TRANSCRIPTION

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Alexis George: Well good morning, everyone and let me start by paying my respects to the traditional custodians of the land on which we hold this meeting today, which for me, is the Gadigal people of the Eora Nation and pay my respects to all Elders, past and present from the lands on which you join us today.

With me here today, of course, is Peter Fredricson, who joined AMP as the new CFO last month. We're delighted to have someone of Peter's calibre and experience on our Executive Team at a time of importance for AMP's transformation. Peter will talk through our financial performance shortly and I'll then provide an update on our progress against the strategy before we move to questions.

Firstly, I'd like to give you an overview of the year and some key highlights. In November 2021, we presented our strategy setting us on a path to a new AMP. The results we present today reflect the full year of execution against that strategy and the excellent progress we have made delivering on our key strategic objectives.

We've continued to experience uncertain economic conditions and it's clear that this will continue for some time. Investment market volatility, rising inflation and higher interest rates are impacting our customers and putting pressure on the cost of living.

AMP is well positioned to navigate this environment and continue supporting our customers and delivering for shareholders with a robust

balance sheet and capital position, strong credit quality in our Bank's loan book and a clear strategy identify the key areas for longer term growth.

Two of the key parts of our strategy were and are to reposition and simplify the business. Much work has occurred but I think it's important to remind all of our stakeholders what the business will look like post the completion of the AMP Capital sale.

Our Australian businesses consist of AMP Bank, our digital-first retail challenger bank and our three wealth management businesses. Platforms which comprises our flagship North platform; Advice which provides professionals services to advisors, both aligned and non-aligned; and Master Trust, our superannuation business.

New Zealand operates as a relatively standalone business, offering wealth management, financial advice and distribution of general insurance products.

Businesses reflect the AMP of today and tomorrow and continue our 170-year history of supporting our customers with their financial wellbeing. This simplified and more streamlined portfolio sets up AMP for the future and allows us to focus on our growth opportunities in AMP Bank and Platforms.

Of course, we cannot forget our strategic partnership, including China Life on the investment management and pension side. The joint ventures are well positioned to benefit from the growth of the pensioner retail investment industry in China.

We also have our minority stake in the US-based real estate manager, PCCP but our decision to sell the AMP Capital businesses will consider whether this stake is the right hold for AMP longer-term. For now, it continues to perform in line with our expectation.

Now let's talk about our earnings and execution for the year. I describe our FY22 underlying earnings of $184 million as solid in a market where there was significant uncertainty and downturn. These earnings were impacted by our strategic decision to re-price Platforms and Master Trust in '21 to strengthen our competitive position.

It also reflects lower fees earned on asset under management due to the decline in investment markets and a period of margin compression by AMP

Bank amid strong competition. Bank margins have, however, started to recover in this second half as we previously indicated.

We grew the mortgage book of the Bank by $2 billion. Continued to grow the flows from IFA and delivered on our cost target. We also finalised the transaction to sell the AMP Capital businesses with only the Domestic Infrastructure and Real Estate sale to Dexus pending.

Our capital management remains strong and we remain committed to returning the $1.1 billion capital to shareholders announced in August last year. To date, we’ve been able to buy back $267 million of the $350 million initial tranche and have received regulatory approval to return a further $400 million.

This includes a dividend of $0.025 which will be franked 20%, which we announced today. This dividend demonstrates our confidence about the future trajectory of our Company.

We have a strong balance sheet and will continue to assess strategic opportunities to drive sustainable growth in our key areas. As you would expect, these options will always be considered against alternative options to drive shareholder value.
The achievements of ’22 are significant for AMP and demonstrate that we’re able to execute on our promises and give us confidence in the future.

Diving a little deeper into these deliverables. In the Bank, despite highly competitive conditions, we’ve continued to grow organically and inorganically, seeing 16% customer growth and 1.8 times systems growth. By excluding Nano, 1.5 times.

We also launched one of the true first end-to-end digital mortgages in the second half of the year as we expanded our direct to consumer offers. It is in the early stages but demonstrates we can deliver quickly and utilise partnerships to our advantage. IFA flows in our flagship North platform trended upwards again, increasing 31% on 2021 and flows generally are improving.

We launched a set of unique-to-market retirement income solutions at the end of last year and we want to become known as the retirement specialist. Importantly, these new solutions encourage

advisors to re-look at AMP as a platform provider for their broader business.

In April ’22, we secured the sales of the AMP Capital businesses to Dexus and DigitalBridge. The DigitalBridge deal completed two weeks ago and we continue to work towards completion of the Dexus deal with one condition precedent outstanding. We are working on an alternative means of completing the deal if this approval is not forthcoming.

We’ve also completed much of the work in 2022 to separate these businesses and prepare them for the transfer to their new owners. These transactions simplify the business and do enable us to focus our energy resources into the future.

