$m)[1]	**2,221**	2,221	2,212	2,073	7.1
VNB (3% dm) (A$m)	**114**	46	68	203	(43.8)
EV – after transfers (3% dm) (A$m)	**3,371**	3,371	3,652	3,657	(7.8)
Return on EV before transfers (3% dm)[2]	**(7.6%)**	(8.2%)	0.6%	2.8%	n/a
Individual risk API (A$m)	**1,448**	1,448	1,395	1,389	4.1
Group risk API (A$m)	**366**	366	361	357	2.5
Individual risk lapse rate	**14.8%**	15.5%	13.9%	13.9%	n/a
Profit margins/annual premium	**11.2%**	11.2%	11.2%	12.9%	n/a
Operating earnings/annual premium	**3.6%**	0.0%	7.4%	11.2%	n/a
Controllable costs (A$m)[3]	**185**	88	97	197	(6.1)
Cost to income ratio	**53.8%**	71.4%	44.1%	33.0%	n/a
Controllable costs/annual premium	**10.4%**	9.6%	11.2%	11.5%	n/a

1 FY 12 end period tangible capital resources not restated for the revised life insurance capital standards.
2 Return on EV before transfers is not annualised for half year periods.
3 Prior period comparatives have been revised to reflect a reclassification of A$14m of certain claims management expenses as variable costs.

Business overview

Wealth protection (WP) comprises individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

Operating earnings

Operating earnings fell A$126m to A$64m in FY 13 from A$190m in FY 12 on worsening claims and lapse experience.

Profit margins

Profit margins decreased by A$20m to A$199m in FY 13 from A$219m in FY 12 with the impact of strengthening long-term claim and lapse assumptions in FY 12 and 1H 13 more than offsetting pricing and volume growth in the retail business. The strengthening of claims and lapse assumptions in FY 12 reduced profit margins by around A$30m in FY 13.

AMP strengthened its income protection claims assumptions during the year with the negative impact on profit margins largely offset by premium rate increases.

Profit margins as a percentage of average API were 11.2% in FY 13, down from 12.9% in FY 12.

The strengthening of assumptions across both the retail income protection and lump sum products during FY 13 is expected to reduce profit margins by around A$35m in FY 14.

Capitalised (losses)/reversals

The NMLA income protection book is in loss recognition after the Australian income protection morbidity claims assumptions were strengthened in 2011.

In FY 13, there were A$48m of capitalised losses recorded, reflecting strengthened assumptions for the NMLA income protection book.

No capitalised loss reversals were recorded during FY 13. Future reversals of capitalised losses can be driven by pricing increases, changes in claims and lapse assumptions, reductions in unit costs and growth in profitable business. The net capitalised loss position of the NMLA income protection book at 31 December 2013 was A$80m post-tax.

Experience

The Australian life insurance market continued to exhibit elevated claims and worsening lapse levels in FY 13.

In this challenging environment, AMP's WP business recorded experience losses of A$87m in FY 13 compared with experience losses of A$49m in FY 12.

Total claims experience losses in FY 13 were A$49m (FY 12 A$14m) while lapse experience losses were A$33m (FY 12 A$29m), with other experience losses of A$5m (FY 12 A$6m). A more detailed breakdown of claims experience can be found on slide 11 of AMP's FY 13 market presentation.

Included as part of AMP's total claims experience losses of A$49m in FY 13, AMP strengthened its Incurred But Not Reported (IBNR) reserves by A$15m, reflecting increased reporting delays of claims in certain parts of the AMP group insurance business.

While claims experience losses were higher in FY 13 than FY 12, claims experience on retail income protection business performed better than best estimate assumptions in 2H 13 and claims experience on retail lump sum business performed only marginally worse than best estimate assumptions in 2H 13 (-A$3m).

Group risk claims experience increased in FY 13 (-A$37m) with over 70% of the losses from one scheme that is due to be repriced in June 2014. Some negative claims experience is expected to continue until repricing actions flow through the group risk business.

Australian wealth protection cont'd

Lapse experience losses on retail insurance in FY 13 were incurred across both income protection and lump sum products.

The best estimate assumptions for lapse experience allow for FY 14 experience to worsen by around 1% from FY 13 levels, gradually reverting to levels approximately in line with FY 12 experience by 2017. The best estimate assumptions for claims experience in 2014 reflect current experience and gradual improvements from current levels thereafter from the expected impact of management actions currently underway.

AMP continues to implement actions aimed at improving its claims and lapse experience over time. This includes enhanced management processes, earlier intervention strategies, enhanced support to help customers return to work more quickly and reviewing adviser practices. For more information, see page 7 of this report and slides 11 to 13 of AMP's 2013 Market Presentation.

Annual premium in-force (API)

Individual API increased A$59m (4%) to A$1.45b at FY 13 from A$1.39b at FY 12, reflecting net new business and the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies held within superannuation in AMP Life. In FY 13, 46% of in-force and 66% of new business was written within superannuation.

FY 13 individual risk API comprised lump sum insurance (71%) and income protection (29%). Lump sum insurance was 64% term life and 36% disability (trauma and TPD).

Group API increased 3% to A$366m in FY 13 from A$357m in FY 12 and A$5m (1%) in 2H 13 from 1H 13.

Lapse rates

FY 13 lapse rates were 14.8%, 0.9 percentage points higher than in FY 12.

2H lapse rates are traditionally higher than in 1H partly due to annual age and CPI premium increases that come into effect from 1 July each year for many policies written within superannuation.

Controllable costs

WP controllable costs were A$185m in FY 13, down A$12m (6%) from FY 12.

Increased investment in WP was offset by synergy benefits. As part of the FY 13 result, certain claims management expenses currently classified as controllable costs have been reclassified as variable costs (FY 13 A$14m, 1H 13 A$7m and FY 12 A$14m). FY 12 costs have been restated to reflect this reclassification.

The cost to income ratio increased 20.8 percentage points to 53.8% in FY 13 from FY 12 due to lower operating earnings and reduced investment earnings on lower interest rates.

Return on capital

FY 13 RoBUE decreased to 5.0% from 14.4% in FY 12, reflecting experience losses, a lower earnings rate on capital and higher average capital held under revised capital standards.

Embedded value and value of new business – at the 3% discount margin

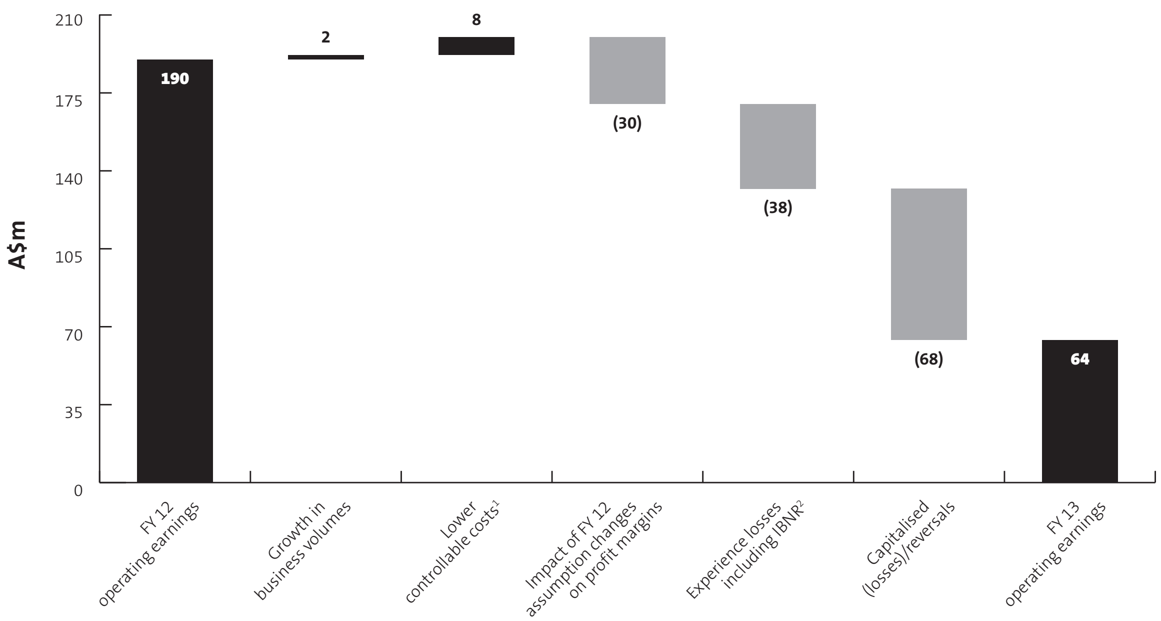
FY 13 EV fell 7.6% before transfers at the 3% discount margin to A$3,378m.

The decline in EV was the result of strengthened claims and lapse assumptions, increasing bond yields and current year experience, partially offset by the expected return, new business and pricing reviews.

FY 13 VNB fell A$89m to A$114m from FY 12 as a result of lower sales volumes, strengthened claims and lapse assumptions and higher bond yields.

For further details on EV and VNB, refer to pages 24 to 27.

Movement in FY 12 to FY 13 operating earnings



1 FY 12 controllable costs of A$197m after reclassification of certain claims management expenses as variable costs.
2 Includes strengthening of incurred but not reported (IBNR) reserves primarily in the AMP group insurance business ($15m).

Australian mature

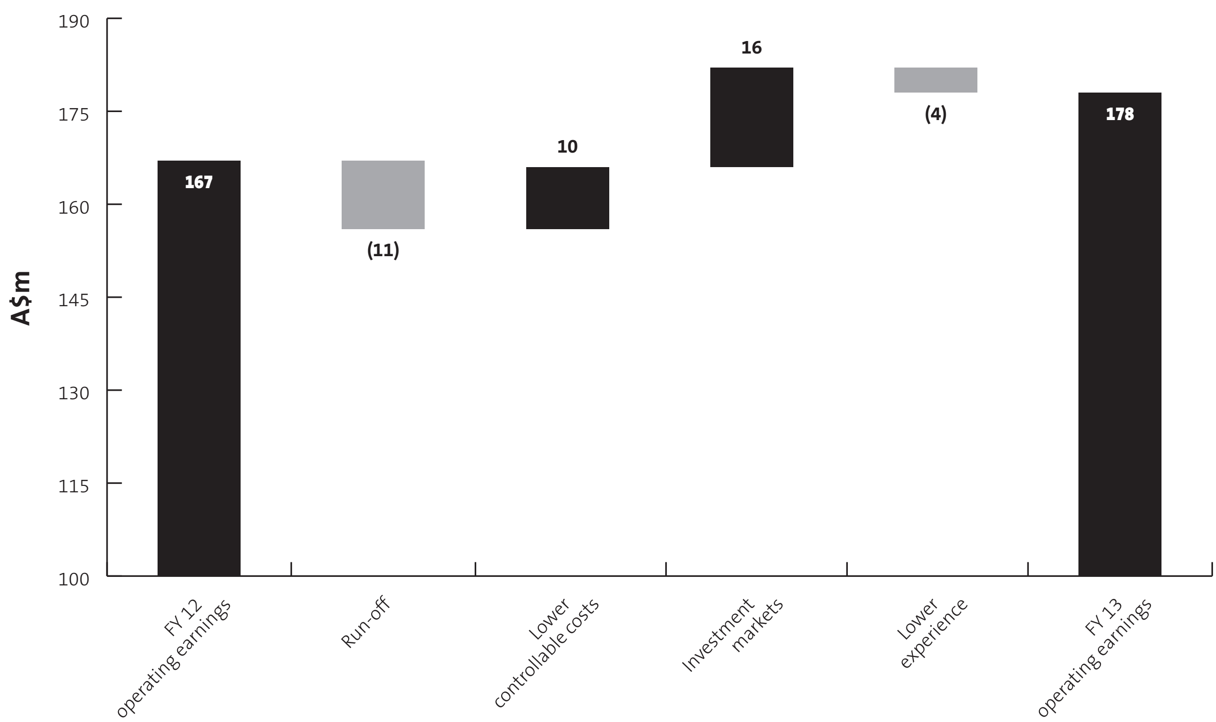
A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Profit margins	**177**	92	85	162	9.3
Experience profits/(losses)	**1**	1	-	5	(80.0)
Operating earnings	**178**	93	85	167	6.6
Underlying investment income	**20**	10	10	26	(23.1)
Underlying operating profit after income tax	**198**	103	95	193	2.6
RoBUE	**39.5%**	39.9%	36.4%	33.5%	n/a
End period tangible capital resources – after transfers (A$m)[1]	**447**	447	431	494	(9.5)
VNB (3% dm) (A$m)	**11**	4	7	17	(35.3)
EV – after transfers (3% dm) (A$m)	**2,042**	2,042	1,917	1,910	6.9
Return on EV before transfers (3% dm)[2]	**20.6%**	11.2%	8.5%	17.0%	n/a
Net cashflows (A$m)	**(1,771)**	(824)	(946)	(1,397)	(26.8)
AUM (pre-capital) (A$b)	**22.5**	22.5	22.8	23.0	(2.2)
Profit margins to AUM (bps)[3]	**78**	81	75	71	n/a
Persistency	**89.6%**	90.1%	89.1%	89.7%	n/a
Controllable costs (A$m)	**62**	31	31	77	(19.5)
Cost to income ratio	**18.2%**	17.7%	18.6%	21.8%	n/a
Controllable costs to AUM (bps)[3]	**27**	27	27	34	n/a

1 FY 12 end period tangible capital resources have not been restated for the revised life insurance capital standards.

2 Return on EV before transfers is not annualised for half year periods.

3 Based on monthly average AUM excluding capital.

Movement in FY 12 to FY 13 operating earnings



Australian mature cont'd

Business overview

The Australian mature business is the largest closed life insurance business in Australia. Mature AUM supports capital guaranteed products (73%) and market linked products (27%). Mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSA). The GSA product is treated as a wholesale product and cashflows are not reported in AFS mature cashflows.

All products in mature are closed to new business with the exception of the AMP branded ERF.

Key priorities for management are to:
– maintain high persistency
– prudently manage asset and liability risk
– achieve greater cost efficiency
– maintain capital efficiency.

Operating earnings

Operating earnings increased by A$11m to A$178m in FY 13 from A$167m in FY 12. Operating earnings benefited from:
– higher investment markets (A$16m)
– lower controllable costs (A$10m)

offset by
– expected portfolio run-off (-A$11m), and
– lower experience profits (-A$4m).

AUM

FY 13 mature AUM was A$22.5b, down from A$23.0b in FY 12 due to the natural run-off of the business partially offset by strong investment markets.

FY 13 persistency fell 0.1 percentage points from 89.7% in FY 12 to 89.6%.

Controllable costs

Controllable costs decreased A$15m to A$62m in FY 13, driven by the run-off of the book, lower project costs, share of merger synergies and lower allocation of overheads.

Controllable costs to AUM decreased 7 bps to 27 bps in FY 13.

Return on capital

FY 13 RoBUE was 39.5%, up from 33.5% in FY 12, driven by higher operating earnings and lower capital.

In 1H 13, there was a reallocation of capital within the participating group of products across the AFS business that lowered capital in the mature business.

The capital position of this business remains strong. Refer to page 34 for AMP Life and NMLA Statutory Funds regulatory capital resources above minimum regulatory requirements (MRR).

Embedded value and value of new business – at the 3% discount margin

FY 13 EV increased 20.6% before transfers at the 3% discount margin to A$2,304m. Other than the expected return, EV was driven by stronger investment markets, as well as higher bond rates improving the shareholders' share of future participating investment returns.

FY 13 VNB of A$11m was A$6m lower than in FY 12 primarily due to non-recurring benefits in FY 12 as a result of the rollover of AXA's National Preservation Trust product into the mature book.

For further details on EV and VNB, refer to pages 24 to 27.

Business run-off profile

The mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off between 4% and 6% per annum. In volatile investment markets, this run-off rate can vary substantially.

The run-off of AUM mirrors policy liabilities, although there is potential for profit margins to be impacted differently. The run-off of mature AUM is anticipated to have an average duration of approximately 14 years, but will be impacted by investment markets.

The expected run-off of mature is not anticipated to be materially different from current guidance as a result of the StrongerSuper regulatory changes.

Managing mature for investment market movements

The mature capital guaranteed products within AFS are held within AMP Life Statutory Fund No. 1 and NMLA Statutory Funds No. 1 and No. 4. Asset allocations supporting these products are struck over the long-term and have a bias toward capital stable over growth assets. The long-term assumed asset mix for the participating business is set out on page 27.

AMP actively manages the equity exposure supporting capital guaranteed products (including relevant parts of WM and New Zealand). AMP uses derivative strategies to provide protection from equity market declines. As at 31 December 2013, AMP had in place the following derivative strategies against the A$5.4b of equities held across these three Statutory Funds:
– long-term derivative strategies in both AMP Life and NMLA that use options and futures to provide a variable level of protection depending on market conditions
– tactical equity protection positions in the form of put options and futures contracts against market falls. The put options protect A$1.0b of equities, whilst futures protect an additional A$0.6b of equities.

AMP takes an active approach to implementing these derivative strategies.

