TRANSCRIPTION

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[START OF TRANSCRIPT]

Alexis George: Good morning everyone. Let me start by paying my respects to the traditional owners of the land on which we hold this meeting today, which for me is the Gadigal people of the Eora nation. I would like to pay my respects to the traditional owners of the land from which you are all calling into from today. Of course I am joined by our CFO, James Georgeson to talk through our half year results.

It is hard to believe that it's a year since I started with AMP. I feel we are making good progress on our strategy and our commitments. Today I want to start with an overview of our first half results and our key achievements before handing over to James to walk through the details. We will then update on the progress against the strategy before we take questions.

So we present today's results facing into an uncertain economic environment. Inflation is at 6.1% and has increased at the fastest annual pace in 21 years, increasing the cost of living for our people. Central banks around the world are raising interest rates, most for the first time since the GFC. We've seen swings in equity markets impacting investment and superannuation portfolios large and small. We see inflation peaking this year with interest rates reaching a high of 2.6% either towards the end of or the beginning of next year. Despite this, unemployment remains low. But we are likely to see a slowing of GDP next year to about 2%.

We have positioned our business well to manage through these uncertain times ahead. We have a strong balance sheet and are further strengthening

our capital surplus this half. Our Bank's mortgage book continues to have strong credit quality and the majority of customers remain ahead of their repayments. We have had a productive half delivering on our strategic priorities. While we have both challenges and opportunities ahead I am very pleased with the efforts of the team and the progress we've made which we want to outline today.

So, the first half highlights. As I mentioned we have a strong balance sheet. The Collimate Capital sales along with the divestments of the infrastructure debt platform and our remaining equity stake in Resolution Life mean we are in a strong capital position both from proceeds already received and those that will be received from the Dexus and DigitalBridge transactions expected at the end of September and November respectively.

Today I am pleased to announce certainty around a return of capital to shareholders. $350 million were returned in the form of an on-market buyback to start immediately, followed by an additional $750 million to be delivered next year, of course subject to regulatory and shareholder approvals. This means a total capital return of $1.1 billion to our shareholders.

As well an enabling a significant capital return, our balance sheet position means we are well-placed to ride through the challenges ahead and take opportunities should they arise. We will of course remain focused on managing any remaining surplus to deliver for our shareholders. The sales also importantly set AMP up as a simplified and focused retail management and banking business in Australia and New Zealand.

So while our first half profit of $117 million is lower than the same time last year much of this was predictable. It was partly the result of strategic repricing in Master Trust and Platforms to ensure we had competitive positioning in that space. We announced that last year. Of course there were also impacts from the weaker share market. But these impacts have been offset by our disciplined approach to reducing our cost base which we continue to focus on.

Specifically for the Bank, the lower earnings for the period are a result of downward pressure on the NIM which has shown improvement in the last month, as well as the credit loss provisioning from first half of last year not repeated this time. In the competitive market a conscious decision was

made to only grow when profitable. As a result, while we still grew above market, we stepped back from driving to that 2x systems growth we set ourselves.

The focus on costs has meant controllable costs of $45 million lower compared to the same time last year while losses in the Advice business are on track to halve this calendar year. Our statutory net profit was up significantly at $481 million as a result of the asset sales and particularly in the infrastructure debt sale that we completed earlier in the year.

So we have achieved much on the delivery of our strategy and commitment. Collimate sales have been executed and due to complete in this half. We have worked hard to reduce our cost base and simplify the organisation but there is still work to be done. We have to be vigilant about the stranded costs emerging from the transactions. The Bank remains healthy despite our decision to step back from pursuing unprofitable growth as pricing came under pressure. Bank lending has grown above system and while NIM was impacted during the period we've seen some signs of recovery.

In Platforms our cash flows from the IFAs, a measure we're particularly focused on, has continued to grow strongly, up 49% on the same time last year as our advisor proposition has strengthened and we further develop relationships within that space. We have also continued to invest in the North platform's functionality and investment options to ensure it is one of the leading offers in the market. I have mentioned the reductions in our Advice losses and the great progress we are making on costs in that area. We do remain on track for halving the calendar 2021 loss. This is a critical step as we aim for Advice to be break-even in 2024.

I am also pleased that we have now established our new purpose and values - helping people create their tomorrow - and these are being embedded across AMP and embraced by our people.

So the second half includes the launch of new growth opportunities. Our new direct to consumer digital mortgage is live with a controlled launch commencing last week. The initial offer has gone to our employees and as one of the first customers, I was very pleased with the simplicity and ease of the process. We also have our retirement offer set for launch this half with the team about to begin speaking to advisors about this innovative

solution we'll bring to market. We are confident we can be a market leader in this space.

With the business becoming simpler and the Platform and Bank now having clear pathways to perform, we need to focus energy on both organic and inorganic growth opportunities. So if we look at the immediate future, it's true the environment is less certain. However we are in a strong position to face into it and take advantage of opportunities as presented. We know we're likely to see further rate rises but our mortgage book is strong. We have launched the digital mortgage and are well established to attract deposits.

The volatility in the investment market does impact our AUM and revenues. But it also provides the opportunity for AMP to demonstrate the value of our services and those of Advice by helping customers through more challenging times, particularly as we prepare to launch the new retirement product. Educating our customers will continue to be a focus.