For our people and customers, it is also important that we launched AMP’s new purpose, helping people create their tomorrow and five values to guide the actions and behaviours of our employees.

I’m particularly proud of the purpose and values which reflects a step-change in AMP’s corporate culture as a customer-focussed and purpose-led organisation.

AMP is well positioned as we head into the more uncertain environment. We’ve simplified our portfolio and re-positioned it for the future. We’ll continue to invest in our key growth areas of Banks and Platforms as well as enhancing our digital capability and introducing innovative, direct to customer offers.

We’ll continue to explore and support new growth opportunities. Operational efficiency will also remain a continued focus and I know Peter will help in this endeavour. As you’ve heard me say many times, delivering capital returns to shareholders will also remain a priority in ’23. We have a strong Executive Team in place and we’ve built a culture of performance and capability.

As mentioned last year, we did launch our new purpose, helping people create their tomorrow. This is an important reminder of how this comes to life for our customers, our people and the communities in which we operate.

At the core of AMP is a long history of delivering for and contributing to the community. This remains critical to business today. When we think about our strategy and how we'll grow AMP, we approach this from a position of creating value for all stakeholders.

We understand the importance of our role as custodians of the wealth and retirement savings of Australians and the role we can play in improving the financial health and wellbeing of customers as well as those in the broader community through our independently funded AMP Foundation.

These pursuits are all the more important in these challenging economic times and it's important for AMP that we never lose sight of this broader role that is played over many years. Let me now ask Peter to talk through the financials.

Peter Fredricson: Thanks, Alexis and good morning, everybody. For those of you who don't know me, I'm Peter Fredricson, Chief Financial Officer at AMP. I joined the Company in January of this year and am pleased to be here presenting our FY22 financial results to you today.

Privileged to be part of this iconic business at this time as we progress our transformation and reset the business to deliver on our strategic growth plans, meet the needs of our customers and create value for our shareholders.

I'll be taking you through our full year results today with a particular focus on two key areas. The earnings for each of our businesses and our capital position and capital management initiatives, including our pro forma surplus, once the remaining AMP Capital sale completes.

At the outset, I want to note that as we work through the completion of the AMP Capital sales, we've reported the results for that business as either continuing or discontinued operations. Continuing operations includes China Life AMP Asset Management or CLAMP, PCCP and a number of other sponsor investments that we are retaining post the completion of those sales.

Discontinued operations includes the sold or held-for-sale operations of Infrastructure Debt, Global Equities and Fixed Income,

International Infrastructure Equity and Real Estate and Domestic Infrastructure Equity.

The move of the multi-asset group known now as AMP Investments into Australian Wealth Management Group, is again reflected in these results with all comparatives re-stated accordingly.

As is the norm with our results, additional commentary and details can be found in this investor presentation and the investor report lodged with the ASX earlier today.

On slide 9, you'll see our FY22 summary of where underlying profit is $184 million for the year. Whilst down relative to FY21 underlying results, this result was largely expected as it reflects the impact of strategic pricing changes in our Master Trust and Platforms businesses, investment market volatility driving AU assets under management lower and NIM compression in an increasingly competitive residential mortgage market.

Losses in Advice reduced materially over the full year, reflecting the significant progress we've made on the road to transforming that business into our sustainable standalone business.

Bottom line result was favourably impacted by a $390 million gain on the sale of the Infrastructure Debt platform, partly offset by separation costs relating to the sale of our AMP Capital businesses and the $68 million of impairments announced last month. All up, the bottom line statutory net profit for the full year of $387 million was a pleasing outcome.

The waterfall on slide 10 steps through a number of key post-tax profit drivers for the year. Some key metrics that I would especially call out, a combination of an increasingly competitive market in the full year impact of product switching from variable to fixed rate mortgages contributed to a 24-basis point compression in net interest margins for the Bank.

An $88 million reduction in earnings in our Australian Wealth Management business of Master Trust businesses - of Master Trust and Platforms, was largely due to strategic pricing changes implemented in the second half of '21 and reduced AUM as a result

of the ongoing under-performance of global investment markets in an environment where overall fund flows into the AWM business were substantially neutral for the year.

Our very disciplined focus on cost management with the work we've undertaken to re-shape our business resulted in a $38 million post-tax improvement in controllable costs compared to the same time last year, bringing controllable costs to our FY22 target level of around $790 million for the year.

Slide 11 we outline the items below our underlying NPAT result. These comprise of one-off, non-recurring revenues and costs. Key movements here include the $25 million for client remediation and related costs, primarily relating to the APRA enforceable undertaking we committed to in November 2021.

$61 million in transformation costs, largely relating to realising cost improvements across the business. $90 million in separation costs relating to AMP Capital as we progress the announced trade sales including some costs we had incurred early in 2022 through the early analysis of the demerger of the business and $68 million of impairments around property and systems that we signalled to the market in our release on 25 January.