In addition, AMP employs the following strategies designed to protect against changes in long-term interest rates:
– long-term derivative strategies using interest rate swaps and bond futures in both AMP Life and NMLA to alter the duration of the assets supporting this business
– tactical protection against falling long-term interest rates providing approximately A$1.0b of nominal protection within AMP Life.

Typically, the shareholder bears 20% of the cost of tactical derivative protection which in FY 13 was immaterial.

New Zealand

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Profit margins	**79**	43	36	63	25.4
Provisional tax relief[1]	**19**	10	9	18	5.6
Experience profits/(losses)	**(1)**	(2)	1	(8)	87.5
Operating earnings[2]	**97**	51	46	73	32.9
Underlying investment income	**14**	8	6	20	(30.0)
Underlying operating profit after income tax	**111**	59	52	93	19.4
RoBUE	**17.4%**	19.1%	18.5%	18.2%	n/a
End period tangible capital resources – after transfers (A$m)[3]	**747**	747	643	541	38.1
VNB (3% dm) (A$m)	**3**	2	1	3	-
EV – after transfers (3% dm) (A$m)	**1,396**	1,396	1,248	1,096	27.4
Return on EV before transfers (3% dm) (A$m)[4]	**26.8%**	15.8%	12.3%	15.0%	n/a
Net cashflows (A$m)	**80**	77	3	53	50.9
AUM (A$b)	**12.2**	12.2	11.0	10.3	18.5
Individual risk API (A$m)	**277**	277	254	237	16.9
Individual risk API (NZ$m)	**301**	301	301	298	1.0
Group risk API (A$m)	**36**	36	33	31	16.1
Group risk API (NZ$m)	**39**	39	39	39	-
Individual risk lapse rate	**12.8%**	13.7%	11.6%	10.9%	n/a
Controllable costs (A$m)[5]	**87**	44	43	87	-
Cost to income ratio[5]	**36.0%**	34.8%	37.2%	40.2%	n/a
Controllable costs/annual premium[5,6]	**30.1%**	28.8%	31.4%	33.6%	n/a

1 Provisional tax relief reflects the benefit currently being received prior to the effect of the change in life tax rules that will apply from 1 July 2015.

2 In NZ dollar terms, operating earnings in FY 13 were NZ$115m (FY 12 NZ$93m).

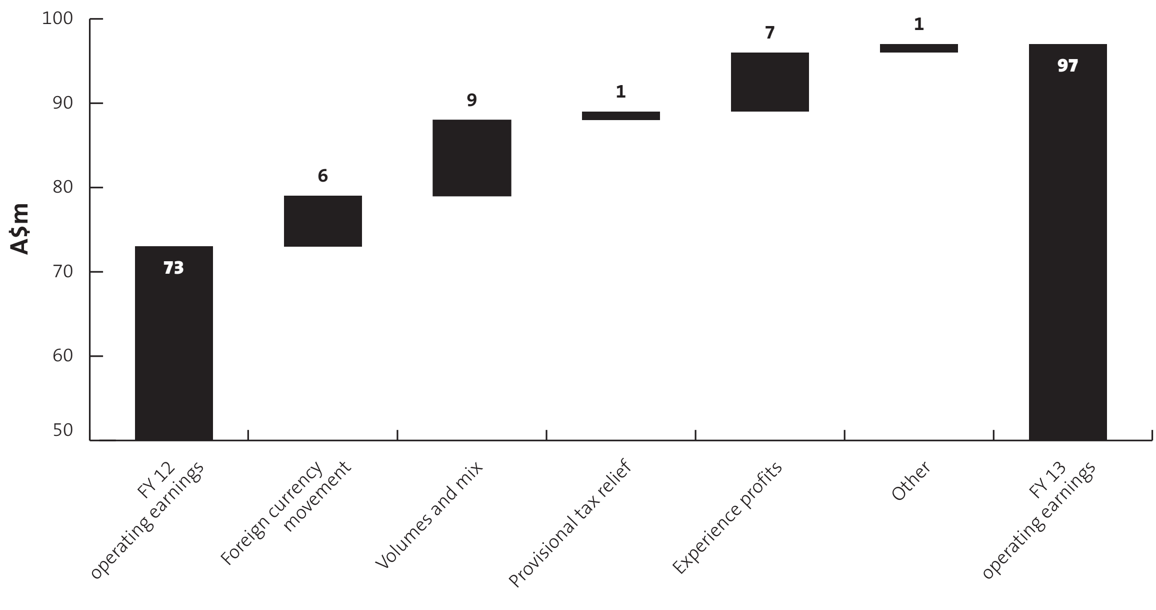
3 FY 12 end period tangible capital resources have not been restated for the revised life insurance capital standards.

4 Return on EV before transfers is not annualised for half year periods.

5 Prior period comparatives have been revised to reflect a reclassification of A$3m of certain claims management expenses and self-employed adviser costs as variable costs.

6 Based on monthly individual and group risk API.

Movement in FY 12 to FY 13 operating earnings



New Zealand cont'd

Business overview

AFS NZ provides tailored financial products and solutions to New Zealanders through a network of quality financial advisers. AFS NZ's risk business is the second largest by market share and is complemented by the largest wealth management business and the largest network of advisers. KiwiSaver is the key growth engine for the wealth management business.

AFS NZ's key priorities to grow shareholder value are:
– enhancing product features and offerings
– rationalising duplicate product sets
– improving the customer experience
– evolving distribution capability
– maximising cost efficiency.

Changes to the taxation of life insurance business in New Zealand, which will impact AFS NZ from 1 July 2015, result in a material increase in the amount of corporate tax paid by AFS NZ. These tax changes apply to all life insurance companies in New Zealand and are not specific to AFS NZ. To offset the impact of this change on operating earnings, AFS NZ is progressively growing its revenue base, reducing its overall costs and reducing the capital impacts of distributing life insurance.

Operating earnings

Operating earnings increased by A$24m (33%) to A$97m in FY 13 from FY 12 as a result of strong growth in profit margins and a significant improvement in experience.

The 8% average depreciation of the A$ against the NZ$ in FY 13 directly accounted for A$6m of the A$24m increase in operating earnings. The balance of the increase resulted from the improvement in claims experience and business growth.

Profit margins

FY 13 Profit margins (excluding transitional tax relief) increased by A$16m (25%) to A$79m over FY 12 due to growth in AUM (particularly KiwiSaver) and favourable currency movements.

Experience profits

Experience losses of A$1m in FY 13 improved A$7m from FY 12, reflecting improved claims experience partially offset by lapse losses.

The experience result reflected fewer claims incidence and continued improvement in claims management in the income protection and lump sum business.

Lump sum lapse losses are the result of the impact of price rises in a highly competitive market in advance of the 2015 changes to taxation of life insurance.

Controllable costs

FY 13 controllable costs of A$87m were in line with FY 12 and in NZ dollar terms reduced 9% from NZ$111m to NZ$102m.

Controllable costs benefited from the completion of the integration activities, which delivered accommodation savings, a single organisational design and product and systems savings.

To align with Australia, certain claims management expenses and self-employed adviser costs were reclassified as variable costs (FY 13 A$3m, FY 12 A$3m).

The cost to income ratio reduced 4.2 percentage points to 36.0% in FY 13 from FY 12 as a result of higher earnings.

Annual premium in-force (API)

FY 13 Individual risk API was A$277m, up 17% from A$237m on FY 12 and 9% from 1H 13. In NZ dollar terms, individual risk API grew 1% to NZ$301m, reflecting subdued new business sales and customer retention. AFS NZ has experienced lower new risk sales in FY 13 due to focus on margin management in a competitive environment.

Lapse rates

FY 13 lapse rates increased to 12.8%, 1.9 percentage points higher than FY 12, largely the result of price rises in advance of the 2015 changes to taxation of life insurance.

Increased focus on retention activities combined with evidence of upward movement in industry pricing ahead of the removal of the life tax provisional relief in 2015 are creating a positive environment for improved retention. Recent product enhancements have also positioned AMP products more favourably in the market place.

Return on capital

FY 13 RoBUE was 17.4% down from 18.2% in FY 12, reflecting higher average capital and a lower earnings rate on capital, partly offset by higher operating earnings.

In FY 13, there was a reallocation of capital within the participating group of products across the AFS business that increased capital in the AFS NZ business. Higher average capital also reflected favourable currency movements.

Embedded value and value of new business – at the 3% discount margin

EV increased 26.8% (in A$) before transfers in FY 13 to A$1,390m. Other than the expected return, the increase in EV is primarily due to the impact of currency movement and pricing reviews, offset partly by strengthened claims and lapse assumptions. FY 13 VNB of A$3m is in line with FY 12. For further details on EV and VNB, refer to pages 24 to 27.

Advisers

Total adviser numbers at FY 13 were 604 compared with 606 at 1H 13 and 640 at FY 12, reflecting a finalisation of the impact of definitional changes applying to how adviser numbers are reported under the new compliance regime.

KiwiSaver

The KiwiSaver market in New Zealand continues to grow and is the primary focus for AFS NZ's wealth management growth strategy. The New Zealand Treasury is forecasting KiwiSaver AUM to grow to NZ$60b by 2021, although member growth is expected to slow.

On 2 August 2013, AFS NZ consolidated its two KiwiSaver offerings into the AMP KiwiSaver scheme providing greater scale and choice for KiwiSaver members. KiwiSaver default providers are reviewed every seven years. AMP's default KiwiSaver scheme will be subject to reconfirmation in 2014.

As at FY 13, AFS NZ had almost 259,000 KiwiSaver customers and almost NZ$2.9b in AUM, an increase in AUM of 19% year on year. AMP's market share is approximately 16.4%[1] of the total KiwiSaver market.

1 Measured by AUM. Source: Fund Source Research Limited September 2013.

Cashflows and assets under management (AUM)

FY 13 cashflows

	Cash inflows			Cash outflows			Net cashflows		
Cashflows by product (A$m)	**FY 13**	**FY 12**	**% FY/FY**	**FY 13**	**FY 12**	**% FY/FY**	**FY 13**	**FY 12**	**% FY/FY**
Australian wealth management									
AMP Flexible Super[1]	5,546	5,199	6.7	3,588	2,861	(25.4)	1,958	2,338	(16.3)
North[2]	7,264	3,633	99.9	3,139	1,445	(117.2)	4,125	2,188	88.5
Summit, Generations and iAccess (including Assure)[3]	2,163	2,465	(12.3)	3,565	3,677	3.0	(1,402)	(1,212)	(15.7)
Flexible Lifetime Super (superannuation and pension)[4]	2,282	2,377	(4.0)	4,225	4,592	8.0	(1,943)	(2,215)	12.3
Other retail investment and platforms[5]	367	318	15.4	635	678	6.3	(268)	(360)	25.6
Total retail on AMP platforms	**17,622**	**13,992**	25.9	**15,152**	**13,253**	(14.3)	**2,470**	**739**	234.2
SignatureSuper and AMP Flexible Super – Employer	2,336	2,010	16.2	1,706	1,361	(25.3)	630	649	(2.9)
Other corporate superannuation[6]	1,585	1,731	(8.4)	2,010	1,835	(9.5)	(425)	(104)	n/a
Total corporate superannuation	**3,921**	**3,741**	4.8	**3,716**	**3,196**	(16.3)	**205**	**545**	(62.4)
Total retail and corporate superannuation on AMP platforms	**21,543**	**17,733**	21.5	**18,868**	**16,449**	(14.7)	**2,675**	**1,284**	108.3
External platforms[7]	2,911	3,201	(9.1)	3,420	3,664	6.7	(509)	(463)	(9.9)
Total Australian wealth management	**24,454**	**20,934**	16.8	**22,288**	**20,113**	(10.8)	**2,166**	**821**	163.8
Australian wealth protection									
Individual risk	1,336	1,304	2.5	593	592	(0.2)	743	712	4.4
Group risk	359	340	5.6	258	221	(16.7)	101	119	(15.1)
Total Australian wealth protection	**1,695**	**1,644**	3.1	**851**	**813**	(4.7)	**844**	**831**	1.6
Australian mature	**616**	**948**	(35.0)	**2,387**	**2,345**	(1.8)	**(1,771)**	**(1,397)**	(26.8)
Total Australia	**26,765**	**23,526**	13.8	**25,526**	**23,271**	(9.7)	**1,239**	**255**	385.9
New Zealand									
KiwiSaver	497	416	19.5	254	159	(59.7)	243	257	(5.4)
Other[8]	731	719	1.7	894	923	3.1	(163)	(204)	20.1
Total New Zealand	**1,228**	**1,135**	8.2	**1,148**	**1,082**	(6.1)	**80**	**53**	50.9
Total AFS cashflows	**27,993**	**24,661**	13.5	**26,674**	**24,353**	(9.5)	**1,319**	**308**	328.3

	Net movement		
	FY 13	**FY 12**	**% FY/FY**
Australian wealth management – AMP SMSF[9]			
Assets under administration	**6,004**	9,189	(34.7)
Australian wealth management – AMP Bank by product[10]			
Deposits (Supercash, Super TDs and Platform TDs)	**(279)**	1,129	n/a
Deposits (retail)	**405**	26	n/a
Loans	**938**	1,211	(22.5)

1 AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail 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 Personalised Portfolio and Synergy.

6 Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

7 External platforms comprise Asgard, Macquarie and BT Wrap platforms.

8 Other New Zealand cashflows includes New Zealand wealth protection, mature and non-KiwiSaver wealth management.

9 Represents movements in AMP SMSF's assets under administration. AMP SMSF includes Multiport, Cavendish, SuperIQ, YourSMSF and Ascend administration platforms. SuperIQ is 49% owned by AMP; however, 100% of assets under administration are included.

10 Represents movements in AMP Bank's deposits and loan books.

Cashflows and assets under management (AUM) cont'd

Channel analysis (A$m)	Net cashflows[1]			AUM			Adviser numbers		
	FY 13	FY 12	% FY/FY	FY 13	FY 12	% FY/FY	FY 13	FY 12	% FY/FY
AMP Financial Planning	877	365	140.3	49,015	43,091	13.7	1,706	1,616	5.6
Horizons	(20)	(8)	(150.0)	824	689	19.6	142	120	18.3
Hillross	701	380	84.5	11,856	9,606	23.4	367	337	8.9
Charter Financial Planning and Futuro Financial Services	617	224	175.4	15,528	13,113	18.4	934	865	8.0
Jigsaw advisers	(26)	(75)	65.3	1,021	1,014	0.7	171	234	(26.9)
ipac group advisers and Tynan Mackenzie	(54)	(220)	75.5	8,507	7,427	14.5	176	168	4.8
Genesys group advisers	69	(74)	n/a	3,533	3,330	6.1	219	239	(8.4)
Direct (including corporate superannuation)	318	346	(8.1)	10,317	8,645	19.3			
Centrally managed clients and other	(246)	102	n/a	9,268	9,480	(2.2)	30	40	(25.0)
3rd party distributors	(997)	(785)	(27.0)	13,169	12,293	7.1			
SMSF Advice[2]							57	17	235.3
Total Australia	**1,239**	**255**	385.9	**123,038**	**108,688**	13.2	**3,802**	**3,636**	4.6
New Zealand	80	53	50.9	12,201	10,305	18.4	604	640	(5.6)
Total AFS	**1,319**	**308**	328.3	**135,239**	**118,993**	13.7	**4,406**	**4,276**	3.0

Australian wealth management cash inflows (A$m)	Cash inflows	
	FY 13	FY 12
Member contributions	2,968	2,261
Employer contributions	3,719	3,701
Total contributions	6,687	5,962
Transfers and rollovers in[3]	17,463	14,771
Other cash inflows	304	201
Total Australian wealth management	**24,454**	**20,934**

1 FY 12 net cashflows have been restated to reflect changes in distribution channels.
2 Reported AFS net cashflows and AUM exclude AMP SMSF.
3 Transfers and rollovers in includes the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pension/annuities) and external products.

Cashflows and assets under management (AUM) cont'd

Overview

AFS net cashflows increased by A$1.0b to a net cash inflow of A$1.3b in FY 13. The improvement in net cashflows was generated by AMP's platforms (up A$1.7b) with strong support for North across AMP's advice channels, partially offset by lower corporate superannuation net cashflows (down A$340m).

AFS cash inflows increased by 14% (A$3.3b) to A$28.0b in FY 13. Cash outflows increased by 10% (A$2.3b) to A$26.7b.

Total AFS persistency, excluding major internal products flows, in FY 13 was 88.4%, improved from 87.5% in FY 12.

Retail on AMP platforms

Australian wealth management (WM) generated net cashflows of A$2.2b in FY 13, an increase of A$1.3b from FY 12. Strong inflows into AMP's contemporary North and Flexible Super products were partially offset by net outflows from corporate superannuation, legacy platforms and products closed to new business.

WM cash inflows increased by 17% (A$3.5b) and WM cash outflows increased by 11% (A$2.2b). AMP's reported cash inflow and outflow numbers are materially impacted by internal movements between products. Internal flows across WM products were A$12.0b in FY 13 (A$9.8b in FY 12), representing approximately 49% (47% in FY 12) of total WM cash inflows.