While consolidation is occurring in the super industry, this disruption has seen AMP drive continued simplification in our Master Trust business delivering lower costs and improved investment performance.

Finally, the level of regulation in wealth management in Australia remains a key issue. Engagement with the government, regulators and industry peers, as we look for a sustainable solution for advice accessibility and affordability. Our new retirement product is a good example of where we have alignment with the government through its retirement income covenant.

We are well aware of our operating environment and the external factors for our business. But I believe we are well placed to address these and to seize opportunities when they arise.

So James, let's work through the detailed financials.

James Georgeson: Thank you Alexis. Good morning everyone. Today I will be taking you through the three key areas of our first half results, the earnings of each of the businesses, our cost performance and our capital position including the proforma surplus once the announced Collimate Capital sale is compete. You will see we have continued with the enhanced disclosures of the

respective divisions of Australian Wealth Management providing detailed performance metrics for each of Platforms, Master Trust and Advice.

As we work towards the completion of the Collimate Capital sales, AMP capital disclosures have been split between continuing and discontinuing operations. Continuing operations include the China Life Asset Management Company or CLAMP, PCCP and certain sponsor investments that will be retained by the Group post the sales. Discontinued operations include the sold or held for sale operations with infrastructure debt, global equities and fixed income, international infrastructure equity and the domestic real estate business.

We have affected the move of the Multi-Asset Group, now referred to as AMP Investments into Australian Wealth Management and have restated all comparatives accordingly. The extra details can be found in our investor report. On Slide 8 you will see our first half profit summary where underlying profit is down 25% [unclear] result was largely driven by the lower business unit earnings from the previously announced strategic pricing changes in Master Trust and North and lower net interest margins in the Bank.

Pleasingly the loss in Advice reduced materially following the sale of the employed advice business at the end of 2021 and the impact of our cost-out work. Our bottom line result was favourably impacted by a $390 million gain on the sale of our infrastructure debt platform, partly offset by the costs associated with the separation of AMP Capital and the transformation of our existing businesses. Taking all these into account the bottom line statutory result for the half is a net profit of $481 million.

The waterfall on slide 9 steps through the key movements half-on-half. Whilst I won't talk to each item, I will mention a few of the key specific movements. In AMP Bank, the decrease of $38 million reflects both the lower NIM, given the competitive market ahead of the rate tightening cycle, and a $9 impact from the one-off loan loss provision releases in the first half of last year, which did not repeat this half.

In Platforms, the North hedging impacts of $12 million post tax were responsible for about 40% of the reduction in earnings. This was mainly from the speed of the movement in interest rates during the period. As you can see, the loss in Advice is on track to halve, as we have guided. With

the first half results improving $55 million, compared to the same time last year.

When you look at the overall Australian Wealth Management result, the decrease of $9 million from the same time last year is reflective of the resilience of the business, given the pricing changes we made, as well as the market conditions that impacted the first half '22 results. If not for the North hedging impacts, the Australian Wealth Management results for the first half of '22 would have been higher than the corresponding period.

Turning to slide 10, where we outline the key items below underlying profit. The key items of note include $22 million for climate remediation and related costs, that relate to the APRA-enforced undertaking we committed to in November 2021, and legal costs related to defending the class actions.

There was also $26 million in transformation costs, which relate to the investments to realise our cost-out work. We also incurred $52 million in separation costs relating to AMP Capital, as we prepare for the completion of the sales. This also includes a cost we had incurred previously to pursue the demerger. All of these were offset by other items, which was a net gain of $435 million in the half, largely owing to the $390 million gain on the sale of Infrastructure Debt.

Moving now to our business unit performances in the half, starting with AMP Bank on slide 11. AMP Bank net profit of $46 million was down 45% in the half. Largely due to a reduction in the net interest income, and a $12 million benefit last half from the loan loss provision releases which did not recur this year.

The NIM decreased 21 basis points in the half to 132 basis points for a range of factors. Intense market competition resulting in lower variable margins at a 9 basis point impact, the increased growth of fixed rate home loans had about an 11 basis point impact. Higher liquid assets, which had a 2 basis point impact, due to the unwind of the committed liquidity facility. The NIM has started to slowly improve in the second quarter, in line with the increasing rate environment.

From a growth perspective, AMP Bank's residential mortgage book grew at an annualised rate of 6.5% to $22.4 billion during the half. This was approximately 1.15-times system growth, a good result given the

competitive environment. Our household deposit growth was more than 4-times system in the first half, with a total growth of 12% driven by flows from customer deposits, mainly into term deposit products.

AMP Bank's control of the cost of $64 million, with $5 million higher in the half, following investment in technology as we work to digitise, automate and improve operation efficiency as we facilitate future growth. As a result, the first half cost to income ratio for the Bank of 49.9% is higher. But although we were focused on active cost management and discipline, to focus in driving it lower going forward. The LCR as at 30 June was 143%, reflecting the build-up of liquidity in advancement of the replacement of the CLF. Excluding the CLF, the LCR would have been 123% at 30 June.