All of these were offset by a net gain of around $400 million for the year, largely owing to the $390 million gain on sale of the Infrastructure Debt Platform.

Moving now to our business unit performances, starting with the AMP Bank on slide 12. Full year NPAT of $103 million reflects a reduction in revenues primarily as a result of NIM compression experienced in the first half of the year.

That $103 million should be measured against FY21 NPAT that's adjusted to around $135 million after taking into account the $26 million release of credit loss provisions related to the impact of COVID-19 that was reflected in the previous FY21 result.

All up, a solid result when also taking into consideration the growth in the loan book and the costs associated with customer deposits to support that growth.

Slide 13 gives us a waterfall of the NIM compression through the year. Pleasingly and as we guided to at our first half results in August, AMP Bank’s second half ’22 NIM of 1.44% was 12 basis points higher than the first half ’22, driven by an active focus on margin management.

This increase arose primarily from interest rate rises experienced through the half offset with careful management of our funding base relative to the growth of the loan book.

Intense competition and a higher proportion of fixed loans in the first half continued to place downward pressure on revenue margins in the year with the full year NIM at 1.38%, 24 basis points lower than FY21.

If we just go back to slide 12, what you’ll see here is that our continued focus on enhancing service and price propositions within the Bank saw 9.4% growth in our residential mortgage book to $23.8 billion. This growth included the acquisition of Nano’s loan portfolio in late December of around $400 million of loans transferred in by the year end.

Total growth represented approximately 1.8 times system or 1.5 times, excluding the Nano acquisition for the year. A good result, given the competitive landscape in which the Bank continues to operate.

Total deposits for the year increased by $3.1 billion or 18% on the prior year with household deposits growing 3.6 times system. The majority of these flows were sourced from customer deposits largely on term deposit. As with the whole of the Group, an active approach to cost management and discipline are an ongoing focus for the Bank.

However, strategic investments in technology as we work to digitise, automate and improve operational efficiency to enhance customer experience and facilitate future growth saw FY22 controlled costs increase 7% to $135 million, driving the Bank’s cost to income ratio to 47.4% for the year.

On slide 14, we've included some additional metrics on the Bank and our progress in growing the loan book. The chart on the left-hand side illustrates the point I was making earlier about the strong loan growth we experienced in the second half, which resulted in growth of 1.5 times system over the year, excluding the Nano acquisition.

This growth has been supported by a strengthened digital capability, which coupled with enhancements in our service proposition, has delivered a 33% improvement on median customer cycle times to unconditional approval now at 8.3 days.

What is most important is that as we pursue growth, we are maintaining the high quality of our loan book. At December 31, 67% of mortgages are on owner-occupied properties, with interest only lending as a percentage of the total book remaining steady at 15%. The average loan to value ratio in the book sits at 66% and the dynamic LVR for existing mortgage business increased 5% to 63%, reflecting recent movements in most property values.

It's inevitable that rising interest rates will cause stress for some customers, however we have systems in place to work with those customers to find appropriate solutions. We also have strong buffers in place, and we continue to closely monitor arrears rates, which are performing well in comparison to peers, with the 90 plus day arrears rate improving 0.2 per centage points to 0.3%, and the 30 plus day arrears rate increasing only slightly to 0.8%.

Something we should mention is that the number of our customers have used the low rate environment in recent years to pay ahead of their schedule. As at 31 December, around 41% of AMP Bank mortgages are ahead by in excess of three months, and we retain strong levels of either offset and/or redraw balance accounts within the book.

Looking forward, we will continue to prioritise writing mortgages profitably, we expect FY23 residential loan growth to be in line with FY22, again acknowledging the competitive lending market. We expect NIM to be substantially in line with FY22 rates.

As I mentioned earlier, we continued to disclose the key performance measures for each of the wealth management business units in Australia,

starting with our platforms business on slide 15. Underlying profit of $66 million for the year reflects the impact of competitive pricing initiatives and strategic investment undertaken in FY21 to position the business for future growth. Lower investment returns across global markets impacted average AUM, assets under management, which was down 1.4% to $66.3 billion, in turn contributing to lower revenue.

Furthermore, higher than previously experienced volatility in investment markets saw us book losses against North guarantee hedges, where last year we had booked profits on those instruments.

As noted on slide 16, platforms recorded net cashflows of $936 million in 2022, up from $83 million of net cash inflows in 2021. North net cashflows of $5.7 billion were up $2.4 billion compared to FY21, driven by the closer of our Summit and Generations products in the fourth quarter, and the migration of existing members to the North platform. Inflows to North from independent financial advisers in the year of $1.7 billion, were up 31% on FY21 and reflect our ongoing efforts and success in continuing to grow this key strategic platform.