AMP's retail platforms comprise platforms which are owned, developed and operated by AMP as opposed to external platforms which are administered by other platform providers. AMP retail platforms net cashflows increased by A$1.7b to A$2.5b in FY 13.

AMP Flexible Super net cashflows fell A$380m to A$2.0b in FY 13, reflecting lower internal flows from legacy and external platforms and higher pension payments to customers in line with the strong growth of Flexible Super – Retirement. This was partially offset by growth in external cash inflows largely from employer and member contributions.

In FY 13, AMP Flexible Super AUM increased A$3.1b to A$10.0b, driven primarily by higher net cashflows into both superannuation and retirement products and due to stronger investment markets. FY 13 cash inflows includes A$194m (1% of WM cash inflows) relating to pre-retirement customers moving from AMP's closed retail superannuation product (Flexible Lifetime – Super) to AMP Flexible Super – Superannuation. The majority of the A$194m was invested in the Flexible Super – Superannuation Select and Choice options.

North net cashflows increased by A$1.9b to A$4.1b in FY 13. The strong growth in net cashflows was due to the strong take-up of the North platform across AMP's aligned distribution network.

In FY 13, North AUM increased A$4.9b to A$9.6b driven by strong net cashflows and strong investment markets. 93% of FY 13 North cash inflows were non-guaranteed cash inflows, up from 86% in FY 12, and were driven principally by stronger cash inflows from aligned advisers (93% of cash inflows). In FY 13, 70% of North net cashflows were externally sourced. North cashflows continued to accelerate throughout the year from average weekly flows of A$72m in 1H 13 to average weekly cashflows of A$87m in 2H 13. During FY 13, North attracted over 26,300 new customers.

Summit, Generations and iAccess net cash outflows increased by A$190m in FY 13 to a net outflow of A$1.4b. The increase in net cash outflows was largely a result of lower cash inflows with new business increasingly flowing to the North platform. A$464m moved from these platforms to the North platform in FY 13 (FY 12 A$288m).

Flexible Lifetime Superannuation and Pension were closed to new business from 1 July 2010. As a result of lower outflows to internal products, net cash outflows were A$1.9b in FY 13, a A$272m improvement on the net cash outflows reported in FY 12.

Corporate superannuation

From FY 13, AMP's SME corporate super offering within AMP Flexible Super, Flexible Super – Employer, has been included in total corporate superannuation. At FY 13, AMP's large corporate offering, SignatureSuper and AMP Flexible Super – Employer, had net cashflows of A$630m, down from A$649m in FY 12.

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, generated net cash outflows of A$425m in FY 13, up from A$104m in FY 12.

Total corporate superannuation net cashflows fell A$340m to A$205m in FY 13 due to fewer mandate wins, higher internal outflows into AMP retail products and lower net cashflows from closed products.

In FY 13, mandate wins fell A$99m to A$28m.

External platforms

External platforms represent superannuation, pension and investment products on the Asgard, Macquarie and BT Wrap platforms.

External platform net outflows increased by A$46m to A$509m in FY 13 from A$463m in FY 12. While net flows improved in 1H 13 due to a number of financial planner practice transitions, this was not repeated in 2H 13.

Mature

Mature net cash outflows increased by A$374m to A$1.8b in FY 13, due to normal business run-off and due to A$320m being included in FY 12 net cash flows which related to the rollover of AXA's National Preservation Trust into the mature book.

New Zealand

AFS New Zealand net cashflows increased by A$27m to A$80m in FY 13.

KiwiSaver net flows fell A$14m to A$243m as higher AUM led to larger cash outflows due to higher balances and an increase in the number of KiwiSaver customers over 65 years old who withdrew funds as the initial five-year KiwiSaver lock-in came to an end.

In addition, the consolidation of two KiwiSaver offerings into the AMP KiwiSaver scheme, and the ending of a distribution arrangement with an external party for the two KiwiSaver schemes, drove an expected uplift in outflows during the year.

Other net cashflows continued to be impacted by investor sentiment and KiwiSaver now being the main investment and retirement product in the NZ market place.

Cashflows and assets under management (AUM) cont'd

AMP SMSF

AMP SMSF includes Multiport, Cavendish, YourSMSF and Ascend administration platforms and a 49% interest in SuperIQ. At FY 13, AMP SMSF administered over 14,800 member accounts (including over 5,000 through SuperIQ), up from 9,100 member accounts at FY 12.

During FY 13, AMP SMSF announced a number of strategic acquisitions including the purchase by SuperIQ of the SMSF administration business Tranzact and ANZ's SMSF administration business, Super Concepts. AMP also acquired Supercorp's SMSF administration business, YourSMSF, and took a 19.4% share in its technology business.

Largely as a result of these acquisitions, AMP SMSF increased its assets under administration by A$6b in FY 13. At FY 13, AMP SMSF administered A$16.5b.

AMP Bank

AMP Bank's loan book increased by A$938m (7.6%) in FY 13 to A$13.3b. In FY 13, loan demand was stronger across AMP's aligned distribution channels and there was a stronger take-up of practice finance loans.

AMP Bank's deposit book increased by A$126m (1.5%) to A$8.7b in FY 13 as a result of AMP Bank changing its funding mix, with deposit rates adjusted accordingly. 49% of deposits are sourced directly from retail and wholesale, 32% from AMP superannuation cash and term deposits, and the remaining 19% mainly from AMP managed investment fund platforms such as North and Summit and other deposits from AMP Capital and AMP Life.

FY 13 AUM[1]

		FY 13 net cashflows						
AUM (A$m)	**FY 12 AUM**	**Super-annuation**	**Pension**	**Investment**	**Other**	**Total net cashflows**	**Other movements[2]**	**FY 13 AUM**
Australian wealth management								
AMP Flexible Super	6,947	920	1,038	-	-	1,958	1,102	10,007
North	4,703	1,364	1,806	955	-	4,125	799	9,627
Summit, Generations and iAccess (including Assure)	13,864	(700)	(425)	(277)	-	(1,402)	2,049	14,511
Flexible Lifetime Super (superannuation and pension)	23,452	(1,079)	(864)	-	-	(1,943)	3,600	25,109
Other retail investment and platforms	3,161	(98)	(102)	(68)	-	(268)	414	3,307
Total retail on AMP platforms	**52,127**	**407**	**1,453**	**610**	**-**	**2,470**	**7,964**	**62,561**
SignatureSuper and AMP Flexible Super – Employer	9,330	581	49	-	-	630	1,442	11,402
Other corporate superannuation	12,194	(425)	-	-	-	(425)	1,233	13,002
Total corporate superannuation	**21,524**	**156**	**49**	**-**	**-**	**205**	**2,675**	**24,404**
Total retail and corporate superannuation on AMP platforms	**73,651**	**563**	**1,502**	**610**	**-**	**2,675**	**10,639**	**86,965**
External platforms	12,008	(253)	(213)	(43)	-	(509)	2,027	13,526
Total Australian wealth management	**85,659**	**310**	**1,289**	**567**	**-**	**2,166**	**12,666**	**100,491**
Australian wealth protection					**844**	**844**	**(844)**	
Australian mature	**23,029**	**(862)**	**(243)**	**(121)**	**(545)**	**(1,771)**	**1,289**	**22,547**
Total Australia	**108,688**	**(552)**	**1,046**	**446**	**299**	**1,239**	**13,111**	**123,038**
New Zealand								
KiwiSaver	1,908	243	-	-	-	243	482	2,633
Other	8,397	(14)	(4)	(167)	22	(163)	1,334	9,568
Total New Zealand	**10,305**	**229**	**(4)**	**(167)**	**22**	**80**	**1,816**	**12,201**
Australian wealth management – AMP SMSF[3]								
Assets under administration	**10,512**	**-**	**-**	**-**	**-**	**-**	**6,004**	**16,516**
Total AUM	**129,505**	**(323)**	**1,042**	**279**	**321**	**1,319**	**20,931**	**151,755**
Australian wealth management – AMP Bank by product								
Deposits (Supercash, Super TDs and Platform TDs)	4,729						(279)	4,450
Deposits (retail)	3,886						405	4,291
Loans	12,384						938	13,322
Australian wealth management – AUM by asset class								
Cash and fixed interest	34%							30%
Australian equities	33%							35%
International equities	22%							24%
Property	6%							6%
Other	5%							5%
Total	**100%**							**100%**

1 Reported AUM excludes shareholder capital.

2 Other movements includes fees, investment returns, taxes, as well as foreign currency movements on New Zealand AUM. For Australian wealth protection this includes the reversal of net cashflows which are not included in AUM.

3 AMP SMSF includes Multiport, Cavendish, SuperIQ, YourSMSF and Ascend administration platforms. SuperIQ is 49% owned by AMP; however, 100% of assets under administration are included.

Embedded value (EV) and value of new business (VNB)

AFS embedded value (A$m)[1]	3% dm	4% dm	5% dm
Embedded value as at FY 12	11,695	10,962	10,318
Expected return	725	780	828
Investment markets, bond yields and currency	418	432	443
Claim and persistency assumptions, product and other	(528)	(482)	(443)
VNB	348	306	270
Net transfers out	(799)	(799)	(799)
Embedded value as at FY 13	**11,859**	**11,199**	**10,617**
Return on embedded value before transfers as at FY 13	8.2%	9.4%	10.6%
Embedded value comprises			
Adjusted net assets[2]	1,142	1,142	1,142
Value of in-force business[3,4]	10,717	10,057	9,475

AFS embedded value (A$m) at the 3% dm	Wealth management	Wealth protection	Mature	New Zealand	Total
Embedded value as at FY 12	5,032	3,657	1,910	1,096	11,695
Expected return	314	227	115	69	725
Investment markets, bond yields and currency	166	(141)	210	183	418
Claim and persistency assumptions, product and other	(146)	(479)	58	39	(528)
VNB	220	114	11	3	348
Net transfers out	(536)	(7)	(262)	6	(799)
Embedded value as at FY 13	**5,050**	**3,371**	**2,042**	**1,396**	**11,859**
Return on embedded value before transfers as at FY 13	11.0%	(7.6%)	20.6%	26.8%	8.2%
AFS embedded value (A$m) at the 4% dm					
Embedded value as at FY 12	4,689	3,422	1,818	1,033	10,962
Expected return	339	246	125	70	780
Investment markets, bond yields and currency	176	(120)	199	177	432
Claim and persistency assumptions, product and other	(107)	(460)	53	32	(482)
VNB	199	97	10	-	306
Net transfers out	(536)	(7)	(262)	6	(799)
Embedded value as at FY 13	**4,760**	**3,178**	**1,943**	**1,318**	**11,199**
Return on embedded value before transfers as at FY 13	12.9%	(6.9%)	21.3%	27.0%	9.4%
AFS embedded value (A$m) at the 5% dm					
Embedded value as at FY 12	4,398	3,206	1,736	978	10,318
Expected return	359	260	133	76	828
Investment markets, bond yields and currency	184	(103)	190	172	443
Claim and persistency assumptions, product and other	(80)	(437)	50	24	(443)
VNB	182	81	9	(2)	270
Net transfers out	(536)	(7)	(262)	6	(799)
Embedded value as at FY 13	**4,507**	**3,000**	**1,856**	**1,254**	**10,617**
Return on embedded value before transfers as at FY 13	14.7%	(6.2%)	22.0%	27.6%	10.6%

	3% dm		4% dm		5% dm	
AFS value of new business (A$m)[1]	**FY 13**	**FY 12**	**FY 13**	**FY 12**	**FY 13**	**FY 12**
Value of new business by business line						
Wealth management	220	201	199	177	182	153
Wealth protection	114	203	97	177	81	154
Mature	11	17	10	16	9	14
New Zealand	3	3	-	-	(2)	(2)
Total	**348**	**424**	**306**	**370**	**270**	**319**

1 AMP Bank is excluded.

2 Adjusted net assets are assets in excess of regulatory capital requirements (allocated at product level), at face value.

3 Value of in-force business discounts the value of net assets (A$3,033m at face value) to reflect expected time of release.

4 Net assets include the A$300m of allowable Tier 2 capital arising from the AMP Notes 2 lent to the Life Companies.

Embedded value (EV) and value of new business (VNB) cont'd

Embedded value

FY 13 embedded value (EV) increased 8.2% before transfers at the 3% discount margin to A$12,658m.

Net transfers out of A$799m include capital and AFS profits, Australian franking credits (at 70% of face value) and other value transferred to AMP group.

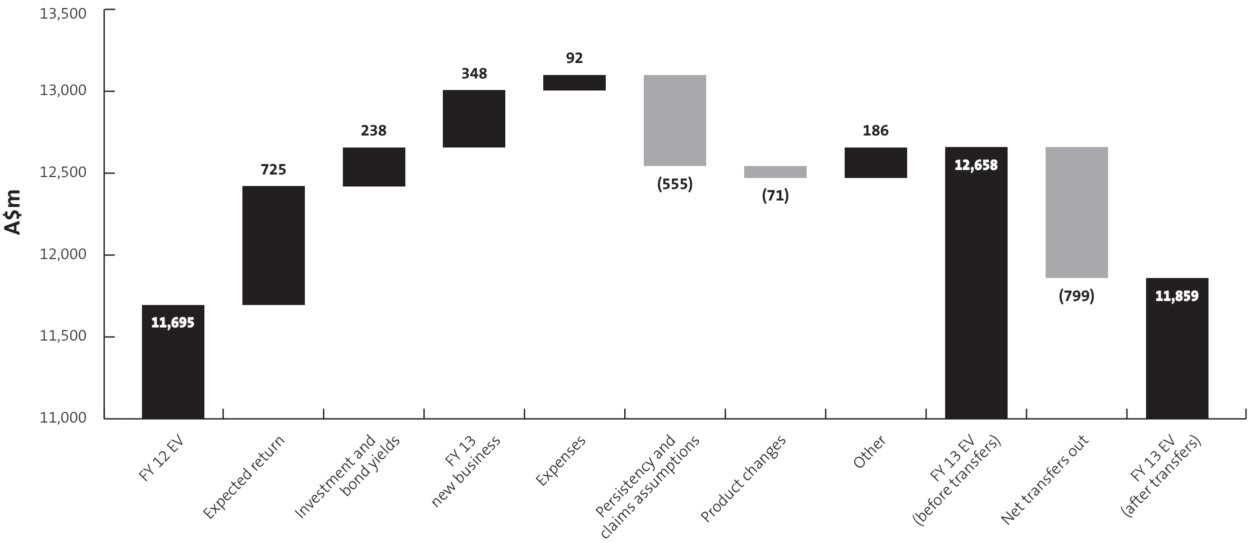
Apart from the expected return which reflects the unwinding of the discount applied to the value of in-force business and the expected return on the adjusted net assets, the increase in FY 13 EV was the result of:

- FY 13 new business of $348m.
- Investment and bond yields (A$238m). This was primarily driven by the benefit of stronger investment markets on wealth management (WM) and mature as well as higher bond rates for mature improving the shareholders' share of future participating investment returns. This was partially offset by higher bond rates reducing the present value of the in-force wealth protection (WP) and WM books.
- Other (A$186m) primarily due to the favourable movement in the AUD/NZD exchange rate.

Offset by:

- Persistency and claims assumptions (-A$555m). Through 2013, AMP strengthened income protection claims assumptions (1H 13) and lump sum claims and retail insurance lapse assumptions (2H 13). Strengthened lump sum claims assumptions included stronger TPD assumptions, partially offset by improvement in mortality assumptions.
- Product changes (-A$71m). (-A$176m) of the product change allows for the anticipated margin impacts from the enacted StrongerSuper legislation, consistent with previous margin guidance for wealth management, while A$105m primarily relates to pricing reviews across the WP and AFS NZ insurance products.

Change in AFS embedded value FY 13 (A$m)
(at a discount rate of 3% above the bond yield)

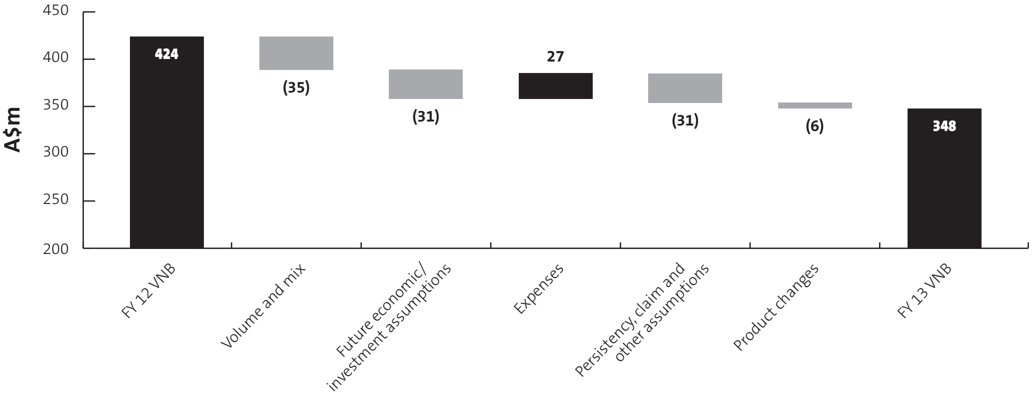


Value of new business

FY 13 value of new business (VNB) fell 17.9% to A$348m at the 3% discount margin.