Over on the next slide, on slide 12, we show additional information on the Bank and our progress in growing the loan book. Pleasingly as we pursue growth we are maintaining the high quality of our loan book. A deliberate decision to slow growth applications was made in Q1 in order to manage NIM and maintain book quality. This can be seen on the graph on the left-hand side of this slide. Applications have since increased, with a stronger end to the half year. Approval times have also improved across the half, and the Auto Credit Decisioning rate has remained stable at around 60%.

The ongoing focus on maintaining book quality has resulted in approximately 68% of customers being owner-occupied, and an average loan-to-value ratio of 66%. The dynamic loan-to-value ratio had increased slightly to 59% in June, reflecting the latest property values. Arrears rates also continue to perform very well. The 30 day arrears rates improved 8 basis points to 70 basis points in the half, and the 90 day arrears rates have improved 11 basis points to 39 basis points.

As the pre-payment statistics chart shows on the right-hand side of this slide, 47% of our portfolio are more than four months ahead of their repayments, indicating the quality of our customer base. While this has improved in recent times, this has been the case for an extended period, and shows we are well-positioned coming into the uncertain economic environment.

Looking forward, we expect full year '22 mortgage growth to be in line with what we saw in the first half. However we will continue to prioritise writing mortgages profitably, acknowledging the competitive lending market. As a

result, we expect NIM to be in the range of 135 basis points to 140 basis points by year end, subject to market conditions.

On slide 13 we show the key financial metrics for Australian Wealth Management at the total level. Underlying profit decreased $9 million in the half to $36 million. This was mainly due to the lower revenue predominantly from the impact of previously announced competitive repricing in Master Trust and Platforms, and hedging volatility in the North guarantee product. This was mostly offset by $48 million of controllable cost reductions from our planned cost-out activity, and the impacts of the sale of the employed advice business at the end of 2021.

AUM of $126 billion was $16 billion lower than December, mainly reflecting lower investment markets, as well as $1.9 billion of net cash out-flows. The total net cash out-flow for the half has improved to an out-flow of only $1.9 billion, from a $3.6 billion net out-flow last year. This improvement was largely attributable to lower out-flows across both Platforms and Master Trust. As expected, total Wealth Management revenue margins were down 14 bps from the first half of last year, and 6 bps from the second half of last year. The movements primarily relate to the impact of the Master Trust simplification, and pricing changes in the North platform.

Turning to slide 14 where, as I mentioned, we will continue to disclose the key metrics of each of the business lines, starting with Platforms. The Platforms underlying profit for the half was $36 million, $30 million lower than the same time last year. This was due to the impact of the strategic pricing changes we implemented in 2021, lower investment markets, the North hedging impacts, and higher controllable costs as we support business growth and the strategy.

As mentioned, the hedging impacts of $12 million post tax were responsible for approximately 40% of the decrease in earnings in the half. Reflecting the speed of the movement in interest rates during the period. Platform revenues fell as expected from 57 basis points to 49 basis points, from the previously announced pricing actions across MyNorth, North and Summit.

As you can see from the chart, Platforms recorded net cash in-flows of $464 million, up from an $115 million net cash out-flow for the same time last year. Within Platforms, the North product recorded $1.3 billion in net

cash flows, with the business gaining traction in the IFA market, and the IFA flows of $750 million in the half, up 49% on the same time last year.

On slide 15 we show the results for Master Trust, which were subdued underlying earnings in the half reflected the lower margins and weaker investment markets. The Master Trust underlying profit was $27 million, which decreased from $63 million in the first half of last year. This was due to the competitive pricing changes and the Master Trust simplification work, which were partly offset by lower costs from our ongoing focus on operation efficiency.

The net cash out-flows of $1.6 billion in Master Trust improved from an out-flow of $2.6 billion in the same time last year. This half also included approximately $300 million of a lost corporate super mandate. Master Trust AUM of $55.2 billion was 12% lower than December, driven by the weaker investment markets and the cash out-flows. Master Trust revenue margins compressed 24 basis points to 67 basis points, as expected in the period.

Turning to Advice on slide 16. As mentioned earlier, the loss of $30 million in the half was $55 million lower than the same time last year, reflecting the significant benefits from our Advice reshape work, the move to a contemporary service model, and the sale of the employed advice business. The Advice revenue benefited from $18 million of impairments in the same time last year that did not repeat this half. These were partly offset by a reduction in revenue from our employed advice business post the sale, and the divestment this half of the majority owned aligned practices.

The continued focus on costs is reflected in lower controllable costs in the half. Variable costs were also lower, as a result of the sale of the employed advice business. We do expect the second half results for Advice to be weaker than the first half, given there were some small one-off gains from the divestments in the half. However we remain on-track to halve the loss in full year '22 by approximately 50%.

Moving now to New Zealand result on slide 17. Our New Zealand business continues to perform well, with resilient earnings in the half despite investment market impacts. The net profit was down 11% to $17 million accordingly. AUM of $10.2 billion decreased 16% from December, predominantly driven by the lower equity markets. 1H22 controllable costs

of $18 million were unchanged on the same time last year, reflecting the ongoing efforts to offset inflationary pressure observed across the economy, and simplifying the operating model following the conclusion of New Zealand's term as a KiwiSaver default provider.