On slide 17 we show the results for Master Trust, which delivered subdued earnings in the year off the back of weaker investment markets, the strategic repricing we spoke of earlier and the loss of one reasonably large corporate superannuation mandate. Underlying profit of $55 million in the year was largely due to the impact of pricing changes implemented in October 2021 as part of simplification activities. In turn, the lower cost base resulting from an ongoing focus on operational efficiency, helped deliver a solid Master Trust profit.

Net cash outflows of $3.9 billion improved from outflows of $5.2 billion for the same period last year, with $400 million in pension payments and $940 million of mandate loss contributing to those outflows. Whilst underlying cashflow trends continued to improve, a further significant mandate loss is expected in FY23 with the previously announced conclusion of a large corporate super mandate expected to contribute approximately $4 billion in cash outflows by year end.

The exit of that mandate is not expected to have a material impact on profitability. Master Trust assets under management at year end of $54 billion was 14% lower than FY21, driven primarily by weaker investment

market returns and to a lesser extent the impact of those net cash outflows. Further, future simplification will focus on investment structures and menus, and whilst this will reduce assets under management based revenue somewhat, we expect investment management expenses to also reduce to offset any revenue impact.

This continues our journey towards building a best of breed super business to enhance financial outcomes materially and sustainably for our members.

Turning to advice on slide 18, we're pleasingly our work on transforming that business to a sustainable standalone business continues to progress well, and has resulted in an acceptable full year result with NPAT losses improving in line with guidance to $68 million, more than halving the losses from the previous year.

FY21 result included $18 million of impairments that were not repeated in FY22, but FY22 did see revenue of $56 million supported by high licensee fees following the introduction of new commercial terms.

Of greater note was the reduction of some $47 million in controllable costs within the business. Continued focus on costs was reflected in a 25.4% reduction in controllable costs in the year to $138 million due to cost out activity and the completion of a number of advice reshaped projects.

Moving now to the results for our New Zealand wealth management business on slide 19. New Zealand business has a compelling position in the overall superannuation savings segment there, and operates a successful distribution platform across general insurance and financial advice, creating a diversified revenue base.

Business delivered a resilient result for the year, again despite challenging investment markets. Profit was down 18% to $32 million, primarily due to lower average assets under management from weaker global investment markets. FY22 controllable costs of $35 million were down $1 million on the prior corresponding period, reflecting ongoing efforts to offset inflationary pressure observed across the economy with the simplification of the operating model delivering a lower cost base following the conclusion of New Zealand wealth management's term as a KiwiSaver default provider.

Slide 20 provides some background on the AMP capital results for the year. Overall financial results were down 18.6% to $92 million for the year.

Earnings from our continuing operations were up 10.8% to $41 million on the back of high contributions from our joint venture investments in CLAMP and PCCP. Discontinued operations earnings were down 33% to $51 million, due primarily to a one-off carried interest recognised in 2021 that was not repeated in the current year, real estate mandate losses and fee compression and an increasingly competitive market.

These factors were somewhat offset by higher revenue relating to real estate sponsor investments and lower costs as a result of business changes post the FY22 divestments.

Turning to slide 21 and a breakdown of the main items within Group Office. FY22 costs were broadly in line with the prior period, with inflation impacts offset by cost out efficiencies achieved within the business. Delivering on our commitments to lower corporate debt volumes in the second half, a reduction of $350 million in debt resulted in a 6% decrease in interest expense. The lower volume offsetting a somewhat higher cost of debt as rising and higher interest rates took hold throughout the year.

CLPC earnings continued to positively constitute to Group Office investment income of $73 million, contributing a non-insignificant offset to the loss of returns from our equity investment and Resolution Life Australasia after a sale of that asset in the first half of 2021.

Through to slide 22 and our China Life joint ventures. We're seeing higher earnings from our investments as the Chinese pension market continues to experience strong growth, particularly in CLPC's poor business line. Increasing earnings from CLPC in 2022 resulted in a doubling of the dividend received from that investment to almost $15 million.

Chinese investment markets, as with all global investment markets, experienced some challenges in 2022, but we are of the view that some further improvement might be anticipated in 2023 as markets stabilise and reopen post COVID-19.

Moving now to controllable costs on slide 23. We're in an increasingly competitive sector, we delivered on a key strategy priority for the year, reduced FY22 costs by $54 million, to $791 million through disciplined cost management and in line with guidance.

Key outcome across the year which saw our base level of costs rise year-on-year by $70 million as we transferred AMP investments and its costs from AMP Capital into AWN, was that a $22 million CPI increase over our cost base, and continued investment in businesses to support growth, was more than offset by a total of $76 million of reductions achieve through our cost out program.

As a result, on a year-on-year comparative basis, costs are down a net $54 million due to those manager cost out programs that are ongoing into FY2023. Notwithstanding the increasingly competitive sectors in which we operate, we expect to report FY23 controllable costs flat on FY22, but cushioning the impact of further inflationary pressures through ongoing tightening of costs across the business.