The decline in VNB in FY 13 reflects lower wealth protection risk volumes, the impact of strengthened wealth protection lapse assumptions, higher discount rates in line with rising bond yields, and product change which allows for anticipated margin impacts from the enacted StrongerSuper legislation, partially offset by wealth protection pricing reviews.

Change in AFS value of new business FY 13 (A$m)
(at a discount rate of 3% above the bond yield)



EV and VNB sensitivities

FY 13 change in embedded value (A$m)	Wealth management	Wealth protection	Mature	New Zealand	Total
5% reduction in controllable costs	111	32	22	11	**176**
10% reduction in discontinuance rates	297	311	51	82	**741**
1% (100 bps) decrease in long-term bond yields	68	125	(59)	28	**162**
1% (100 bps) increase in long-term bond yields	(70)	(117)	48	(28)	**(167)**
10% increase in Australian equities	90	-	55	-	**145**
10% increase in international equities	58	-	21	19	**98**
1% reduction in investment fees	(92)	-	(7)	(5)	**(104)**
10% reduction in insured non-death claims	n/a	339	-	31	**370**
5% reduction in insured death claims	n/a	117	7	23	**147**

FY 13 change in value of new business (A$m)	Wealth management	Wealth protection	Mature	New Zealand	Total
5% reduction in controllable costs	13	7	-	2	**22**
10% reduction in discontinuance rates	28	27	1	3	**59**
1% (100 bps) decrease in long-term bond yields	6	11	(1)	2	**18**
1% (100 bps) increase in long-term bond yields	(5)	(9)	1	(2)	**(15)**
5% increase in sales (all costs variable)	10	5	-	-	**15**
5% increase in sales (controllable costs fixed)	15	10	1	2	**28**
1% reduction in investment fees	(10)	-	-	-	**(10)**
10% reduction in insured non-death claims	n/a	21	-	1	**22**
5% reduction in insured death claims	n/a	9	-	-	**9**

Key assumptions

The tables illustrate the sensitivity of the embedded and new business values to various economic and business variables. The sensitivities can at best be only indicative because:

- They are not always linear or symmetrical, due to the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees.
- They assume that the movement in a particular variable is independent of all others; for the change in discontinuance rates, unit costs are assumed unchanged; for the 5% increase in sales (all costs variable), unit costs are assumed unchanged; for the 5% increase in sales (controllable costs fixed), unit costs are assumed to reduce because of the increase in business volumes.
- They show the average movement for the risk discount margin range, ie 4%.
- They are based on the FY 13 position, ie not “forward looking”, and make no allowance for events subsequent to 31 December 2013.
- They are based on the FY 13 sales product mix.

The 1% increase in long-term government bond yields is assumed to be accompanied by a 0.5% increase in Consumer Price Index (CPI) and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For equities, the assumed future earning rate is assumed to increase by 1% (ie the equity risk premium is unchanged).

The 5% reduction in costs is based on AFS controllable costs only, ie it excludes planner payments and investment management fees.

Maintenance expense unit costs are derived from 2014 budgets.

The benefit of expense improvements arising from the merger with AXA and the benefit efficiency program has only been reflected to the extent that they appear as a cost reduction in the 2014 budget. Further expense benefits are expected to predominantly emerge in AFS controllable costs. To determine the impact of further synergies on EV and VNB, the most appropriate sensitivity to use is the reduction in controllable costs.

The 10% reduction in discontinuance rates is based on a uniform reduction in lapses in all future years (eg a 15% lapse rate changes to 13.5%).

The 10% increase in Australian equities assumes all Australian shares increase in value by 10%.

The 10% reduction in insured non-death claims is based on a 10% reduction in new insured claims and, for current open claims only, a 10% reduction in future recurring claim payments.

The 5% reduction in insured death claims is based on a 5% reduction in new insured death claims.

Investment fees are defined as all ongoing fees (including member fees and rebates) on investment products with explicit fees. The investment fee sensitivity assumes no corresponding reduction in funds management costs or planner payments.

For wealth protection, lower discount rates due to lower long-term bond yields increases the present value of the margins in future wealth protection premiums and EV. For mature, the benefit of lower discount rates due to lower long-term bond yields is more than offset by the associated decrease in future participating business investment returns.

EV assumptions

Economic assumptions

Risk discount rates are based on the yield on long-term government bonds plus a discount margin.

Annualised 10 year government bond yields	FY 13	FY 12
Australia	**4.3%**	3.3%
New Zealand	**4.8%**	3.6%

Assumed investment returns gross of income tax (% pa) are set at risk premiums over long-term government bond rates:

Risk premiums	FY 13	FY 12
Local equities[1]	**4.5%**	4.5%
International equities	**3.5%**	3.5%
Property	**2.5%**	2.5%
Fixed interest[2]	**0.6%**	0.8%
Cash (where significant)	**(0.5%)**	(0.5%)

1 Includes allowance for franking credits on equity income.

2 The risk premium depends on the duration and credit rating of the underlying bond portfolios and hence can vary. The premium shown is the average across all portfolios.

For the purpose of setting future investment assumptions, the broad asset mixes assumed for participating business (A$19b) in Australia are:

AFS Australian participating	FY 13	FY 12
Equities	**26%**	26%
Property	**9%**	10%
Fixed interest	**41%**	41%
Cash	**24%**	23%

These asset mixes are not necessarily the same as the actual asset mix at the valuation date, as they reflect long-term future assumptions. The mixes shown are the weighted average across all Australian participating business, which is mostly in the mature business.

Annual inflation rates assumed are:

Inflation rate		FY 13	FY 12
Australia	– CPI	**2.6%**	2.7%
Australia	– Expenses	**3.0%**	3.0%
New Zealand	– CPI	**2.5%**	2.5%
New Zealand	– Expenses	**3.0%**	3.0%

These inflation rates are used for indexation of premiums and benefits, where appropriate, and for expense inflation.

Capital assumptions

Value of in-force business includes the discounted value of the future release to shareholders of the regulatory capital requirements as the business in-force runs off.

Adjusted net assets are shareholder assets in excess of the regulatory capital requirements and are valued at face value.

Net assets include the A$300m of allowable Tier 2 capital arising from the AMP Notes 2 lent to the Life Companies.

Operating assumptions

Future mortality, morbidity and discontinuance rates are based on an analysis of recent AFS experience, general industry experience and, in some cases, population experience.

Changes since 31 December 2012 include:
- Changes to retail income protection claim assumptions resulting in an overall higher incidence for future claims and an overall lower rate for termination of claims.
- Higher rates of Australian trauma and TPD claims.
- Lower rates of Australian retail mortality claims.
- Increased allowance for incurred but not reported claims.
- Changes to NMLA income protection reinsurance claim assumptions resulting in a higher reinsurance recovery.
- Changes to take-up rates for CPI increases, increased on NMLA retail income protection risk business and reduced on NMLA retail lump sum business.
- Increase in claim rates for Australian Group Risk.
- Overall increases in discontinuance rates for Australian wealth protection business.
- Alignment of maintenance expenses assumptions within group and retail income protection including the introduction of an explicit claims management expense assumption for AMP Life.
- Increased discontinuance rates for Wealth Management Platform business.
- Overall increase in New Zealand discontinuance rates for both risk and wealth management products and a decrease for conventional.

Maintenance unit costs are derived from 2014 budgets. Allowance is made for future inflation, but potential cost improvements arising after 2014 are ignored. Note that only expense improvements captured in 2014 have been allowed for.

Future rates of bonus for participating business were set at levels that were supportable by the assets backing the respective product sub-funds as at 31 December 2013.

Acquisition costs for VNB are the actual costs incurred in FY 13.

Franking credits are valued at 70% of face value for Australia.

The continuation of the existing tax and regulatory framework is assumed including the impact of the enacted Future of Financial Advice and Stronger Super legislation which reduced FY 13 EV by A$176m in respect of anticipated margin impacts, consistent with recent margin guidance for wealth management. No further allowance for regulatory change is made in the embedded value.

Further details

Otherwise, assumptions are generally consistent with the best estimate assumptions used in calculating policy liabilities for AMP Life and NMLA. A more detailed description of these assumptions and their 31 December 2013 values can be found in the notes to the 2013 AMP Limited Financial Report. As all relevant business is projected for the embedded value, the description of the assumptions in the notes applies even where that business is not valued by projection methods for profit reporting.

AMP Capital financial summary

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Profit and loss					
Internal AUM based management fees	**200**	104	96	179	11.7
External AUM based management fees	**184**	93	91	182	1.1
Non-AUM based management fees	**56**	30	26	52	7.7
Performance and transaction fees	**33**	17	16	49	(32.7)
Fee income	**473**	244	229	462	2.4
Controllable costs	**(318)**	(166)	(152)	(324)	1.9
Tax expense	**(43)**	(21)	(22)	(37)	(16.2)
Operating earnings before net seed pool income	**112**	57	55	101	10.9
Net seed and sponsor capital income	**5**	-	5	13	(61.5)
Operating earnings including minority interests	**117**	57	60	114	2.6
Minority interests in operating earnings[1]	**(18)**	(9)	(9)	(15)	(20.0)
Operating earnings	**99**	48	51	99	-
Underlying investment income[2]	**5**	3	2	6	(16.7)
Underlying operating profit after income tax	**104**	51	53	105	(1.0)
Controllable costs					
Employee related	**182**	97	85	185	(1.6)
Investment operations and other	**120**	60	60	122	(1.6)
Total operating costs	**302**	157	145	307	(1.6)
Project costs	**16**	9	7	17	(5.9)
Total controllable costs	**318**	166	152	324	(1.9)
Cost to income ratio	**65.2%**	66.8%	63.3%	66.2%	n/a
Controllable costs to average AUM (bps)[3]	**23.8**	24.4	23.2	25.8	n/a
AUM (A$b)	**140.2**	140.2	131.0	128.6	9.0
Average AUM (A$b) – total[3]	**133.8**	136.1	131.6	125.5	6.6
Average AUM (A$b) – internal[3]	**95.5**	97.2	93.8	87.3	9.4
Average AUM (A$b) – external[3]	**38.3**	38.9	37.8	38.1	0.7
AUM based management fees to AUM (bps) – internal[3]	**21.0**	21.4	20.5	20.5	n/a
AUM based management fees to AUM (bps) – external[3]	**48.0**	47.9	48.1	47.8	n/a
Performance and transaction fees to AUM (bps)[3]	**2.4**	2.4	2.4	3.9	n/a
End period tangible capital resources – after transfers (A$m)[4]	**234**	234	285	289	(19.0)
RoBUE	**46.8%**	48.5%	45.2%	54.3%	n/a

1 Minority interest for the period from 1 March 2012.
2 Underlying investment income is disclosed net of minority interest for the period from 1 March 2012.
3 Based on average of monthly average AUM.
4 End period tangible capital resources are disclosed gross of minority interest.

Business overview

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Since 1 March 2012, Mitsubishi UFJ Trust and Banking Corporation (MUTB) has held a 15% ownership interest in AMP Capital and therefore its minority interest in AMP Capital's profit was for only 10 months in 2012.

Working as a unified investment house, AMP Capital's key priorities are to generate revenue growth through:
– delivering outstanding investment outcomes to clients
– building a differentiated client experience driving strong client engagement
– partnering effectively across the AMP group to deliver investment solutions for retail, SMSF and corporate super customers
– expanding the global pension fund client base, and
– building preferential distribution partnerships in select Asian markets, particularly Japan and China.

Executing on these priorities continues to be supported by a focus on cost efficiency to allow both reinvestment and profit growth. During FY 13, AMP Capital established a funds management company in China with China Life, China's largest insurance group, institutional investor and corporate pension manager. The China Life AMP Asset Management Company Limited will offer retail and institutional investors in China access to leading investment solutions, initially in domestic money market securities, fixed income and listed equities. AMP Capital is a founding shareholder, holding a 15% stake with the balance held by China Life Asset Management Company.

Operating earnings

AMP Capital's FY 13 operating earnings including minority interests were A$117m, up from A$114m in FY 12. AMP Capital's operating earnings increased as a result of both growth in revenues driven by strong market performance and a continued focus on cost efficiency. This was partly offset by lower performance fees and a higher effective tax rate in line with previously provided guidance.

AMP Capital financial summary cont'd

Fee income

Fee income increased A$11m (2%) in FY 13 to A$473m from A$462m in FY 12. The increase in FY 13 fee income was driven by a A$23m (6%) increase in AUM based management fees, and a A$4m (8%) increase in non-AUM based management fees partially offset by a A$16m (33%) decrease in performance and transaction fees.

Average AUM increased A$8.3b (7%), with total AUM based management fees to AUM largely unchanged at 28.7 bps.

Internal AUM based management fees grew A$21m (12%) largely from market driven growth in average AUM, as well as 0.5bps margin expansion, as average asset allocations moved towards higher margin growth assets. External AUM based management fees increased A$2m (1%), driven primarily by growth in average AUM, with margins largely unchanged from FY 12.

Non-AUM based management fees mainly comprise property asset management, development and leasing fees. Non-AUM based management fees increased by A$4m (8%) to A$56m in FY 13, primarily reflecting higher property development fees partly offset by lower property management fees. The revised retail property co-ownership structure, agreed with Westfield in 2012, will continue to have the effect of decreasing property leasing and management fees in the near term while increasing development fees over the medium term and AUM based management fees over the long term. In FY 13, non-AUM based management fees also included A$3m of non-recurring advisory fees for services assisting the transition of the DUET management structure.

FY 13 performance and transaction fees were A$33m, down from A$49m in FY 12. In FY 12, performance fees included A$6m in respect of DUET. AMP Capital ceased to be entitled to performance fees from DUET upon the internalisation of DUET management during FY 12. The remaining fall in performance fees was due to a combination of slightly lower outperformance against benchmarks on internally managed funds, private equity funds and property funds.

Controllable costs

Controllable costs decreased by A$6m (2%) in FY 13 to A$318m from A$324m in FY 12. Cost efficiencies, including the full benefit of merger synergies relative to FY 12, were partially offset by a A$3m increase in employee and operational costs as the listed property and listed infrastructure capabilities were brought in-house from 1 April 2012. Whilst employee costs were lower in FY 13 than FY 12, a higher short-term incentive accrual rate and higher average staff numbers in 2H 13 increased employee related costs relative to 1H 13. The increased staff numbers were largely limited to areas supporting the property development pipeline and growth in offshore partnerships.

The cost to income ratio improved by 1.0 percentage point to 65.2% for FY 13. AMP Capital's target cost to income ratio is 60% to 65% by 1H 14.

Tax expense

AMP Capital's effective tax rate in FY 13 was 28.0% (FY 12 26.7%), which is lower than the Australian corporate tax rate (30%) largely due to tax concessions on offshore activities and the receipt of joint venture (JV) income which is recognised net of tax. AMP Capital's effective tax rate increased following the settlement of the MUTB transaction. As AMP Capital is no longer wholly-owned by AMP, the amount of tax concessions able to be claimed as a result of undertaking offshore activities has reduced.

Return on capital

RoBUE decreased to 46.8% in FY 13 from 54.3% in FY 12 due to higher average capital arising from the implementation of the revised ASIC capital requirements for responsible entities. Over the period, a number of capital initiatives were undertaken mid-year, including a revised responsible entity structure, which improved capital efficiency in 2H 13 and will improve average capital in 2014.

Net seed and sponsor capital income

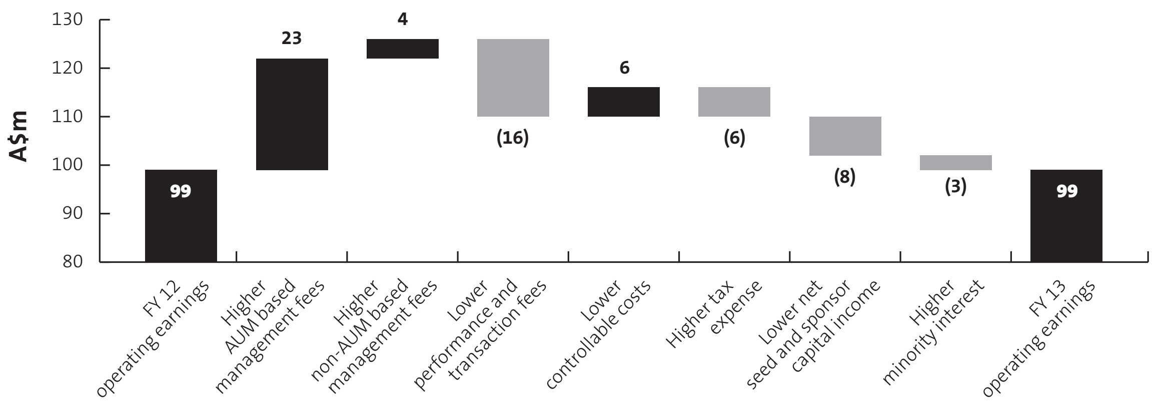
Seed capital and sponsor capital is designed to assist business growth by:
– funding the acquisition of assets which are subsequently sold to new or existing AMP Capital funds, and
– AMP Capital investing initial equity alongside clients in new funds to demonstrate alignment.