Turning to slide 18 and the AMP Capital results. Overall financial results for AMP Capital were up 36% to $57 million in the half. The continuing operation earnings were up 63% to $26 million on the back of high contributions from our joint venture investments. Discontinued operations and held for sale businesses earnings of $31 million were also up 19%, reflecting the high sponsor investment earnings offsetting the impacts from the sale of Infrastructure Debt in the GEFI business during the period.

AUM based revenues did fall 29% to $150 million, reflecting the sale of both of those businesses. The seed and sponsor income increased $10 million on the same time last year, as a result of the strong performance primarily on our sponsor investments in real estate funds. Performance and transaction fees remain subdued again as the business transitions to closed-end funds. Controllable costs of $161 million decreased 25% compared to the same time last year, reflecting the impact of the divestments.

On slide 19 we show the breakdown of the main items within the Group Office division. Group Office costs reduced 3% to $31 million, reflecting the benefits of our cost-out work. Interest expense on corporate debt was 25% lower at $18 million, as a result of lower debt levels following $800 million of repayments last year. Group Office investment income was $41 million in the half, with higher earnings from our China investments, and hedging gains in the Corporate Office offsetting the loss of returns post the disposal of our remaining stake in Resolution Life. As Lex said, during the half we received a cash dividend of approximately $14.5 million from CLPC, the second consecutive annual cash dividend we have now received.

Turning to controllable costs on slide 20. This chart outlines the controllable cost movements across the half. Disciplined cost management has reduced costs by 11% from the first half of last year, ending this half at $378 million. Key movements in the half include a $38 million increase following the transition of AMP Investments, formerly the MAG Group, into Australian Wealth Management. A $9 million increase from CPI and other movements.

But offsetting this was $7 million reduction in project costs, and $47 million of reductions from our cost-out program through the simplification of organisational structures, infrastructure and technology.

Overall this is a strong result for costs, with the actions we have been taking bringing the cumulative cost reductions from 2019 to $315 million, concluding the previously-announced $300 million cost-out program. We expect to report full year '22 controllable costs of approximately $795 million including AMP Investments, in line with our prior guidance. This will represent a $50 million net reduction from the full year of '21.

On slide 21 we show you the capital position as at 30 June. This chart breaks down the composition of our capital base, clearly showing the minimum regulatory requirements, the Board buffer, and the resulting surplus held above those two amounts. As you can see, at 30 June, we have a strong capital position of $1.45 billion surplus.

On slide 22, we have our capital waterfall which steps through the capital movements across the half. The first three columns reflect the $959 million uplift from the first half ’22 earnings and the successful completion of the sale of infrastructure debt and our remaining equity stake in Resolution Life.

There was $20 million of net business capital usage, mainly driven by ongoing growth in the Bank, offset by lower wealth management requirements following the equity market falls.

We also reviewed our target capital levels and reduced the capital being held as a broad buffer, releasing $103 million of capital in the half.

As Lex mentioned earlier, we have announced a $1.1 billion return of capital to shareholders today. This will comprise of an on-market share buyback of $350 million to commence immediately and a further $750 million of capital returns planned in 2023, subject to regulatory and shareholder approvals.

Accordingly, and in line with our prior guidance, the Board resolved not to declare a first half ’22 interim dividend. In addition, as we previously have guided, we also expect to pay down approximately $400 million of corporate debt with the same proceeds.

Over to slide 23, we highlight our prof forma capital position and the expected key movements from the trade sales we’ve already announced.

The key movements include; a $712 million uplift from the announced trade sales to Dexus and DigitalBridge net of the net assets of the business as being sold and the residual amounts for both our separation transformation programs approximately $85 million for each.

The capital position in the chart excludes all future earn-out amounts and future business unit growth and operating results.

So beyond the $1.1 billion of announced capital returns today, the remaining surplus will be used to cover the impact of APRA's unquestionably strong capital requirements and the further paydown of corporate debt.

We will also explore opportunities for investment and/or additional capital returns.

Net tangible assets at 30 June were $1.28 per share, which is before the announced trade sales to Dexus and DigitalBridge and any of the earn outs.

Slide 24 highlights our guidance points for the various businesses in 2022. The key callouts are as follows; in AMP Bank we are targeting a full year NIM in the range of 135 to 140 basis points and mortgage book growth in line with the first half of '22, subject to market conditions and interest repricing opportunities.

In Advice, we expect the full year '22 loss to halve from the full year of '21, reflecting the exit of employed advice, right sizing the network and our cost out work.

In Master Trust, we now have an end to end superannuation business in place, following the transfer of AMP Investments and for margin compression to slow down materially.

Platforms revenue margins at the end of this year are expected to be in line with what we reported in the first half.

At a total wealth management level, we expect full year '22 AUM based revenue margins to be approximately 55 basis points, reflecting the full run rate of the Master Trust simplification. So only a small reduction from where we are today.

The New Zealand NPAT is expected to be marginally lower in the second half, given the volume headwinds and the lower general insurance arrangements.

So stepping back, our half year results have shown we're well placed despite the challenging macroeconomic environment we're facing into. Our earnings were resilient but lower when compared to the prior period, primarily as the deliberate repricing activities were not fully offset by plain cost reductions.