Slide 24 we show the Group capital position as at 31 December ’22. As we did in August, we’ve provided a breakdown of our capital position clearly showing the minimum regulatory requirements and the appropriate and prudent buggers mandated by the Board to ensure the business is set to withstand ingoing market volatility.

Our approach reflects the fact that we’re operating in an uncertain market environment, in two well-regulated sectors of both banking and wealth. That said, we have a strong business which gives us the confidence to continue with our previously announced $1.1 billion capital management program, including within that the resumption of payment of dividends off the back of this year’s solid result.

Slide 25 we step through the movements in our surplus capital position through the year. Our assessment of the $900-odd million in surplus capital is driven by the solid profit outcome for the year, sale during FY22 of our stake in Resolution Life, and the capital management activities already undertaken in FY22.

As at 31 December, $267 million of the initial $350 million share buyback announced in August, has been completed. That leaves $83 million of that buyback complete, which will become our next focus after the release of these results and the payment for the final dividend for the year that we announced today.

Beyond this, a total of $425 million returned to shareholders, we will ask shareholders approve further buyback at our meeting at the end of March.

As a result of our strength and capital position, ware expecting, based on current metrics to pay both an interim and final dividend for FY23 that are each substantially in line with the FY22 final dividend as part of the broader $1.1 billion capital management program.

Slide 26 shows a pro forma of our surplus position, post completion of all the AMP Capital sales. This number is post the $267 million buyback to date. So a further $83 million dollars will be reduced from this pro forma outcome as we complete our full $1.1 billion of capital management activities. Pro forma $400 million excess at this point remains a prudent and appropriate level given the type and volatility of the markets that we operate in.

To slide 27, where we provide an outlook for a couple of the key financial metrics across the business in FY23. As a bank we will continue to target above system residential loan growth with FY23 NIM expected to be generally in line with that achieved over FY22. In platforms, FY23 assets under management-based revenue margins are again expected to be generally in line with FH22. Intolerable costs are expected to be flat on FY22 as higher inflationary pressure somewhat offsets system cost outs that we will look to achieve in FY23.

So, in summary, from a financial perspective we would say that our full year results show that we're well-placed heading into FY23, despite the challenging and competitive market that we have been in and that remain ahead of us today.

My very short time here, what I've seen is an organisation committed to a strong purpose to the customers and to the delivery of our strategy and to value for our shareholders. We have delivered a $54 million reduction in costs in the year, despite rising and ongoing inflationary pressures. Our earnings, although lower when compared to the prior period, reflect the resilience of our business after lower investment markets impacted assets under management.

Strategic pricing to deliver sustainable business has reduced revenue and markets generally provided a much more competitive and challenging environment.

To that, I'll hand back to Alexis to take us through the ongoing process and our strategic priorities and wrap up. Thank you.

Alexis George: Thanks very much, Peter. It is important to bear in mind that of the priorities we set ourselves for FY22 and to reflect on how we delivered on these. Given the high interest rates and inflationary pressures that we're seeing, it's important that we support our customers by offering competitive mortgages and deposit rates. We've maintained strong credit quality throughout this period of rising interest rates and remain conscious of the potential impacts on costs of the inflationary pressures we are seeing across the economy.

Investment market volatility is impacting average assets under management, but also provides an opportunity to help customers navigate increased uncertainty in financial markets. In a volatile environment, the importance for security around retirement savings becomes even more important and we have a significant opportunity here with our new Lifetime retirement solution.

Competition in the superannuation industry remains strong and reinforces the importance of our strategy for the Master Trust business to simplify and lower costs while continuing to focus on investment performance where we've made great progress in 2022. For AMP Bank, competition in the sector is also increasing and we're responding with innovative products such as our digital mortgage, to ensure we remain competitive.

Finally, industry and regulatory change are still top of mind. We remain supportive of the proposals under the Quality of Advice Review, but await the final government response. Regardless, AMP is well positioned to help address the need for accessible financial advice and we continue to engage with the government and industries to find the solution to meet this need.

The path to a new AMP has not changed. In November '21 we set out the strategy being to simplify AMP's portfolio, reposition our core businesses and retail banking and wealth management to better compete, and begin exploring opportunities for long-term sustainable growth. We've made good progress across each of these areas and have clear priorities for '23.

The six strategic priorities that we'll be accountable for in 2023 are clear. To be focused on returning capital to shareholders, driving operational efficiency, growing AMP Bank profitably being conscious of the market dynamics. Growing IFA flows in our flagship North platform, supporting new growth opportunities and building on our brand and culture.

While we think about these strategic priorities, we also keep in mind our commitment to creating a sustainable and equitable future for all our stakeholders and consider the role we play in addressing sustainability challenges in our communities.