At FY 13, total invested seed and sponsor capital was A$85m, approximately 52% of which was seed capital and 48% was sponsor capital. Seed and sponsor capital is primarily debt funded.

Seed capital investments reflect a small number of infrastructure assets. Sponsor capital investments include a 4.7% stake in Singapore Exchange listed AIMS AMP Capital Industrial REIT and a holding in AMP Capital's Infrastructure Debt Fund II. The FY 13 net seed and sponsor capital income of A$5m was driven by realised gains on short-term investments and distribution income on AIMS AMP Capital Industrial REIT partially offset by debt funding costs.

Given the variable mix of short-term asset holdings and longer term cornerstone investments, the seed and sponsor capital income can be volatile from year to year.

Movement in operating earnings FY 12 to FY 13



Investment performance

Fund/style name	AUM (A$m)	1 Year Absolute return[1] %	1 Year Excess return[2] %	1 Year Competitor quartile ranking[3]	3 Year Absolute return[1] %	3 Year Excess return[2] %	3 Year Competitor quartile ranking[3]	5 Year Absolute return[1] %	5 Year Excess return[2] %	5 Year Competitor quartile ranking[3]
Equities										
Fundamental – Capital	2,160	20.2%	(2.0%)	Q4	10.2%	(0.8%)	Q2	13.1%	(1.4%)	Q3
Fundamental – SRI	1,509	20.8%	(0.9%)	Q4	9.2%	(1.2%)	Q3	12.4%	(1.5%)	Q3
Fundamental – Opportunities[4]	481	21.7%	No	Q3	n/a	n/a	n/a	n/a	n/a	n/a
Fundamental – Concentrated[4]	333	22.4%	No	Q3	n/a	n/a	n/a	n/a	n/a	n/a
Fundamental – Income[5]	20	8.0%	0.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Strategy – Active quant	1,422	23.3%	1.6%	Q2	9.7%	(0.8%)	Q2	13.5%	(0.4%)	Q2
Multi-Strategy – Value	2,004	21.2%	(1.0%)	Q3	9.7%	(1.2%)	Q3	13.8%	(0.6%)	Q2
Multi-Strategy – Long Short	367	24.9%	0.7%	Q2	10.9%	(2.1%)	n/a	14.4%	(2.0%)	n/a
FD Australian Shares	2,709	22.4%	1.7%	Q2	9.3%	(0.1%)	Q2	13.3%	(0.0%)	Q1
Asian Equity Growth	417	17.1%	(5.6%)	Q3	2.4%	(6.7%)	Q4	7.8%	(6.0%)	n/a
China Growth	369	21.6%	3.8%	n/a	5.4%	3.4%	n/a	5.9%	(0.6%)	n/a
Fixed interest										
Wholesale Australian Bond Fund[6]	3,318	3.5%	1.0%	Q1	8.5%	1.0%	Q1	7.5%	1.3%	Q2
Corporate Bond	2,029	6.2%	1.0%	Q1	8.9%	0.4%	Q2	8.6%	1.7%	Q3
Asia Local Currency Bond	29	9.8%	(1.6%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
International										
FD Core International Shares	5,141	50.7%	1.2%	Q1	17.5%	(0.9%)	Q1	10.8%	(0.0%)	Q2
Global Listed Property[6]	1,397	9.2%	2.5%	Q2	12.4%	1.1%	Q1	18.3%	1.4%	Q1
Global Listed Infrastructure	44	33.8%	(1.6%)	n/a	20.2%	(1.2%)	n/a	n/a	n/a	n/a
FD International Bonds	1,926	2.1%	(1.0%)	Q3	6.9%	(1.3%)	Q4	11.4%	2.6%	Q2
Property										
Australian Core Property Portfolio	4,403	8.5%	1.7%	Q2	8.6%	1.6%	Q2	5.7%	(1.8%)	Q1
Wholesale Office	2,955	8.2%	1.0%	n/a	7.3%	(0.2%)	n/a	4.0%	(4.0%)	n/a
Shopping Centres	2,501	9.6%	2.4%	n/a	8.6%	1.1%	n/a	6.6%	(1.4%)	n/a
Infrastructure										
Infrastructure Equity Fund	671	6.9%	(1.3%)	Q4	10.6%	2.1%	Q3	7.5%	(1.5%)	Q4
Australia Pacific Airports Fund	377	15.4%	3.4%	n/a	14.2%	2.2%	n/a	14.0%	2.0%	n/a
Infrastructure Debt Fund	346	8.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Diversified										
Balanced Growth Option[7]	10,288	20.2%	Yes	Q2	10.5%	No	Q3	10.3%	No	Q3
FD Balanced Fund[7]	8,910	20.6%	Yes	Q2	10.5%	Yes	Q2	11.4%	Yes	Q1
Goal based										
Multi Asset Fund	192	11.6%	3.7%	n/a	7.8%	(0.1%)	n/a	n/a	n/a	n/a
ipac Income Generator	773	15.2%	2.9%	n/a	10.6%	2.5%	n/a	n/a	n/a	n/a

1 Absolute returns are annualised for periods greater than one year.
2 Excess return measured against the client goal.
3 Competitor quartile ranking determined using relevant competitor survey.
4 For this fund the client goal is to perform Q1 or better.
5 For this fund, the client goal is an income yield measure.
6 For this fund competitor quartile ranking, a composite return was used.
7 For this fund, the client goal is to perform Q2 or better.

Investment performance cont'd

Investment performance goals

During 2013, AMP Capital began to measure each AMP Capital fund's investment performance against specific client goals, rather than against market indices or competitor performance alone. These goals aim to capture a more meaningful measure of investment performance and align with AMP Capital's clients' expectations and actual investment outcomes.

In most cases, client goals reflect a relevant index (eg the S&P/ASX 200 Index) plus a level of return above the index agreed between the client and AMP Capital. For direct real estate and infrastructure investments, these client goals were already in place, with most funds and client mandates targeting an absolute benchmark reflecting an agreed margin above bond rates or CPI.

AMP Capital's target is for 60% of assets under management to meet or exceed client goals over a three year basis. Over three years to 31 December 2013, 67% of assets under management met or exceeded client goals and 86% met or exceeded client goals over one year.

The table on page 30 shows the performance of AMP Capital's flagship funds over various timeframes to 31 December 2013.

Building on AMP Capital's 'goals based' investing options

Over 2013, AMP Capital has experienced increased interest in funds that are designed to more closely match investors' financial needs. In addition to the continuing success of the ipac Income Generator and the AMP Capital Multi Asset Fund, which both saw strong inflows over 2013, AMP Capital was closely involved in the design and implementation of AMP's market-leading MySuper lifecycle funds.

Lifecycle investing delivers an investment strategy that continuously evolves to align with the changing stages of an investor's life. An investor's superannuation contributions are invested in a lifecycle option specific to their decade of birth. The investment strategy and asset allocation of the option change in step with the investment risk profile of the investor's age group.

This means that younger investors will have higher-growth investment strategies because they have a long period to retirement and can afford to take more risk. However, for investors approaching retirement, investments will focus more on preserving the capital built up and reducing risk.

Broadening AMP Capital's global reach

During 2013, AMP Capital successfully developed several new strategies and products specifically designed to meet the needs of global investors. The AMP Capital Infrastructure Debt Fund II has raised over A$450m from 29 clients across multiple countries. This fund followed on from the success of the AMP Capital Infrastructure Debt Fund which had already invested €255m in infrastructure projects on behalf of investors by 31 December 2013.

In early 2014, AMP Capital will offer European investors access to its capabilities via two UCITS (Undertakings for Collective Investment in Transferable Securities) compliant funds. The UCITS directives allow open-ended funds to be subject to the same regulation and distributed in all European Union member states. The launch of these funds is an important milestone in opening up new markets for our capabilities.

Cashflows and assets under management (AUM)

Cashflows by asset class (A$m)	Cash inflows FY 13	Cash inflows FY 12	Cash inflows % FY/FY	Cash outflows FY 13	Cash outflows FY 12	Cash outflows % FY/FY	Net cashflows FY 13	Net cashflows FY 12	Net cashflows % FY/FY
External									
Australian equities	1,665	502	n/a	1,207	817	(47.7)	458	(315)	n/a
International equities	1,319	1,129	16.8	2,377	2,394	0.7	(1,058)	(1,265)	16.4
Fixed interest	2,521	4,143	(39.2)	3,628	3,466	(4.7)	(1,107)	677	n/a
Infrastructure	1,344	446	n/a	361	2,056	82.4	983	(1,610)	161.1
Direct investments	-	-	-	2	5	60.0	(2)	(5)	60.0
Property	951	1,364	(30.3)	1,305	665	(96.2)	(354)	699	(150.6)
Alternative assets	44	37	18.9	3	2	(50.0)	41	35	17.1
Total external	**7,844**	**7,621**	2.9	**8,883**	**9,405**	5.6	**(1,039)**	**(1,784)**	41.8
Internal									
Australian equities	2,431	1,950	24.7	3,440	2,959	(16.3)	(1,009)	(1,009)	-
International equities	5,411	2,610	107.3	6,201	2,512	(146.9)	(790)	98	n/a
Fixed interest	11,495	7,541	52.4	12,536	8,871	(41.3)	(1,041)	(1,330)	21.7
Infrastructure	146	43	n/a	164	113	(45.1)	(18)	(70)	74.3
Direct investments	26	9	188.9	57	43	(32.6)	(31)	(34)	8.8
Property	336	57	n/a	584	476	(22.7)	(248)	(419)	40.8
Alternative assets	89	151	(41.1)	88	389	77.4	1	(238)	100.4
Total internal	**19,934**	**12,361**	61.3	**23,070**	**15,363**	(50.2)	**(3,136)**	**(3,002)**	(4.5)
Total	**27,778**	**19,982**	39.0	**31,953**	**24,768**	(29.0)	**(4,175)**	**(4,786)**	12.8

AUM by asset class (A$m)	FY 12[4]	Net cashflows 1H 13	Net cashflows 2H 13	Investment returns and other[1]	FY 13	%
External						
Australian equities	3,434	361	97	710	**4,602**	11
International equities	6,709	(987)	(71)	1,742	**7,393**	19
Fixed interest	11,367	(1,255)	148	198	**10,458**	26
Infrastructure	3,657	215	768	64	**4,704**	12
Direct investments	7	-	(2)	14	**19**	-
Property[2]	12,846	(420)	66	573	**13,065**	32
Alternative assets[3]	51	16	25	15	**107**	-
Total external	38,071	(2,070)	1,031	3,316	**40,348**	100
Internal						
Australian equities	24,312	(341)	(668)	4,308	**27,611**	27
International equities	19,929	(373)	(417)	5,740	**24,879**	25
Fixed interest	39,207	(777)	(264)	1,587	**39,753**	40
Infrastructure	1,423	(10)	(8)	57	**1,462**	1
Direct investments	534	(44)	13	141	**644**	1
Property[2]	3,833	(194)	(54)	408	**3,993**	4
Alternative assets[3]	1,278	24	(23)	249	**1,528**	2
Total internal	90,516	(1,715)	(1,421)	12,490	**99,870**	100
Total						
Australian equities	27,746	20	(571)	5,018	**32,213**	23
International equities	26,638	(1,360)	(488)	7,482	**32,272**	23
Fixed interest	50,574	(2,032)	(116)	1,785	**50,211**	36
Infrastructure	5,080	205	760	121	**6,166**	4
Direct investments	541	(44)	11	155	**663**	1
Property[2]	16,679	(614)	12	981	**17,058**	12
Alternative assets[3]	1,329	40	2	264	**1,635**	1
Total	128,587	(3,785)	(390)	15,806	**140,218**	100

AUM by source of client (A$m)	FY 12	FY 13	%
Australia	104,819	**113,552**	82
New Zealand	13,823	**17,327**	12
Asia (including Middle East)	8,369	**7,320**	5
Rest of world	1,576	**2,019**	1
Total	128,587	**140,218**	100

1 Other includes distributions, taxes and foreign exchange movements.

2 Property AUM comprises Australian (A$14.5b), NZ (A$1.8b) and Global (A$0.7b) managed assets. Australian property AUM is invested in office (38%), retail (54%), industrial (5%) and other (3%).

3 Alternative assets refer to a range of investments that fall outside the traditional asset classes and includes investments in commodities and absolute return funds.

4 FY 12 allocation between internal and external AUM has been restated to be consistent with current period disclosures.

Cashflows and assets under management (AUM) cont'd

AUM and cashflows

AUM increased by A$11.6b to A$140.2b in FY 13, due to positive investment returns (+A$15.8b), partly offset by negative net cashflows (-A$4.2b).

External AUM increased by A$2.3b in FY 13 to A$40.3b, due to positive investment returns (+A$3.3b), partly offset by negative net cashflows (-A$1.0b). External net cashflows turned around significantly during FY 13, with external net cash outflows of (-A$2.1b) in 1H 13 and external net cash inflows of A$1.0b in 2H 13. The improvement in net cashflows in 2H 13 was primarily driven by strong inflows into a number of infrastructure funds and separately managed accounts as well as a significant decrease in the rate of outflows from Japanese retail clients. FY 13 external net cash outflows were predominantly driven by net outflows from the restructure of the AXA Wholesale Australian Property Fund (-A$0.4b), multi-manager international equity mandate losses from two domestic industry funds (-A$0.9b) and net outflows from Japanese retail clients (-A$2.0b). These outflows were partly offset by domestic and international mandate inflows particularly into Australian equities and direct infrastructure assets.

Cashflows from Japan have been significantly impacted by government policies seeking to bring Japan out of its deflationary environment which drove a depreciation of the Japanese Yen relative to the Australian dollar during 1H 13. The primary products impacted have been Australian dollar denominated bond funds across all distribution partnerships, where customers realised significant profits during 1H 13 due to the depreciation of the Yen coupled with historically high Australian bond prices.

At FY 13, AMP Capital's business alliance with MUTB has three retail funds and two institutional funds in market with AUM of A$576m. In addition, Infrastructure Debt Fund II attracted commitments from 22 Japanese institutional clients through the distribution alliance with MUTB. A number of new retail and institutional products are planned to be launched by the alliance in 1H 14.

AMP Capital currently manages over A$2.6b on behalf of 63 global pension fund clients. The expansion of the client base was supported in FY 13 by the successful launch of Infrastructure Debt Fund II.

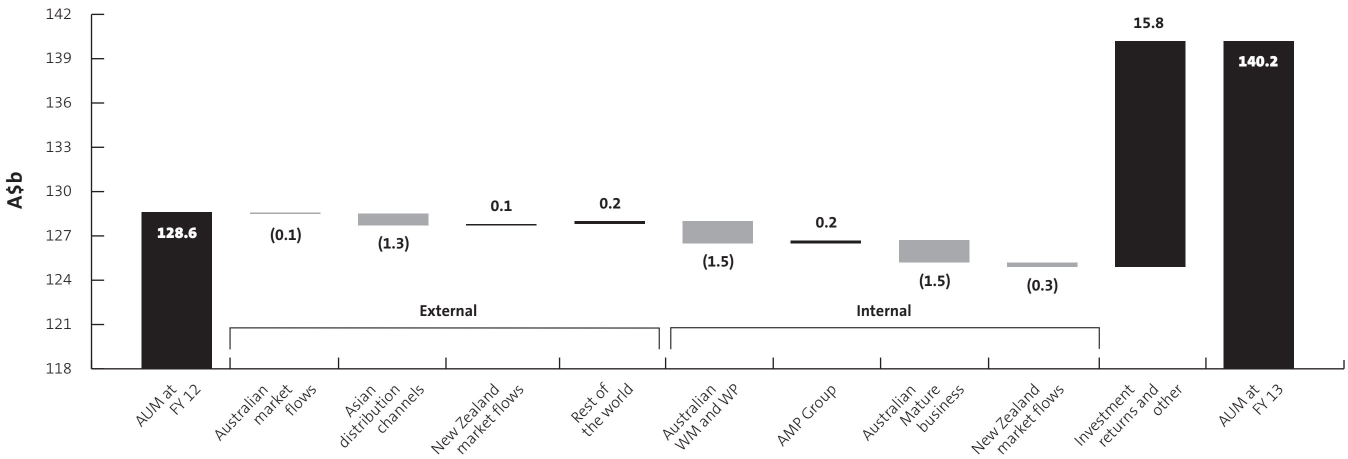
In early 2014, the China Life AMP Asset Management Company Limited launched its inaugural mutual fund, the China Life AMP Money Market Fund, attracting A$2.2b from retail and institutional Chinese investors. In future reports, AMP Capital will present its 15% share of the joint venture's AUM and cashflows within the "External" AUM and cashflow disclosures.