The lower investment markets and a high competitive lending market created headwinds not foreseen at the start of the year. We are seeing the benefits from the cost out program with businesses delivering a net $45 million of reduction in controllable costs in the half and our controllable costs are tracking to plan despite inflationary headwinds.

Our strong capital position supported the agreed sales of Collimate Capital allow us to commence the capital return initiatives immediately with further paydown of corporate debt, whilst continuing to invest in the growth of the business.

I'll now hand back to Alexis to talk through the progress on our strategic priorities.

Alexis George: Thanks James. I think it's important to remind ourselves of the priorities we set for the FY22 year and how we are delivering on these.

Firstly, complete the separation of Collimate Capital. The sales are on track. We've made good progress on giving out clarity to our people for the future as well as planning the transition.

The sales not only realise value and deliver capital but importantly simplify and sharpen the focus of the ongoing business. With the sales almost complete, we can redirect energy into our ongoing goal of repositioning AMP as a simplified and focused business.

Two, reduce the cost base. We continue to demonstrate our capability to reduce costs. We're achieving this by simplifying our organisational structures, infrastructure and technology. We do need to maintain focus on the Group costs and minimise the impact of further costs from both the Collimate and Resolution Life transactions.

Investment in technology will also be required to deliver further agility and simplification.

As you know, the Bank has been a very important role in AMP's future. We knew our target to continuing to grow 2x system was ambitious. I was also very clear at our last results that while we want to grow the Bank, we'd only do so where profitable and producing reasonable NIM.

We did continue to grow above system for the period, however we actively pulled back to preserve our margin and then we finished at 1.15x system growth. We do continue to deliver improvements in customer service and have also increased efficiency by migrating our technology core to the cloud and that will help us into the future.

We've launched new technology to brokers and over 60% of applications are now being processed through the auto-credit provisioning. I'm also very proud of the team's achievement in setting up our capability in a direct to consumer space in just 120 days.

Looking ahead, we need to continue to focus on credit quality and customer service but also on that cost to income ratio and NIM.

IFA Flows and Platforms, number four. Our North proposition continues to gain traction with independent financial advisors with cash inflows up 49% on the same time last year. This is being driven by enhancements to our investment choice and functionality on the North platform. .

We've improved the digital experience with a new app that's designed to make it easier for advisors to support their clients. We've more than doubled our partnered management portfolios and we've introduced new investment options and ETFs.

We'll launch the new retirement offer this half and be making further digital experience and functionality enhancements.

Five, explore new business opportunities. The work we've done on simplification and repositioning allows us time to explore new business opportunities. As I mentioned, we've got the new digital mortgage, we're launching our retirement product to retail customers soon.

We have to maintain focus on the performance of our current businesses, but we'll look at inorganic and organic growth opportunities that help us scale or deliver new capabilities.

Last but by no means least, purpose and values. I'm very pleased with how the purpose and values have been embraced by employees and we'll continue to focus on initiatives that drive a high performance culture because it's a key enabler for our success.

So, we're making progress on our path to the new AMP. I'm pleased with the progress we've made in achieving the priorities we've set ourselves for the '22 calendar year.

We've committed capital returns to our shareholders and we're entering the exciting period for AMP. While we still have much work to do in simplification, proving we can grow the Bank responsibly and managing positive cashflows in our wealth management business, we have a plan that the Executive and I are committed to delivering.

We understand we're entering less certain times, but we have a strong balance sheet and a more focused portfolio. We're better equipped to adapt to this changing environment.

So thank you and I'll now hand to the operator for questions.

Operator: Thank you. If you wish to ask a question via the phones, you will need to press the star key, followed by the number one on your telephone keypad. To cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your question.

Your first question comes from Matt Dunger from Bank of America. Please go ahead.

Question: (Matt Dunger, Bank of America) Yes, thank you very much for taking my question Alexis and James. Just wondering if I could clarify on the $2 billion of surplus pro forma capital you're talking to. Obviously you've flagged $1.1 billion of capital returns, $400 million of debt paydown. You've got $129 million surplus in the Bank. Is that enough to meet the APRA capital changes?

Then presumably there's something left over for acquisitions. Are you able to talk about the quantum, the size of a potential acquisition and where it would come?

James Georgeson: Thanks Matt. The $129 million we hold in the Bank; I think it will go towards the new capital requirements that will come in from next year and in the following years but it won't cover all of it. I guess as our stated strategy over

the last 18 months is to grow the Bank as part of the core growth strategy, I think the Bank will consume more capital over time.

So look, that helps but as I said and as I was trying to explain the difference between the 1.1 and the $2 billion capital surplus, some of that will need to go to continuing to fund the growth in the Bank.

Alexis George: Matt, just your question on future inorganic growth, I mean there's nothing definitive I want to talk to you about today but I think we've been very clear that scale is important to us, as is capabilities. Particularly in that digital and data space where we need to be better.

I mean we're in a position where some of the asset values have come off there, so we'll just be very diligent about looking at those. Thank you Operator.

Operator: Thank you. Your next question comes from Nigel Pittaway from Citigroup. Sir, please go ahead.