So to summarise. We have made strong progress on our strategy and have delivered on our promises for the year. We are close to finalising the AMP Capital sales, and are repositioning our portfolio to wealth management and banking in Australia and New Zealand.

We have announced and commenced capital returns to shareholders, including the announcement of a $0.025 dividend, which demonstrates our confidence in the business. We have launched first to market retirement solutions for the North platform, with Lifetime Income account, as well as a new digital mortgage that supports our direct-to-customer channel.

We have more work to go, but I am pleased with the progress we are making as a purpose-led customer-focused organisation with a high performance and accountable culture. We have the right team, and I am confidence we can continue to deliver.

On that note, Peter and I am happy to take questions. So I'll hand to the Moderator.

Operator: Thank you. If you wish to ask a question please press star-one on your telephone and wait for your name to be announced. If you wish to cancel your request then please press star-two. If you are using a speakerphone please pick up your handset to ask your question.

The first question today comes from Simon Fitzgerald from Jefferies. Please go ahead.

Question: (Simon Fitzgerald, Jefferies) Hi there Alexis. Just a first question I wouldn’t mind asking is a little bit more around costs. If you can focus for a bit just on the corporate and office costs. I guess I go back to 2015 AMP delivered an underlying profit of $1.1 billion. It had corporate costs I think in the order of $61 million then. Today we've got a profit number that’s 83% lower at $184 million, yet corporate costs pre-tax are $96 million.

I was wondering if you could sort of talk to us about what your view is about how that should look? I mean I say that in the context that AMP is now a $3.5 billion market cap Company.

Alexis George: Yes, thank you Simon. Look, I profess I don't know the composition of the costs in 2015, so maybe you can educate me a little further on that. But if I look forward to where we need to be, and I said this from the moment I stepped in the door. Clearly we still have the legacy of the past in being a far bigger organisation. A lot of that sits in the corporate space, and we need to be given the businesses we have today.

You know though that we're still in the position of transferring many of those businesses out. So we're dealing with the standard costs. Some of that comes into the corporate area, some of that doesn't. So yes, I think we have still got a long way in terms of reducing our costs into the future. Clearly now where we need to be.

I think next year just beating the inflation will be challenging for us, but we are absolutely committed to doing that. We will continue to look to reduce costs. I think that's one thing both Peter and I are completely united on.

Question: (Simon Fitzgerald, Jefferies) That's helpful. I might just talk to the Advice business then, whether you still stand by the previous target of a break-even scenario in FY24?

Alexis George: Yes, we're still ambitious about getting to that zero target by the end of '24. As I said last time we were talking, I think that last $20 million to $30 million remains challenging for us. But that is still our ambition.

Question: (Simon Fitzgerald, Jefferies) Okay, that's helpful. Now I've got a couple of questions just on the sort of bank et cetera. The fixed rate mortgages that will roll off in '23, what's your view on, say, the effective LVR of that group of borrowers? Do you have any sort of comments about what the average increase in their effective interest might be for those borrowers that come off fixed rate mortgages in '23, and what your exposure is there?

Alexis George: I mean you can see in the pack that our fixed rate portfolio I think is about $2.8 billion, and about 50% of that will roll off through '23 and 50% through '24. Depending on when those people came into the portfolio, their interest rates could rise from 2%-ish to 6%-ish. That's about the numbers we expect.

I don't have the LVR specifically in my head for the fixed rate portfolio. But at this point most of those customers, and I say most, sit under the buffers that we set. But clearly it's a more challenging environment. I mean if you

look at our arrears at the moment, the 30-day arrears has started to pick up a little bit. But there's nothing alarming there and the credit quality of the book still looks quite healthy. But obviously we need to keep close …

Question: (Simon Fitzgerald, Jefferies) Yes, no, that’s fair. Then maybe you could make some comments too about how you see your overall funding mix going forward. I mean at the moment there seems to be a bit of a competition for deposits at the moment. So just wondering what your sort of thoughts are there in terms of the competitive landscape for attraction of deposits?

Alexis George: Yes, I mean if you look at our deposit funding over the last years we have been in the 80%, and still are in that space. We have become a bit of a digital deposit acquisition machine to be honest. I think we acquired about $3.6 billion last year, and continue to do so this year.

Your comments around funding are definitely factual, the market is more competitive. There has been a lot of cheap funding available to some of our competitors, and that probably isn't the case now. But I think we have really established ourselves as a deposit machine. But clearly it's going to be a more challenging environment.

Question: (Simon Fitzgerald, Jefferies) Just one final question, if I may, Alexis. Just in terms of the investments in the associates, with particular reference to Pac Coast. I was just wondering what the long-term sort of outlook for that holding and that business might be?

Alexis George: Sorry, I didn’t quite hear that, which holding? Oh, PCCP, sorry.