Internal AUM increased by A$9.4b in FY 13 to A$99.9b, due to strong investment returns (+A$12.5b), partly offset by negative net cashflows (-A$3.1b).

Internal net cashflows include AMP group payments such as dividend payments to shareholders and inflows/outflows from AFS products including products in run-off. Net cashflows from AFS are net of wealth management fees and taxes. AMP Capital manages all of AMP Life's and part of NMLA's Mature AUM, which is expected to run off between 4% and 6% per annum. Internal net cashflows are also impacted by flows to passive investment options managed outside of AMP Capital and cash investment options managed by AMP Bank. Whilst AFS cashflows have strengthened relative to FY 12, this growth has been in AFS platforms (eg North) where AMP Capital manages a lower proportion of the FUM relative to other AFS platforms (eg Flexible Lifetime Super and corporate super products).

AMP Capital continues to partner with AFS to deliver tailored investment solutions for domestic retail clients which incorporate customer insights gained through Australia's largest distribution network, employer relationships through corporate super and the SMSF business unit. This includes outcome based funds such as the Multi Asset Fund and ipac Income Generator seeking to provide customers with less volatile returns through investment cycles as well as two new MySuper compliant investment options. The MySuper products include a simple balanced option as well as a goals-based lifecycle option that provides the best option for disengaged members as the fund adapts to their needs over time based on age-specific risk profiles – removing the need for members to move between funds as their risk appetite changes. The lifecycle option is enhanced by AMP Capital's internal Dynamic Asset Allocation capability and dedicated diversified portfolio managers that tailor portfolio construction at each age band to meet the needs of investors.

Movement in AUM by channel FY 12 to FY 13[1]



1 AMP Capital cash inflows reported net of fees and taxes.

Capital management

31 December 2013

A$m	Total AMP[1]	AMP Life[2]	NMLA[2]	AMP Bank	Other AFS	Total AFS	AMP Capital	Group Office
Total capital resources[3]	**10,128**	2,615	1,417	565	3,116	7,713	417	1,998
Intangibles[4]	**(3,857)**	(517)	-	(54)	(2,757)	(3,328)	(216)	(313)
Tangible capital resources	**6,271**	2,098	1,417	511	359	4,385	201	1,685
Senior debt[5]	**(700)**							(700)
Subordinated debt not eligible as regulatory capital in Group[6]	**(300)**	-	-	-	-	-	-	(300)
Other deductions[7]	**(1,573)**	(780)	(764)	(22)	-	(1,566)	-	(7)
Regulatory capital resources	**3,698**	1,318	653	489	359	2,819	201	678
Shareholder minimum regulatory capital requirements (MRR)[8]	**1,618**	736	368	340	117	1,561	57	-
Shareholder regulatory capital resources above MRR	**2,080**	582	285	149	242	1,258	144	678

31 December 2012[9]

A$m	Total AMP[1]	AMP Life[2]	NMLA[2]	AMP Bank	Other AFS	Total AFS	AMP Capital	Group Office
Total capital resources[3]	**9,323**	2,795	1,366	482	3,085	7,728	477	1,118
Intangibles[4]	**(3,808)**	(517)	-	(46)	(2,832)	(3,395)	(230)	(183)
Tangible capital resources	**5,515**	2,278	1,366	436	253	4,333	247	935
Senior debt[5]	**(700)**							(700)
Other deductions[7]	**(1,867)**	(1,003)	(847)	(17)	-	(1,867)	-	-
Regulatory capital resources	**2,948**	1,275	519	419	253	2,466	247	235
Shareholder minimum regulatory capital requirements (MRR)[8]	**1,576**	715	351	248	151	1,465	111	-
Shareholder regulatory capital resources above MRR	**1,372**	560	168	171	102	1,001	136	235

1 Excludes minority interests.
2 AMP Life and NMLA include statutory funds and shareholder funds.
3 Shown after accounting mismatches, cashflow hedge resources and other adjustments. Refer to page 40.
4 Refer to page 43 for definition of intangibles. Intangibles includes capitalised costs. AXA acquired intangibles have been allocated between Other AFS and AMP Capital.
5 Refer to debt overview page 38 for more details.
6 Refer to page 35 for information regarding the treatment of AMP Notes 2 for capital purposes.
7 Other deductions include LAGIC regulatory adjustments and AMP Bank securitisation deductions.
8 A$300m of AMP Notes 2 was lent to AMP Life and NMLA. These instruments are recognised as Tier 2 regulatory capital within those businesses. For the purposes of determining group capital, this is recognised as a reduction in MRR, subject to Tier 2 limits. At 31 December 2013, A$261m of this contributed to meeting the regulatory capital requirements of AMP Life and NMLA.
9 Comparative shown after allowing for the impact of LAGIC. The AMP Life and NMLA total have also been adjusted to include both statutory funds and shareholder funds.

Capital management cont'd

Capital management framework

AMP holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMP assesses the adequacy of its capital position. Primarily, AMP aims to:

- maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR
- hold sufficient liquidity to ensure that AMP has sufficient access to liquid funds, even under stress situations
- maintain the AMP group's credit rating.

These measures form part of AMP's risk appetite as approved by the AMP Limited Board and balances these considerations against the cost of capital. A number of the operating entities within the AMP group of companies are regulated. This includes an authorised deposit taking institution (ADI), life insurance companies, superannuation entities and a number of companies that hold Australian Financial Services Licences (AFSLs). These companies are regulated by APRA, the Reserve Bank of New Zealand and/or ASIC and are required to hold minimum levels of regulatory capital, as set by the relevant regulator.

Regulatory capital resources above MRR may vary throughout the year due to a range of factors including investment market movements, dividend payments and profits.

AMP's businesses and the AMP group maintain capital targets, reflecting their material risks (including financial risk, product and insurance risk and operational risk) and AMP group's risk appetite. The target surplus is a management guide to the level of excess capital that the AMP group seeks to carry to reduce the risk of breaching MRR.

AMP's current dividend policy, as approved by the AMP Limited Board, is to pay dividends based on a payout ratio in the range of 70% to 80% of underlying profit and franked to the maximum extent possible. The dividend payout ratio is set to ensure that AMP retains sufficient profits to fund the expected growth in the capital requirements of its businesses, and is reviewed periodically. AMP aims to meet larger non-recurring capital requirements through other capital management initiatives, including the use of the Dividend Reinvestment Plan (DRP).

Capital position

At 31 December 2013, shareholder regulatory capital resources above MRR were A$2,080m (A$1,372m at 31 December 2012 after allowing for the impact of LAGIC of A$272m), representing a ratio of 2.3x of MRR (compared to 1.9x of MRR at 31 December 2012).

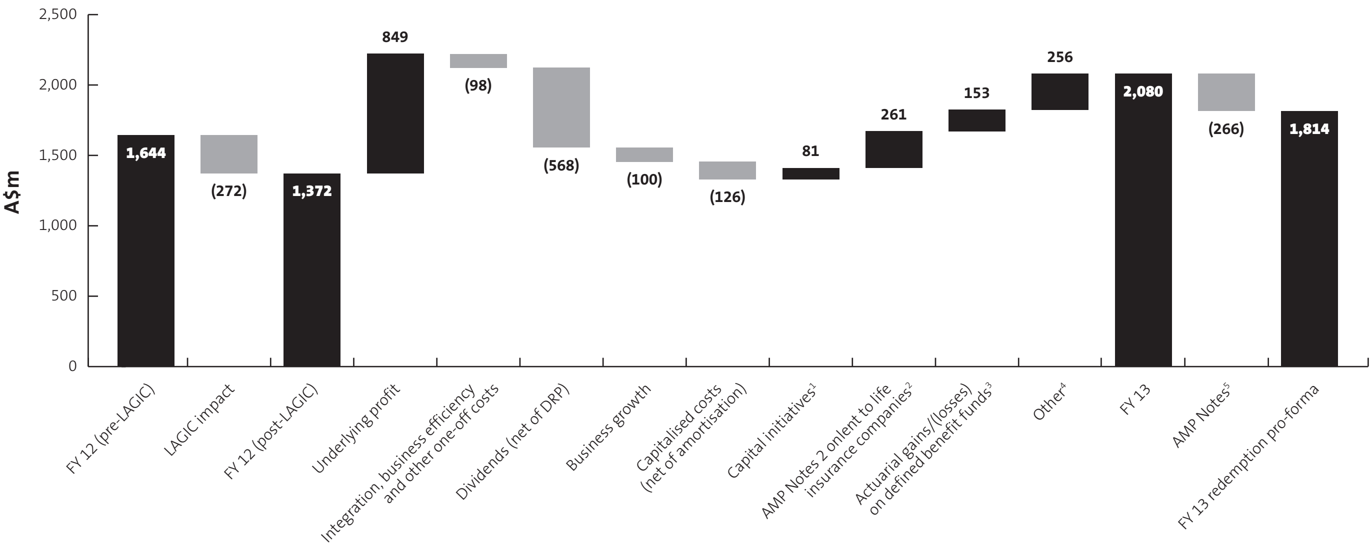
The 31 December 2012 comparatives have been shown allowing for the impact of LAGIC of A$272m. AMP Life and NMLA totals have also been adjusted to include both statutory funds and shareholders' funds.

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life and NMLA were A$2,049m at 31 December 2013 (A$1,773m at 31 December 2012).

In December 2013, AMP issued A$325m of AMP Notes 2, of which A$30m related to the reinvestment from existing AMP Notes holders. AMP Notes 2 is not recognised as regulatory capital of AMP for APRA purposes, except for A$25m which is subject to transitional arrangements. This is consistent with the draft prudential standards issued in May 2013 relating to the supervision of conglomerate groups.

A$300m of the AMP Notes 2 subordinated debt was lent to AMP Life and NMLA, where it is recognised as allowable Tier 2 capital. At the AMP group level, this is recognised as a reduction in MRR,

Movement from FY 12 to FY 13 regulatory capital resources above MRR



1 Includes refinements to LAGIC calculations (+A$30m) and a revised responsible entity structure within AMP Capital (+A$38m).

2 A$300m of AMP Notes 2 was lent from the AMP group to AMP Life and NMLA in December 2013. A$261m of this contributes to meeting the regulatory capital requirement of AMP Life and NMLA.

3 Net of associated taxes.

4 Other includes the impacts of AMP Bank repayment of A$100m subordinated debt to AMP group and favourable markets.

5 AMP's current intention is for AMP Notes to be redeemed for cash on the Step-Up Date (15 May 2014), subject to APRA's approval.

Capital management cont'd

subject to Tier 2 limits. At 31 December 2013, A$261m of this contributed to meeting the regulatory capital requirements of AMP Life and NMLA.

It is AMP's current intention that AMP Notes will, subject to APRA approval (which is in its discretion and may not be given), be redeemed for cash on the Step-Up Date (15 May 2014). This will reduce shareholder regulatory capital resources above MRR by A$266m.

The increase in shareholder regulatory capital resources above MRR was mainly driven by retained profits, additional capital issued under the DRP, favourable investment markets, the impact of AMP Bank's repayment of the A$100m loan from Group Office and AMP Notes 2 subordinated debt on lent to AMP Life and NMLA. This was partially offset by business growth, integration and business efficiency program costs.

AMP uses a number of long-term strategies involving derivatives in place within both AMP Life and NMLA to manage market risks. Refer to page 17 for more details.

Minimum regulatory capital requirements

The main minimum regulatory capital requirements for AMP's businesses are:

– AMP Life and NMLA – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
– AMP Bank – capital requirements as specified under the APRA ADI Prudential Standards
– AMP Capital and other ASIC regulated businesses – capital requirements under AFSL requirements and for risks relating to North.

APRA is developing capital standards for conglomerate groups which will apply to AMP and are expected to take effect from 1 January 2015. Draft capital standards were released in May 2013. The impact on AMP's capital position will be assessed against the final standards. Based on the draft standards, AMP's current capital levels will be sufficient to meet the requirements on the implementation date.

APRA has confirmed transition arrangements with AMP, relating to the subordinated debt held at the AMP group level (except for AMP Notes 2 to the extent that it is not used to fund the refinancing of AMP Notes) continuing to be 100% recognised as eligible capital under the revised standards until the earlier of the relevant instruments' first call date or March 2016.

Capital target

AMP Ltd, AMP Life, NMLA and AMP Bank have Board approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance businesses, the capital targets above Board minimums have been set to a less than 10% probability of capital resources falling below the Board minimum over a 12 month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

Following the finalisation of the conglomerate capital adequacy standards, AMP will review the appropriateness of its capital targets for the AMP group.

In addition, the participating business of the life insurance companies is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Final 2013 dividend

AMP's final 2013 dividend is 11.5 cents per share, franked to 70%. This represents a total 2013 dividend payout ratio of 80% of underlying profit. AMP will continue to offer the DRP to eligible shareholders. For the 2013 final dividend no discount will apply to the DRP allocation price. Given its strong capital position, AMP intends to neutralise the impact of the DRP. AMP intends to acquire shares on-market to satisfy any shares to be issued under the DRP. The DRP is reviewed every six months as part of the Board's review of the capital position and dividends.

Capital management cont'd

Regulatory capital resources (A$m)	31 December 2013	31 December 2012[1]
AMP shareholder equity[2]	**8,154**	7,744
Less: goodwill and other intangibles	**(3,857)**	(3,808)
Less: other deductions[3]	**(1,573)**	(1,867)
Common Equity Tier 1 Capital	**2,724**	2,069
Total subordinated debt[4]	**1,274**	879
Subordinated debt not eligible as regulatory capital in Group	**(300)**	-
Total regulatory capital	**3,698**	2,948

Total capital resources by asset class (A$m)	31 December 2013	31 December 2012
International equities[5]	**38**	32
Australian equities	**104**	86
Property	**329**	309
International fixed interest	**64**	43
Australian fixed interest	**368**	247
Cash[6]	**2,290**	2,090
Implicit DAC	**2,271**	2,130
Total shareholder funds	**5,464**	4,937
Other[7]	**807**	578
Tangible capital resources	**6,271**	5,515
Intangibles	**3,857**	3,808
Total capital resources	**10,128**	9,323

1 Comparative shown after allowing for impact of LAGIC.

2 Shown after accounting mismatches, cashflow hedge resources and other adjustments. Refer to page 40.

3 Other deductions include LAGIC regulatory adjustments and AMP Bank securitisation deductions.

4 AMP Notes 2 is not recognised as regulatory capital of AMP for APRA purposes (subject to transitional arrangements). However, A$300m of AMP Notes 2 has been lent to AMP Life and NMLA, where it is recognised as Tier 2 Capital.

5 As at 31 December 2013, international equities includes A$98m of international equities and -A$60m in relation to equity down-side protection.

6 Cash includes cash balances held as bank deposits, short-term fixed interest securities and floating rate securities.

7 Other includes tangible capital resources of AMP Bank A$511m (FY 12 A$436m), A$281m (FY 12 A$322m) of cash held backing liabilities in the life companies, seed and sponsor assets of A$85m (FY 12 A$25m) and -A$70m (FY 12 -A$205m) of other assets and liabilities.

Nominal versus effective exposure

The asset allocations above reflect the effective exposure of shareholder funds after consideration of the effects of derivative positions.

Management of market risks in the shareholder funds

Total shareholder funds (A$5,469m) comprise direct shareholder funds (A$4,884m) where the shareholder can determine the asset mix and co-mingled shareholder funds (A$585m) that are invested in the same asset mix as participating policyholder funds. The investment of shareholder funds provides management with the ability to manage the overall market risk within AMP. Changes are made to the asset mix of shareholder funds to achieve the desired level of overall market risk exposure across AMP. At 31 December 2013, less than 3% of AMP shareholder funds were invested in equities. Property exposures relate primarily to a 65% interest in AMP's head office at 33 Alfred Street, Sydney. The shareholder fixed interest portfolio is split approximately 69% in sovereign exposures and 31% in corporate exposures. Corporate exposures are invested in AAA (13%), AA (49%), A (24%), BBB (14%) and sub-investment grade and unrated (less than 1%).

AMP continues to review the asset mix of shareholder funds to maximise shareholder returns within the constraints of AMP's risk appetite.

Implicit DAC

The implicit DAC relates to the wealth protection businesses, and is similar to a loan from shareholder capital to the wealth protection business (for both Australia and New Zealand) to fund the upfront costs associated with acquiring new risk insurance business. The implicit DAC asset generates an investment return equivalent to a one year government bond.

Underlying investment income

AMP calculates the underlying investment income that is allocated to the business units (BUs) and Group Office by applying an underlying rate of return to BU and Group Office shareholder assets invested in income producing investment assets (as opposed to operating assets).

The underlying after-tax rate of return used for 2013 was 3.0% pa (FY 12 4.25% pa) and is based on the long-term target asset mix and assumed long-term rates of return. The investment return equivalent to a one year government bond of 1.8% pa after-tax was applied to the implicit DAC for 2013. These rates will also apply for FY 14.

Shareholder funds invested in income producing assets may be higher or lower than business unit capital due to the working capital requirements of the business unit.