Question: (Nigel Pittaway, Citigroup) Good morning. Just a question on the Advice transformation. It looks as if basically that - I thought a key objective of the Advice transformation was to improve the number of advisors, the numbers of the practice.

Yet, if you look at what you've disclosed on 29 of the Investor pack, there seems to be only a very marginal improvement. So maybe a bit more in charter than anywhere else. So I was just wondering if you could talk to why that hasn't improved more as you've gone through the transformation?

Alexis George: Thanks Nigel. Look, I think we're trying to move our Advice business into a contemporary advice business, where really our advisors are prepared to pay for the services that we offer and we'll offer both a standard package as well as additional ones.

I think the revenue per advisor is starting to improve there and if I talk to our team it continues to improve in the third quarter of this year. The advisor numbers are down slightly but that's probably what we expected, given we're going through this transitionary period.

Question: (Nigel Pittaway, Citigroup) Okay, but there's still no real improvement in number of advisors per practice. Really, the advisor numbers have gone down without the consolidation of practices, as was originally intended? Is that fair or not?

Alexis George: I think a lot of that consolidation Nigel, happened through the ’21 year as we went away from the one and two man practices into the larger practices. So there might be a little bit of improvement to come there but I think a lot of that hard work has been done.

Question: (Nigel Pittaway, Citigroup) Okay, fair enough and then I’m sure you’re not going to tell me too much about the retirement product but I was just wondering is there anything you can say about it as to where it will be targeted and secondly, just to confirm that this is something you’re doing totally off your own bat, without using any other partner?

Alexis George: Yes, you’re right, I’m not going to go into too much detail today because I think we’re pretty excited about the launch of that which I’m hoping will occur in October and our team is starting to talk to the advisors as we said before.

We are doing that with our own team. We will look to partner for some aspects of that but it’s being driven, the product development has been driven from our own team and the capability will be internally.

It will be an advised proposition. So watch this space.

Question: (Nigel Pittaway, Citigroup) Okay, thanks very much.

Operator: Thank you.

Alexis George: Thank you, operator.

Operator: Your next question comes from Lafitani Sotiriou from MST. Please go ahead.

Question: (Lafitani Sotiriou, MST) Good morning, everyone. A few questions from me. the first is in relation to the NTA, so thank you for providing the $1.28 and you mentioned the two additional transaction sales have not been included. Is it possible to provide a proforma NTA, including the rough washout of the Infrastructure Equity and property platforms being sold?

Can you just also dive back into that excess capital number? Just broadly speaking, there's $2 billion to start with; $1.1 billion being paid down - being returned to shareholders, $400 million being paid back in debt. There's about $500 million left, retained earnings this half will be another $100 million so $600 million by the end of the

year, $200 million of that probably earmarked for the Bank. Does that mean you've got about $400 million to play with there?

Alexis George: Maybe I'll take it Chris and then let James talk about the details. Thanks, Laf, I'll let him talk to the NTA. In terms of the capital, your numbers are absolutely right but we haven't completed the transactions yet. So, I don't think - now, I'm not calling any issues there but we want to complete the transactions before we start to think about what we might do with the excess, which is exactly as you it's - you have articulated. James, do you want to talk through the NTA?

James Georgeson: Yes, so the NTA, Laf, on the chart on the proforma, I think the thing to remember there is, there's - we talk about $712 million from the Collimate Capital transactions. We've already got the $300 million of Capital synergies included within our NTA, so not released from a Capital perspective.

There's $0.07 or $0.08 of NTA once you settle the transactions from the proforma that we've got today and the growth - roughly speaking to the proforma, you're talking about by the end of the year is we're in the rough ballpark. That gap between the $1.1 billion and the $2 billion proforma, as I said, there are three core components of that.

There is the Bank, unquestionably strong; there is the rate repayment of a further hybrid note at the end of 2023 and then we've got a bucket that we're thinking about, whether it's either M&A or further capital returns.

I - from a quantum perspective, we probably think about those as a third, a third, a third of each of those buckets. If there's a couple of hundred million there for bank growth, there's a couple of - I think $250 million for the hybrid instrument and there's $300 million or so for that M&A and further capital return, depending on where we land.

So, that's the way we've been thinking about it.

Question: (Lafitani Sotiriou, MST) Yes, okay. I just want to follow up on the guidance that's been stated. I think previously, Lexi mentioned that

the - there's an aspiration to move to 2% market share in the Bank, I think that's doubling by financial year '25.

Can you just refresh the Bank guidance over the medium to longer term, what your aspiration is there and just with Group Office, the numbers - staff numbers seem to go up in the last half; there are 1,242 staff at Group Office and there's $20 million odd stranded Group costs. Is this an area that you will be focusing on in the next financial year?

Alexis George: Yes, couple of big questions there. Firstly, if I looked at the Bank, it would be fair to say that the market conditions, particularly the competitive market conditions in mortgages probably changed a little more quickly than we'd anticipated. Clearly, you can see that we're paying for our funding there. We still do have that ambitious target of growing at 2x system. But you can see, Laf, that we really pulled back from that in the first half.