Question: (Simon Fitzgerald, Jefferies) Yes.

Alexis George: It's just the acronyms there we all use. I think we have been clear about the fact as we sold the AMP Capital businesses it kind of us a natural fit to have a US real estate in our portfolio. We have been talking to the founders of the business, but at this point that business continues to perform against expectations for us.

Question: (Simon Fitzgerald, Jefferies) Okay, thank you for taking my questions.

Operator: Thank you. The next question comes from Lafitani Sotiriou from MST. Please go ahead.

Question: (Lafitani Sotiriou, MST) Good morning and thanks for the opportunity to ask some questions. May I start with the private wealth business, and I acknowledge your comments in relation to the Advice and the ambition to continue cutting costs there. But there's some other dynamics that are playing out in this business and I wouldn't mind getting a bit more information.

I know that it happened in the first half to an extent, but if you look at financial year '22 there's a negative stream of $10 million investment experience, and it's positive $15 million in '21. There's a $32 million delta there. I think it's from memory got something to do with the guaranteed product. But can you just give us a little bit more colour as to what's happening there and what your expectations are to managing this volatility?

Alexis George: Thanks for the question Laf, and I will ask Peter to comment on that. I mean you're quite right in point out, a lot of that relates to the hedging program for the guaranteed product in North. Over the cycle we would expect that to come to zero, but obviously in any one year it doesn't become zero.

Peter, do you just want to talk about '21 please?

Peter Fredricson: Yes, look, interestingly enough there's a $29 million delta on the North guaranteed platform alone year-on-year. So I think we were showing something like $14 million/$15 million negative in FY22 against a $12 million positive outcome in FY21. So the issue with the sorts of instruments we have got to underpin that product is that there is volatility. That volatility does hit the P&L.

There was significantly more negative volatility, if you like, given the very significant and very rapid rise in interest rates through FY22. One would expect there to be less volatility in a more benign interest rate environment, or a more balanced interest rate environment.

So no-one's ever going to give you an expectation of what those numbers look like next year. But one would hope that in a more balanced environment in the context of changes in rates, whether they're up or down, the volatility would be significantly less.

Alexis George: Over history, Laf, it's about zero so you'd hope that over time that's about where we would hit them off.

Peter Fredricson: But it's interesting because…

Question: (Lafitani Sotiriou, MST) Oh, sure.

Peter Fredricson: …the impact of that instrument around that product over the last eight years is a $1.6 million positive. So Alexis is right, it goes up and down.

Question: (Lafitani Sotiriou, MST) Okay, so just moving on in that same business. Now in wealth other line there was a sort of $9 million deterioration from the first half to the second half. As I understand, that primarily relates to SuperConcepts and the previous MAG business.

So can you just talk us through what that deterioration is? Has there been some repricing setting? Ultimately there's a serious question here, you're carrying some business - another two businesses it looks like - within the wealth division that aren't profitable. So are there some serious questions being asked internally, if you can't get Advice to zero, why are you still owning it? Why are you still owning SuperConcepts? Is MAG a natural fit if you're still losing all this money? If you could just add some colour to those.

Alexis George: Yes, firstly I think when we spoke at the half year results last we said not to expect the same cost reductions in Advice in the second half as we did in the first half. So I'll just comment on that, because of the nature of the variability of the costs. So I mean I'm sure there's a few other anomalies in there that I would say, but that that's one of the major…

Question: (Lafitani Sotiriou, MST) Oh, so but I'm specifically talking about…

Alexis George: …Our advice is still a loss-making business, and we're not trying to hide. We have been very transparent about our results. At this point we believe the Advice business is a very important part of the portfolio. It has been a very important part historically in supporting our wealth management business, and continues to do so.

We are very committed to bringing that to a break-even business. I am not suggesting that's going to be an easy trajectory. It is not. But we are working very hard, along with our Head of Advice, Matt Lawler. So let me comment on that.

In terms of SuperConcepts, I mean I think it's been a $5 million-or-so drag on the bottom line for quite a few years now. It is a business we continue to look at and to try and make more efficient. But clearly it continues to make loss.

So I think we are focused on both those businesses. At the moment they both remain an important part of the portfolio, but certainly we need to make sure they get towards that break even base.

Question: (Lafitani Sotiriou, MST) Okay, so why don't I move on. Just going onto the sale to Dexus. Can you give us a little bit more detail around what Plan C - or the third plan, whatever you want to call it - because we are roughly a week away from the revised deadline. So if we do move past the revised deadline, are week looking at a potential reset again of the upfront component?

What factors go into determining the change in the upfront component? Because one of the things that happened between your last result and now, we have seen the upfront move from $250 million to $225 million. I mean what drove that change in price, and what may the new price be if you don't reach the next deadline?