Debt overview

	31 December 2013			31 December 2012		
A$m	**Corporate debt**	**AMP Bank[1]**	**Total**	**Corporate debt**	**AMP Bank[1]**	**Total**
Subordinated bonds/notes	83	-	**83**	83	-	**83**
AMP Notes[2]	266	-	**266**	296	-	**296**
AMP Notes 2[3]	325	-	**325**	-	-	**-**
Subordinated loan from Group Office to AMP Bank	-	-	**-**	(100)	100	**-**
AXA subordinated notes	600	-	**600**	600	-	**600**
AMP Bank subordinated debt	-	150	**150**	-	150	**150**
Total subordinated debt	1,274	150	**1,424**	879	250	**1,129**
Commercial paper, NCDs and repos	-	1,387	**1,387**	-	438	**438**
Domestic medium-term notes	200	1,705	**1,905**	200	903	**1,103**
Drawn syndicated loan	500	-	**500**	500	-	**500**
Total senior debt	700	3,092	**3,792**	700	1,341	**2,041**
Deposits[4]	-	8,741	**8,741**	-	8,615	**8,615**
Total debt	1,974	11,983	**13,957**	1,579	10,206	**11,785**
Corporate gearing ratios						
S&P gearing	**13%**			11%		
Interest cover – underlying (times)	**12.3**			12.1		
Interest cover – actual (times)	**10.0**			9.2		

	Corporate debt by year of repayment[5]					
A$m	**0–1 year[5]**	**1–2 years**	**2–5 years**	**5–10 years**	**10+ years**	**Total**
Total corporate debt at 31 December 2013	**266**	**450**	**1,175**	**83**	**-**	**1,974**
Total corporate debt at 31 December 2012	**-**	**196**	**1,300**	**-**	**83**	**1,579**

1 This excludes AMP Bank debt held within securitisation vehicles.

2 The AMP Notes 10 year subordinated debt, with a call date in 2014, has been structured to qualify as Tier 2 capital for APRA purposes.

3 AMP Notes 2 is not recognised as regulatory capital of AMP group for APRA purposes, subject to the transitional arrangements. A$300m of AMP Notes has been loaned to AMP Life (A$215m) and NMLA (A$85m), where it is recognised as allowable Tier 2 capital.

4 At 31 December 2013, deposits include AMP Bank customer deposits (A$4.3b), AMP Super Cash and Super TDs (A$2.7b), platform and investment fund deposits (A$1.4b), and other deposits (A$0.3b).

5 Based on the earlier of the maturity date and the first call date.

Corporate debt

At 31 December 2013, AMP had access to significant liquidity through Group cash of A$796m and an undrawn syndicated loan of A$500m.

Corporate debt increased by A$395m in 2013 due to:
- In May 2013, AMP Bank repaid A$100m of subordinated debt lend from AMP group.
- In December 2013, AMP issued A$325m of subordinated debt (AMP Notes 2), of which A$30m were reinvestment from AMP Notes holders.

In August 2013, AMP restructured the terms of the syndicated loan, which included extending the maturity date of this arrangement.

As at 31 December 2013, approximately 40% of corporate debt was effectively at fixed rates.

AMP Bank

AMP Bank utilises a diverse range of funding sources including securitisation, customer deposits and short and long-term wholesale borrowings to manage its funding and liquidity requirements. The securitisation of residential mortgage backed securities (RMBS) is a source of funding and capital relief for AMP Bank. Securitisation funding is non-recourse to AMP Bank and the AMP group. Total securitised funds as at 31 December 2013 were A$3.9b.

In May 2013, AMP Bank repaid A$100m of subordinated debt lent from AMP group. As at 31 December 2013, AMP Bank had A$150m subordinated debt outstanding which qualifies as Tier 2 capital. In 2013 AMP Bank issued A$1.05b in medium-term notes, and A$1.15b in new residential mortgage backed securities (RMBS). New RMBS issued during the year included A$500m in a warehouse facility established in November 2013 with Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU).

AMP group continues to provide a guarantee covering AMP Bank's liabilities, with the exception of the A$150m subordinated debt issued in December 2012.

Group Office

A$m	FY 13	2H 13	1H 13	FY 12	% FY
Group Office costs not recovered from business units[1]	**(62)**	(30)	(32)	(66)	6.1
Underlying investment income on Group Office capital	**28**	14	14	52	(46.2)
Interest expense on corporate debt	**(75)**	(39)	(36)	(86)	12.8
Other items[1]	**(2)**	3	(5)	21	n/a
AXA integration costs	**(57)**	(26)	(31)	(128)	55.5
Business efficiency program costs	**(39)**	(39)	-	-	n/a
Amortisation of AXA acquired intangible assets	**(91)**	(44)	(47)	(99)	8.1
Market adjustment – investment income	**2**	(1)	3	(12)	n/a
Market adjustment – annuity fair value	**27**	17	10	(9)	n/a
Market adjustment – risk products	**(5)**	(10)	5	(4)	(25.0)
Accounting mismatches[1]	**(12)**	(30)	18	(30)	60.0
Interest expense summary					
Average volume of corporate debt	**1,664**	1,722	1,609	1,696	
Weighted average cost of corporate debt	**6.44%**	6.47%	6.40%	7.24%	
Tax rate	**30%**	30%	30%	30%	
Interest expense on corporate debt[2]	**75**	39	36	86	
Franking credits					
AMP dividend franking credits at face value at end of period[3]	**196**	196	210	191	

1 Prior period comparatives have been restated in accordance with changes in accounting standards AASB 119 and AASB 10. Refer below for further details.

2 Includes fees associated with undrawn liquidity facilities.

3 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the final dividend (70%), the balance of franking credits will be A$94m.

Group Office costs not recovered from business units

FY 13 Group Office costs not recovered from business units were A$62m, A$4m lower than FY 12, reflecting the benefit of integration synergies partially offset by underlying cost growth. Most Group Office related synergies have been passed onto AFS and AMP Capital through lower group charges.

On adoption of revised accounting standard 'AASB 119 Employee Benefits', requirements in respect of accounting for employee defined benefit funds have changed such that A$6m (post-tax) of additional cost has been recognised in FY 13 Group Office costs.

FY 12 comparative information has also been restated to reflect the new requirements (A$5m post-tax). It is expected that this cost will slowly reduce over time as the number of current staff who are members of the defined benefit funds reduces.

Underlying investment income on Group Office capital

Underlying investment income on Group Office capital was A$28m in FY 13, down from A$52m in FY 12. As flagged in the FY 12 Investor Report and consistent with the substantial fall in short-term interest rates over 2012, the lower amount of underlying investment income reflects assumed after-tax returns of 3% for the shareholder investments.

Interest expense on corporate debt

FY 13 interest expense on corporate debt was A$75m, down from A$86m in FY 12. Interest expense decreased as the weighted average cost of debt declined 80 basis points due to the impact of falling interest rates on the floating rate component of corporate debt as well as new debt issues at lower cost. The average volume of corporate debt will be elevated over 1H 14 due to the issue of A$325m of AMP Notes 2 in December 2013. It is AMP's current intention to redeem AMP Notes (A$266m) on 15 May 2014 subject to APRA approval.

Other items

FY 13 other items were -A$2m (FY 12 A$21m).

Other items include one-off and non-recurring revenues and costs.

In FY 13, other items included one-off costs in respect of implementing regulatory change including the Future of Financial Advice, Stronger Super and other regulatory changes. Remaining spend on regulatory change in FY 14 is anticipated to be approximately A$4m.

FY 12 comparatives have been restated by -A$9m upon the adoption of accounting standard AASB 119 'Employee Benefits'. Under the revised AASB 119, the amount recognised in profit or loss in relation to the assets of the funds is measured using the same discount rate as for the defined benefit liability. Previously assets were measured using an expected earnings rate. The impact of this change in accounting standard will vary over time depending on the net surplus or deficit positions of the employee defined benefit funds and prevailing discount rates.

AXA integration costs

FY 13 AXA integration costs were A$57m (FY 12 A$128m) and relate to the integration of AXA following the merger. AMP expects total integration costs to be A$310m (post-tax). The remaining AXA integration costs of A$20m are expected to be incurred in FY 14.

At 31 December 2013, AMP had realised run rate synergies as a result of the merger with AXA of 99% of the targeted A$150m (post-tax) per annum.

Group Office cont'd

Business efficiency program costs

During FY 13, AMP announced the commencement of a three year business efficiency program with estimated recurring cost savings of A$200m (pre-tax) per annum (80% controllable costs and 20% variable costs). The estimated one-off cost of implementation is A$320m (pre-tax) or A$224m on a post-tax basis. During 2H 13, costs incurred were A$39m post-tax. The expected pattern of expenditure over the remainder of the program is FY 14 A$102m, FY 15 A$63m and FY 16 A$20m post-tax.

Amortisation of AXA acquired intangible assets

The difference between the purchase consideration for AXA (A$4.3b) and AXA net tangible assets (A$0.8b) represents AXA intangible assets (A$1.4b) and goodwill (A$2.1b). AXA intangible assets primarily comprise rights to future income and the value of acquired software.

AXA intangible assets are required to be amortised over their expected useful life; goodwill is not required to be amortised. The amortised balance of AXA acquired intangibles as at FY 13 was A$1.0b.

FY 13 amortisation of AXA acquired intangible assets was A$91m. Amortisation of AXA acquired intangibles for FY 14 is expected to be approximately A$89m.

Market adjustment – investment income

Market adjustment – investment income represents the excess (or shortfall) between underlying investment income and actual return on shareholder assets invested in income producing assets.

The FY 13 market adjustment – investment income was A$2m, reflecting valuation gains on domestic and international equities partially offset by the shortfall in underlying investment income relative to actual shareholder investment income due to low short-term interest rates and valuation movements on fixed interest assets.

Market adjustment – annuity fair value

FY 13 market adjustment – annuity fair value was A$27m (FY 12 -A$9m) due to the impact of movements in credit spreads.

Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A$0.4b and Australian lifetime annuity liabilities of A$1.4b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its Australian annuity book.

The assets supporting AMP's Australian annuity book comprise a mixture of government bonds, semi-government bonds and corporate bonds. These assets are principally exposed to Australian credit markets. The asset mix is managed to achieve close matching of assets to expected cash annuity outflows. Perfect cashflow matching should remove any interest rate or reinvestment risk, but credit risk remains.

For fixed term annuities, accounting standards require the liabilities and the assets that back them both to be valued consistently on a fair value basis.

For lifetime annuities, accounting standards require the liabilities to be valued based on the risk-free rate of return and the assets to be valued on a fair value basis. Therefore, in the absence of any defaults, changes in credit spreads and deterioration in the quality of individual assets can lead to timing differences.

As the assets are predominantly held to maturity, gains/losses due to changes in credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults. In FY 13 there were no asset defaults. The assets that support AMP's Australian annuity book comprise a mixture of government bonds and cash (8%), semi-government bonds (45%) and corporate bonds (47%). The average duration of the portfolio is six years. The portfolio credit rating composition is AAA (42%), AA (34%), A (21%) and BBB (3%). Corporate bond exposures are AAA (9%), AA (37%), A (47%) and BBB (7%).

Market adjustment – risk products

FY 13 market adjustment – risk products was -A$5m (FY 12 -A$4m) due to the impact of movements in bond yields.

Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities. Under Australian accounting standards, life insurance business is accounted for using Margin on Services (MoS).

Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. MoS involves projecting future cashflows (premiums, benefits and costs after allowing for inflation), and discounting future cashflows to their present value using the appropriate risk-free discount rate. Changes to market related economic assumptions affect policy liabilities and current year profit. The impact of movements in bond yields can vary from period to period depending on the level of claims reserves. For information on changes in market economic assumptions in FY 13, refer to page 27.

Accounting mismatches

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the financial statements at different values to the value used in the calculation of policy liabilities in respect of the same asset. Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true operational profits and losses of the AMP group.

Mismatch items that may impact the profit and loss arise from policyholder interests in the following:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders) (FY 13 +A$3m, FY 12 -A$37m)
- owner-occupied properties (FY 13 -A$2m, FY 12 -A$3m)
- investments in controlled entities (FY 13 -A$5m, FY 12 +A$1m)
- superannuation products invested with AMP Bank (FY 13 -A$8m, FY 12 +A$9m).

FY 12 comparatives have been restated upon the adoption of accounting standard AASB 10 'Consolidated Financial Statements' which resulted in an increase of A$1m to the accounting mismatch loss on investment in controlled entities of the statutory funds.

Sensitivities – profit and capital

FY 13 profit sensitivities (A$m)

	Operating earnings (post-tax)									
	WM	**Bank**	**WP**	**Mature**	**NZ**	**Total AFS**	**AMP Capital**	**Group Office**	**Total**	**Investment income**
Investment market variables										
10% increase in Australian equities	10	-	-	4	-	14	2		**16**	**8**
10% decrease in Australian equities	(10)	-	-	(4)	-	(14)	(2)		**(16)**	**(2)**
10% increase in international equities	7	-	-	2	2	11	3		**14**	**19**
10% decrease in international equities	(7)	-	-	(2)	(2)	(11)	(3)		**(14)**	**(13)**
10% increase in property	3	-	-	2	1	6	2		**8**	**27**
10% decrease in property	(3)	-	-	(2)	(1)	(6)	(2)		**(8)**	**(27)**
1% (100 bps) increase in 10 year Australian bond yields	-	-	-	4	-	4	(1)		**3**	**(30)**
1% (100 bps) decrease in 10 year Australian bond yields	-	-	-	(4)	-	(4)	1		**(3)**	**26**
1% increase in cash rate	1	-	-	-	-	1	-		**1**	**14**
1% decrease in cash rate	(1)	-	-	-	-	(1)	-		**(1)**	**(14)**
Business variables										
AMP Financial Services										
5% increase in AUM	19	-	-	5	3	**27**				
5% increase in sales volumes	3	2	1	-	1	**7**				
1% increase in persistency	3	-	8	(2)	1	**10**				
AMP Capital										
5% increase in average external AUM							**5**			
5% increase in average internal AUM							**6**			
AMP Limited										
5% reduction in controllable costs	18	2	6	2	3	31	11	3	**45**	

All profit sensitivities shown are a full year impact.

The profit and capital sensitivities are only indicative, because:

– they are not always linear or symmetrical, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
– they assume that the particular variable moves independently of all others
– they are based on the FY 13 position, ie not "forward looking", and make no allowances for events subsequent to 31 December 2013, and
– in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 31 December 2013.

Other assumptions include:

– Parent company shareholders' equity is fully invested and there are no adjustments for investments which are outside index weightings.
– Currency movements in investments in self-sustaining operations do not impact profit.
– Sales sensitivity assumes the same product mix as in underlying sales during FY 13.
– Investment income sensitivity is based on the amount of investments held at 31 December 2013.
– Property sensitivities relate to unlisted property; listed property trusts are included in equities.
– Bond yield sensitivities relate to both government and corporate bond yields for both Australian and international bonds.
– Profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.
– AMP Bank net interest margin assumed to be insensitive to changes in cash rate.
– AMP Bank's increase in sales volume assumes a 5% change in total loans growth with no change in net interest margin and costs.

Profit sensitivities

The sensitivities set out above apply to FY 13 operating earnings and investment income, assuming changes in a range of hypothetical economic or business variables.

Important considerations when using these sensitivities

Operating earnings – investment linked business

For investment linked business, fee income is largely based on the level of AUM, which in turn is directly impacted by investment markets.

For changes in market variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable half way through the year. For large movements that do not occur half way through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/ decrease in equity markets at the start of the year would have double the impact on FY 13 operating earnings than set out in the table above.

The sensitivities are based on the FY 13 position and are not

Sensitivities – profit and capital cont'd

forward looking. If using the sensitivities as forward looking (eg applying FY 13 profit sensitivities for FY 13 or FY 14), an allowance for changes in AUM levels should be made. Refer to page 10 (WM) and page 28 (AMP Capital) for average AUM levels that applied in FY 13.

The AMP Capital operating earning sensitivities are net of minority interests and assume no change to performance and transaction fees and do not include seed pool investments.

Operating earnings – risk insurance and annuity business

For risk insurance and annuity business, movements in economic variables (bond yields, CPI) impact to the extent that the valuations of assets and liabilities are mismatched. These impacts are included in market adjustment – annuity fair value and market adjustment – risk products and have no effect on BU operating earnings but are included in EV sensitivities.

Operating earnings – participating business

For participating business, profit margins are dependent on the level of future bonuses supported by both the value of available assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a portion of the impact is recognised in the current reporting period and is allocated between policyholders and shareholders.

Investment income

The analysis is based on a point in time and indicates the impact a change in the market variable would have on AMP's FY 13 total investment income (ie underlying investment income plus market adjustment – investment income).

The sensitivities are based on 31 December 2013 equity markets, bond yields and property values and correspond to the disclosure in the capital management section (refer to page 34).

Sensitivities include the profit/loss impact from changes in investment market variables on total shareholder funds. Changes in BU operating earnings are not reflected.