I think we've started to see some improvements in the latter half of the first half and into this quarter, but I just want to be cautious about that. So, I'm not saying we're pulling away from our long-term ambition to grow it two times but it is ambitious and I think we have to realise that in the current market conditions.

When it comes to Group Office, I can 100% assure you that we're very focused on employee numbers and as I said multiple times through the presentation, very much aware of that, we have to be vigilant about those stranded costs that are going to emerge from the transactions we've done. In terms of the actual numbers [unclear]

James Georgeson: Yes, so the cap - the stranded costs, Laf, we've framed around the Collimate Capital sales is a run rate of around $20 million, is the net stranded cost we'd see. But that will - that's the gross percentage, the gross number. We'd be hoping to attack that and minimise that as much as we can. Primarily, it relates to core Group infrastructure services that are charged to AMP Capital today that won't be able to be charged going forward.

We wouldn't expect too much of that to hit in the 2023 year because the trade sales will still be being unwound and those services will be

- the [unclear] will be able to be funded through transition work. It's probably more of a back end of '23/'24 for that to come through and we'll obviously guide at February around how we're going in attacking that $20 million.

Question: (Lafitani Sotiriou, MST) All right, great, thank you.

Alexis George: Thanks, Laf. Thank you, operator.

Operator: Thank you. Your next question comes from Kieren Chidgey from Jarden. Please go ahead.

Question: (Kieren Chidgey, Jarden) Morning, guys. Two questions, if I can, maybe just starting on the Bank and Alexis, you were touching on it before in regards to your previous target of two times system growth. Just wondering how - what levers you need to pull to generate above system growth at a return above your costs of capital, just given that's come down to 7.8 or 7.2, I can't remember the exact number this period, despite no bad debts being booked through the P&L this half.

So, it doesn't seem sustainable to be growing at those sorts of levels in this environment, so do you think that's a temporary thing, do you have to take costs out? What are the levers to achieve above system growth above costs of capital returns?

Alexis George: Thanks, Kieren and thanks for that question. I think growing is an easier thing to do, being responsible about that growth is important and there are a couple of things we have to focus on. Firstly, if you look at the NIM waterfall that James talked through, you can clearly see that we only got a 1 basis point benefit from funding there, so we're paying for our funding through the cycle.

I think there's one thing we really need to focus on, which is improving our transaction banking capability. It hasn't been a focus for us in the past but that's one thing we need to do in order to be able to keep customers through the cycle.

The second thing that you just highlighted was just making sure we continue to focus on cost and that may be some costs directly in the Bank but I think more appropriately, the allocated costs that come through to the

Bank from the growth. So they're the two things I would point out as an immediate focus for us.

Question: (Kieren Chidgey, Jarden) All right, thanks and the second question, just on the Advice business. I think you said you're still on track to halve the losses from last year and previously you'd flagged the ambition, I guess, is to move to break even by '24.

But in previous discussions, that sort of residual loss post this year in terms of moving fully break even seemed to hinge a lot on regulatory reform and an easing of some of the burden that's been put on advisors post Royal Commission.

So just wondering whether or not you're sensing enough change there and has your confidence around that regulatory red tape reducing improved over the past six months?

Alexis George: That's a big question. Firstly, certainly easing in the regulatory environment would help us in achieving that break even position by '24 so I don't think we should deny that. I have to say, and I've been in the industry quite a while, over the last year, six months even, I think we've seen a real preparedness for both regulators, government and the industry to really lean into this problem.

It's not like our retirement system has become any more simplified so advice is clearly something many of our customers need and having that be more affordable and accessible, I think, is something the whole industry and I include regulators and government in that, are willing to look at.

I mean, even yesterday if you look at some of the announcements from the Minister, it seems that there's a real willingness to make the change. So I'm probably as optimistic as I've been in this space about there being some change in that area and I mean, we're not walking away from that position about the '24 for Advice.

Question: (Kieren Chidgey, Jarden) All right, thank you.

Alexis George: Thank you, Operator.

Operator: Thank you. Your next question comes from Simon Mawhinney from Allan Gray. Please, go ahead.

Question: (Simon Mawhinney, Allan Gray) Hi, good morning both. Just checking you can hear me?

Alexis George: Yes, thanks, Simon.

Question: (Simon Mawhinney, Allan Gray) Great. I'm sorry to harp on the capital outcome. There's [unclear] from $1.1 billion to $2 billion. Two of the items [unclear] corporate debt $400 million and the capital injection [unclear] but neither of those [unclear] in the former [unclear] and then the left [unclear] from one [unclear].

Alexis George: Do you want to comment on that?

Question: (Simon Mawhinney, Allan Gray) If you could explain that a bit differently?

James Georgeson: Yes, so Simon, you're right. The $400 million of corporate debt paydown doesn't impact our capital base. So that is not included in the movement here. The capital we're talking about for the withholding that goes to the part of the Bank is more about where the unquestionably strong and counter-cyclical buffers are coming which are more capital imposts that are coming next year.

So it's more to do with, were we effectively utilising some of the surplus. If I take it from one bucket to another to another but it effectively means it's not available for distribution. So that's that one.

The other point, the other corporate debt I flagged to pay down is a hybrid instrument that backs the Group office capital base. So that one is more as we refinance that or pay that off, it won't form part of the capital base. So it will kind of effectively, as you say, it doesn't come out of net assets but it's effectively not going to have it as eligible capital. So that's the reason why it - that sort of explains part of the movement.

Question: (Simon Mawhinney, Allan Gray) Okay, so on the $400 million though, that's not a valid reason why $1.1 million of capital return couldn't be $1.5 billion?

James Georgeson: Correct. Correct, yes. So no, we're not saying that. So the $1.1 billion is - I guess what we're sort of saying is, the right balance at the moment and then as I said, there's three drivers around - or three buckets explaining the difference between the $1.1 billion and the $1.9 billion or $2 billion we'll get to by the end of the year.

So yes, so absolutely right. The paydown of corporate debt doesn't impact our capital base and is not the reason for that. We just think the $1.1 billion is right for now given the uncertainty of the environment that we're looking into as well as the trade sales - two further trade sales not yet being completed.

Question: (Simon Mawhinney, Allan Gray) Okay, yes. I probably could have asked my question differently. Why is the $1.1 billion not $1.5 billion but…

James Georgeson: Yes.

Alexis George: I think we understood what you were asking, Simon.

James Georgeson: Yes.

Alexis George: I mean, it's a fair question if we look at the surplus today but I think as James said, we think it's the right number for today. The second - the DigitalBridge and Dexus sales haven't been completed yet and we're moving in uncertain times so we want to make sure that balance sheet is strong but it's something we'll continue to watch, as I said, and re-evaluate as we get towards the end of the year.

Question: (Simon Mawhinney, Allan Gray) Thank you.

Alexis George: Thank you, Operator.

Operator: Thank you. Your next question comes from Andre Stadnik from Morgan Staley. Please, go ahead.

Question: (Andre Stadnik, Morgan Stanley) Good morning. Can I ask my first question around wealth? The wealth flows were better. Can you talk a little bit about what drove the better outcome of wealth flows and do you have any targets from when you'd like to see those go positive?

Alexis George: I didn't hear that, so can you…

James Georgeson: So wealth flows, so Andre, look, we've had a couple of drivers. We've had continuing improvement overall in the sentiment towards AMP. You know, post the Royal Commission, it was very negative and you can sort of see from our graph on Master Trust, the cash flows have started to really - there's still net outflow but the trajectory is more positive.

The repricing changes that we made in Master Trust, they're substantial and they've hit the profit this year but they really started to remove one of

the reasons why an advisor or a customer would switch away from AMP. So that's on the Master Trust side.

Then on North, look again, we've re-priced the product back to very competitive against the sort of the core platforms in this area and Edwina and the team are focussing hard on penetrating the IFA market which we haven't really gone after more recently. So and again on the Platforms slide, you can see our improvements in IFAs and North flow.

So they're the two drivers. The (1) focussing on growth from an IFA perspective and (2) the pricing changes have really stopped us - some of the outflows to end the sentiment on the books.

Alexis George: I think I'd add to that in that there is no deficiencies in terms of the proposition. When we sat here a year ago, we were talking about really big gaps around managed portfolios on the platform particularly where we didn't have a competitive proposition or a compelling proposition. All of that's been changed now as well as really leaning back into the advice market and saying we're serious about it.

James Georgeson: Yes and on your question on what's our trajectory for net positive? We've guided it - I think by the end of the '24 year, we would be at a net overall positive for wealth cashflows. The Platforms business is obviously positive today and then that's really improving Master Trust and getting the Platforms number to grow from where it is today.

Question: (Andre Stadnik, Morgan Stanley) Thank you and my other - my second question, I wanted to ask, what kind of reinvestment do you think you need to undertake across Wealth and Bank to stay competitive?

Alexis George: I think - look, I think we have really in the Wealth space, it's maintenance of the competitive proposition. We spent a lot of money during this year making sure Platforms - and last year, were priced well. The service price proposition was compelling. We had solutions for the customers of our advisors out there. You know, we need to keep that fresh and we need to keep investing in that and that's in our margin guidance.

I think when it comes to the Bank, you see that we've launched the new digital proposition. That didn't cost a lot of investment for us and again, it's an ongoing investment as opposed to any one massive one-off that we'd be looking to do. That again is included in our forecast.

James Georgeson: Yes and Andre, we spent about $120 million to $130 million on projects. Project or investment spend every year. It's embedded in our controllable cost numbers that you see disclosed in investor report. We've tried to re-direct that more towards the Platforms and the Bank given that's where our growth agenda is and we think that that hopefully is sufficient from a go-forward perspective.

You know and the work we've done on the digital mortgage work is - we partnered with another firm rather than build it ourselves and that was part of the reason around doing that was to make sure we manage our investment spend but also try to get the right outcomes for the business.

Question: (Andre Stadnik, Morgan Stanley) Thank you.

Alexis George: Thank you. Thank you, Operator.

Operator: Thank you. There are no further questions at this time.

Alexis George: Well, thank you very much. Thank you everyone for listening to us today. We have our Investor Relations Team are always available to answer any detailed questions and I look forward to engaging with many of you over the coming days so thank you very much for today.

[END OF TRANSCRIPT]