The capital sensitivities for AMP Life and NMLA include guaranteed products (the majority of which are contained within the AFS mature business), risk insurance products, unit linked products and shareholders' funds.

AMP group sensitivities are movements in AMP Life and NMLA plus movements in Group shareholder capital held outside the Life companies, and include the effect on capital from defined benefit funds and North guarantees.

The cash rate sensitivities show the impact of changes in the cash rate on FY 13 total investment income. The impact assumes that the change in the cash rate occurs evenly over the year.

The investment income sensitivities do not include any allowance for investment gains/losses on assets that back AMP's annuity book (refer to page 40 for details) or the impact of changes in economic variables (such as bond yields or CPI) on wealth protection products. The impacts of investment market variables are not always symmetrical, as they are inclusive of the impacts of long-term and tactical protection strategies.

The sensitivities assume that the guarantees on the North products are effectively hedged under current hedging procedures.

AMP regulatory capital sensitivities

The sensitivities shown below reflect the impact of market movements on AMP's capital position.

The analysis is a point in time view of the capital impact of movements in equity markets, bond yields and property values on AMP's capital position inclusive of long-term and tactical protection.

AMP's capital management policies include market related trigger points at which management will take action to reduce the impact of market movements on AMP's capital position.

AMP actively manages both the asset mix and the associated capital. Market movements and trends are carefully monitored and adjustments made accordingly.

The sensitivities contained in the table above do not make any allowance for management actions subsequent to 31 December 2013, which may have a significant impact on these sensitivities.

Capital sensitivities – regulatory capital resources above MRR (A$m)[1]		**AMP Life**	**NMLA**	**AMP Group**[2]
Actual 31 December 2013 (ASX 200 @ 5,352; Australian bond yields @ 4.2%)		582	285	2,080
Equity sensitivity	– 20% increase (ASX 200 @ 6,422)	40	20	140
	– 10% increase (ASX 200 @ 5,887)	20	10	80
	– 10% decrease (ASX 200 @ 4,817)	(20)	(10)	(80)
	– 20% decrease (ASX 200 @ 4,282)	(60)	(20)	(180)
Australian bond yields sensitivity	– 100bps increase (Australian bond yields @ 5.2%)	(60)	(20)	(20)
	– 50bps increase (Australian bond yields @ 4.7%)	(30)	(10)	(10)
	– 50bps decrease (Australian bond yields @ 3.7%)	-	10	(20)
	– 100bps decrease (Australian bond yields @ 3.2%)	(40)	(10)	(90)
Property sensitivity[3]	– 10% increase in unlisted property values	40	10	50
	– 10% decrease in unlisted property values	(50)	(10)	(60)

1 These sensitivities are a point in time and do not make any allowance for subsequent management actions.
2 AMP group sensitivities include AMP Life, NMLA and impacts outside AMP Life and NMLA.
3 Property sensitivity relates to unlisted property. Listed property is included in the equity sensitivity.

Accounting treatment and definitions

Accounting mismatches – Refer to page 40.

AFS value of new business – A calculation of the economic value of the shareholder profits expected to emerge from the new business written over a particular period for AFS, net of the cost of providing supporting capital.

AFS value of risk new business – Value of new business for AFS wealth protection and New Zealand risk business.

Capital Adequacy Ratio – Total Capital divided by Total Risk Weighted Assets calculated using the Standardised Approach.

Controllable costs – Include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Controllable costs to AUM – Calculated as controllable costs divided by average of monthly average AUM.

Corporate debt – Borrowings used to fund shareholder activities of the AMP group including the impact of any cross-currency swaps entered into to convert the debt into A$, but excluding limited recourse debt in investment entities controlled by AMP Life policyholder funds and debt used to fund AMP Bank activities. Refer to page 38 for more detail.

Cost to income ratio – Calculated as controllable costs divided by gross margin. Gross margin is calculated as total operating earnings and underlying investment income before tax expense plus controllable costs.

Deferred acquisition costs (DAC) – Margin on Services (MoS) is the financial reporting methodology developed to report life insurance business in Australia. Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. Under MoS, all costs associated with acquiring new business (including planner payments, controllable costs and stamp duty) are allowed for in determining profit margins and policy liabilities. For wealth protection business, this normally results in negative policy liabilities for new business. The amount of this negative policy liability is often referred to as DAC or implicit DAC.

Defined benefit fund – A scheme that provides a retirement benefit, usually based on salary and/or a predetermined formula for calculating that benefit. Unlike an accumulation scheme, the retirement benefit and method of calculation is known to the member at all times.

Discontinuance rates – The assumed future rates for voluntary discontinuance (lapse) of contracts for the purposes of determining embedded value. These rates vary by individual product or product groups and, where appropriate, by other factors such as duration in-force or age attained.

Dividend payout ratio – Calculated as dividend per share divided by EPS (underlying).

Embedded value – A calculation of the economic value of the shareholder capital in the AFS business and the shareholder profits expected to emerge from the AFS business in-force.

EPS (actual) – Earnings per share calculated as profit attributable to shareholders of AMP Limited divided by the statutory weighted average number of ordinary shares.

EPS (underlying) – Calculated as underlying profit divided by the basic weighted average number of ordinary shares.

External AUM (AMP Capital) – Assets managed by AMP Capital sourced from institutional clients (including corporate, public sector and industry superannuation funds, and large non-superannuation funds), non-AMP dealer groups, private clients and international clients and partnerships.

Group cash – Cash and cash equivalents held outside business units.

Group risk API – Contractual annual premium payable on all in-force group risk policies.

Individual risk API – Contractual annual premium payable on all in-force individual risk policies.

Individual risk lapse rate – Calculated as annualised voluntary cancellations as a percentage of average annual premium in-force prior to cancellations. Policies expiring due to maturities, death or disablement and conversions are excluded from the calculation.

Intangibles – Represents acquired goodwill, acquired identifiable intangibles on merging with AXA, acquired asset management mandates and capitalised costs.

Interest cover (actual) – Calculated on a rolling 12 month after-tax basis as profit attributable to shareholders of AMP Limited before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Interest cover (underlying) – Calculated on a rolling 12 month after-tax basis as underlying profit before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Internal AUM (AMP Capital) – Assets managed by AMP Capital sourced from AFS and Group Office.

Investment performance (AMP Capital) – The percentage of AUM meeting or exceeding their client goals.

Market adjustment – annuity fair value – Refer to page 40.

Market adjustment – investment income – Refer to page 40.

Market adjustment – risk products – Refer to page 40.

Minimum regulatory capital requirements (MRR) – Refer to page 36.

Net interest margin (AMP Bank) – Net interest income over average interest earning assets.

Net seed and sponsor capital income (AMP Capital) – Income on seed and sponsor capital assets, including normal valuation movements and net profit/loss on sales, offset by funding costs.

Operating earnings – Represent shareholder attributable profits or losses that relate to the performance of the BU. The principles of life insurance accounting are used in reporting the results of AFS. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Accounting treatment and definitions cont'd

Persistency – Calculated as opening AUM less cash outflows during the period divided by opening AUM. AFS and WM total cash outflows are adjusted to exclude internal flows so as to reflect external cash outflows only.

Practice finance loans – Business loans provided to AMP aligned financial planners, which are secured by a General Security Agreement over the planner's business assets including the client servicing rights. Commercial lending credit policy, process and rates apply to these loans.

Return on capital (AMP Bank) – Return on capital is calculated as underlying profit after income tax divided by the average of the monthly average total capital resources for the period.

Return on embedded value – Calculated as the increase in embedded value in the period before transfers, divided by embedded value at the beginning of the period.

RoBUE – Return on BU equity is calculated as BU underlying operating profit after income tax (including underlying investment income) divided by the BU's average of monthly average tangible capital resources. No allowance is made for the benefit of gearing, which occurs at the AMP group level.

RoE (actual) – Calculated as annualised profit attributable to shareholders of AMP Limited divided by the average of the monthly average shareholder equity for the period.

RoE (underlying) – Calculated as annualised underlying profit divided by the average of the monthly average shareholder equity for the period.

S&P gearing – Senior debt plus non-allowable hybrids divided by Economic Capital Available plus hybrids plus senior debt. Economic Capital Available is as defined by Standard & Poor's and includes AMP shareholders' equity (including goodwill and acquired AXA intangibles but excluding acquired asset management mandates and capitalised costs) and 100% of future AMP Life shareholder profits.

Tier 1 capital – Comprises the highest quality components of capital that fully satisfy all of the following essential characteristics:

a) provide a permanent and unrestricted commitment of funds
b) are freely available to absorb losses
c) do not impose any unavoidable servicing charge against earnings, and
d) rank behind the claims of depositors, policyholders and other creditors in the event of winding-up.

Tier 2 capital – Includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an entity as a going concern.

Total capital resources – Total capital invested in BUs and Group Office including both tangible and intangible capital.

Underlying investment income – The investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) attributed to the BUs (including Group Office) has been normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. The excess (or shortfall) between the underlying return and the actual return is disclosed separately as market adjustment – investment income. Underlying returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one year government bond, set annually for the implicit DAC component of shareholder assets. The return on AMP Bank income producing investment assets is included in AMP Bank operating earnings.

Underlying profit – AMP's key measure of business profitability, as it smooths investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. The components of underlying profit are listed on page 3.

Variable costs – Include costs that vary directly with the level of related business (eg investment management fees and banking commissions and securitisation costs).

Definitions of business units (BUs) and exchange rates

AMP

AMP Financial Services, AMP Capital, AMP SMSF and Group Office.

AMP Financial Services

AMP Financial Services provides a range of products and services to customers in Australia and New Zealand. These products and services are primarily distributed through self-employed financial planners and advisers, as well as through extensive relationships with independent financial advisers.

AMP Financial Services is reported as five separate divisions:

- **Wealth Management (WM)** – Financial planning services (through aligned and owned advice businesses), platform administration (including SMSF), unit linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
- **AMP Bank** – Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products for around 100,000 customers. It also has a portfolio of practice finance loans. The Bank distributes through brokers, AMP planners, and direct to retail customers via phone and internet banking.
- **Wealth Protection (WP)** – Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.
- **Mature** – A business comprising products which are mainly in run-off. Products within mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs).
- **AMP Financial Services New Zealand (AFS NZ)** – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.

AMP Capital

AMP Capital is a diversified investment manager, providing investment services for domestic and international customers. Through a team of in-house investment professionals and a carefully selected global network of investment partners, AMP Capital manages investments across major asset classes including equities, fixed interest, property, infrastructure, multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail property management services.

AMP Capital has established operations in Australia and New Zealand and a growing international presence with offices in Bahrain, China, Hong Kong, India, Japan, Luxembourg, the United Kingdom and the United States, allowing it to source offshore investment opportunities and customers.

On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) formed the strategic business and capital alliance between the two parties, with MUTB also acquiring a 15% ownership interest in AMP Capital.

During FY 13, AMP Capital established a funds management company in China with China Life, China's largest insurance group, institutional investor and corporate pension manager. AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company.

AMP SMSF

AMP SMSF was formed in June 2012 and comprises Self Managed Superannuation Fund administration businesses including Cavendish, Multiport, Ascend, YourSMSF and AMP's 49% shareholding in SuperIQ.

AMP SMSF forms part of AFS's Wealth Management's reported results.

Group Office

Group Office comprises:
- Group Office operations
- Corporate debt.

Exchange rates			AUD/NZD
2013	FY 13	– closing	1.0869
		– average	1.1791
	2H 13	– closing	1.0869
		– average	1.1339
	1H 13	– closing	1.1852
		– average	1.2252
2012	FY 12	– closing	1.2584
		– average	1.2777

FY 13 financial results

Analysis of operating results (A$m)	AMP Financial Services	AMP Capital	Group Office	Total
BU operating earnings	752	99	-	**851**
Group Office costs	-	-	(62)	**(62)**
Total operating earnings	752	99	(62)	**789**
Underlying investment income	102	5	28	**135**
Interest expense on corporate debt	-	-	(75)	**(75)**
Underlying profit	854	104	(109)	**849**
Other items	-	-	(2)	**(2)**
AXA integration costs	-	-	(57)	**(57)**
Business efficiency program	-	-	(39)	**(39)**
Amortisation of AXA acquired intangible assets	-	-	(91)	**(91)**
Profit before market adjustments and accounting mismatches	854	104	(298)	**660**
Market adjustment – investment income	-	-	2	**2**
Market adjustment – annuity fair value	-	-	27	**27**
Market adjustment – risk products	-	-	(5)	**(5)**
Accounting mismatches	-	-	(12)	**(12)**
Profit attributable to shareholders of AMP Limited	854	104	(286)	**672**

Total capital resources by equity class (A$m)	31 December 2013	31 December 2012[1]
Contributed equity	**9,602**	9,333
Equity contribution reserve	**1,019**	1,019
Other reserves	**593**	409
Retained earnings	**461**	332
Demerger loss reserve	**(3,585)**	(3,585)
Total AMP statutory equity attributable to shareholders	**8,090**	7,508
Accounting mismatches, cashflow hedge reserve and other adjustments[2]	**64**	236
Total AMP shareholder equity	**8,154**	7,744
Corporate debt	**1,974**	1,579
Total capital resources	**10,128**	9,323

1 Prior period comparatives have been restated in accordance with changes in accounting standards AASB 119 and AASB 10.

2 Other adjustments includes an adjustment for AMP Foundation to exclude the assets of the foundation from capital resources.

Independent Auditor's Review Report to the Board of AMP Limited

We have reviewed selected information presented in the AMP Limited Investor Report for the year ended 31 December 2013 ("Investor Report").

The analysis of results, capital resources and embedded value information have been prepared for inclusion in the Investor Report and are used as a measure of financial performance and position.

Management's Responsibility for the Investor Report

Management is responsible for the preparation of the Investor Report, inclusive of pages 24, 26, 27 [Embedded Value], 34 [Capital Management] and 46 [FY 13 financial results] (collectively 'the financial information') and has determined that the accounting, presentation and disclosure criteria used are appropriate to the needs of financial users. This responsibility includes establishing and maintaining internal control relevant to the preparation of the 31 December 2013 Investor Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on selected information set out in the 31 December 2013 Investor Report based on our review. We have conducted our review in accordance with the Standard on Review Engagement ASRE 2405 Review of Historical Financial Information Other than a Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the analysis of financial results on page 46 and total capital resources on page 37 of the Investor Report are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources set out on pages 43 and 44
- the embedded value assumptions stated on page 27 are not reasonable for their intended purpose in all material respects.

No opinion is expressed as to whether the accounting, presentation and disclosure criteria used are appropriate to the needs of the Directors of AMP Limited.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

The financial information has been prepared for inclusion in the Investor Report for the year ended 31 December 2013. We disclaim any assumption of responsibility for any reliance on this review report or on the Investor Report to which it relates to any other than the Directors of AMP Limited.

Our review of the analysis of financial results included making enquiries, primarily of AMP Limited's personnel responsible for financial and accounting matters, review the reconciliation of financial information on page 46 and total capital resources on page 37 to the Financial Report of AMP Limited, review of the determination of the operating earnings, underlying investment income and total capital resources in accordance with the definitions set out on pages 43 and 44 and analytical procedures.

Our review of the embedded value assumptions was limited to the review of AMP Limited's documentation to support the embedded value assumptions, making enquiries, primarily of AMP Limited's personnel responsible for financial and actuarial matters, and analytical procedures applied to financial data used by management to derive embedded value assumptions.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

We are independent of AMP Limited and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Conclusion

Analysis of Operating Results

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the analysis of financial results set out on page 46 and total capital resources on page 37 of the Investor Report for the year ended 31 December 2013 are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources as set out on pages 43 and 44.

Embedded Value

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the embedded value assumptions set out on page 27 of the Investor Report for the year ended 31 December 2013 are not reasonable for their intended purpose in all material respects.

Ernst & Young
Sydney
20 February 2014

Information for shareholders

3 March 2014	Ex-dividend date for final 2013 dividend (Australia)
5 March 2014	Ex-dividend date for final 2013 dividend (New Zealand)
7 March 2014	Record date for final 2013 dividend
10 March – 21 March 2014	Pricing period for final 2013 dividend reinvestment plan
10 April 2014	Payment date for final 2013 dividend
8 May 2014	First quarter 2014 cashflow and AUM announcement
8 May 2014	Annual General Meeting
21 August 2014	Interim 2014 results
3 September 2014	Ex-dividend date for interim 2014 dividend (Australia)
3 September 2014	Ex-dividend date for interim 2014 dividend (New Zealand)
5 September 2014	Record date for interim 2014 dividend
10 October 2014	Payment date for interim 2014 dividend
24 October 2014	Third quarter 2014 cashflow and AUM announcement

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Website

For additional 2013 full year results information, visit AMP's website at
www.amp.com.au/shareholdercentre

You will find:

- Background information on AMP, business units, management and policies.
- Statutory reporting at the AMP Limited level (incorporating shareholder, policyholder and non-controlling interests).
- Archived webcasts of presentations to investors and analysts.
- Archived ASX announcements and historical information.
- Definitions and details of assumptions.

NS1679 02/14