Alexis George: Clearly we're working hard on the original plan, which obviously that condition precedent I referred to before by the end of this month. But we have to work on alternatives because that may or may not be forthcoming. So the team is working really hard now to get to that alternative plan, which would allow the management of the assets to move across to Dexus, along with the majority of people during that March period.

Now you know that we have here two willing parties, two parties genuinely coming to the table to work on this alternative plan. Dexus clearly wants the assets of AMP included in their portfolio. We clearly want to deliver both the assets and the people to them, because it's a much better home for them right now.

We are - it's complex though, I'm not suggesting it's not, that alternative plan. But we continue to work in goodwill towards that date of 28 February, with a completion a little bit later. At this point I don't have any comments to make about whether there might be further reductions. We are working on the basis of what we sent to the market in early January.

Question: (Lafitani Sotiriou, MST) Okay, so just one follow-up question would be overall cost guidance. There is a little bit of surprise, I mean if this is a follow up from the earlier question, you are carrying a lot of cost and keeping it flat, I understand there's inflation around, may seem like a good outcome, but do you think that there is more opportunity to start moving on

that quicker, as in this financial year rather than pushing it to next financial year?

Alexis George: I'm going to take that in a few parts. Firstly, there is 8% inflation, but I'm not suggesting wage increases are in that realm, the industry data will suggest they're not, but it still is going to be quite hard this year. So we have to eat that 8%. We also, while we sold a lot of businesses, we still have the legacy and history of those businesses within our operating model, whether that's from a technology perspective, whether that's from an entity perspective, et cetera. So that's why we've guided the market to a flat cost in 2023. That in itself will not be easy to achieve.

What I will say though is I know that that cost base is too high for the size of the business we have. Peter has walked in the door and he knows that our cost base is too high for the size of the business we have. We will work hard on that flat and we will work hard on it through 2023, we'll work hard on it through 2024. But I don't want to give unrealistic expectations to our shareholders, given the work we need to do in '23 in terms of simplifying that landscape operating model et cetera.

Question: (Lafitani Sotiriou, MST) Thank you for that. Just one final question, so if we're looking at the return on capital in the Bank, the underwriting in the advice business and the respective assets there, is there some serious questions internally about do you actually put some of these key assets up for sale? I mean you'd get a good price for North, you'd get a good price for your Bank, are your shareholders better served by selling some of these key assets?

Alexis George: I mean last, as you see, that's a question I have to ask myself every single day of the week, right, what is the right strategy here because at the end of the day, I have to deliver value for our shareholders and will continue to do that, as will the Board. So I mean that is a responsibility I take very importantly and we've discussed various options constantly both at our executive table and the board table.

Question: (Lafitani Sotiriou, MST) Including asset sales, further assets sales of the big ones?

Alexis George: I mean you've always got to look at portfolio mix and I think when I walked in the door, I said looking at portfolio mix will be something we have to constantly do.

Question: (Lafitani Sotiriou, MST) Okay, thank you.

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

Question: (Kieren Chidgey, Jarden) Morning guys. Just a couple of questions, maybe just starting on capital, I just wanted to check a couple of numbers Peter called out earlier. So the pro forma surplus capital position, previous result I think was $2 billion, you're saying $1.25 billion to date, so a reduction of $750 million. There's obviously around $500 million impact from the buyback you did during the period in the hybrid, can you just explain what else led to that additional $250 million delta?

Peter Fredricson: Well $267 million has been paid back to shareholders, so I mean that's a start. You'll see in the waterfall that we're also talking about some of the costs that we still have to incur next year, FY23, I think it's up in the order of $45 million after tax in terms of money we are putting to work as part of the program that we talked about a couple of years ago in respect of costs out of the business. So you take those two alone, you're getting down to that.

Alexis George: And the hybrid.

Question: (Kieren Chidgey, Jarden) I'm taking the buyback obviously and the hybrid into account, so they're a bit over $500 million, your surplus capital is reduced by $750 million, so I guess the question is what is that other $250 million excluding the buyback and excluding the hybrid?

Alexis George: We've also taken out some of the non-liquid assets that were included in our capital base there, Kieren, so you get a better view of the capital.

Question: (Kieren Chidgey, Jarden) Okay and I'll maybe follow up offline on that. So this $1.25 surplus, adjusting for the remaining capital proceeds or capital returns, comes down to a bit of $400 million. Can you just remind us what that $400 million is being earmarked for and why you're still holding that? I mean obviously I would think the Board's target number takes into account volatility type buffers, so just what is that $400 million earmarked for?

Alexis George: Fair question, Kieren. Obviously we get asked that question a lot. I think if I look at our surplus capital, the way I think about it is firstly in terms of getting the $1.1 billion back for our shareholders, that is going to take us time. As you know, we've already bought back $257 million, we announced the dividend today which will give back about another $75 million. We'll be

able to continue the buyback in the coming days, now we've got the results out, so we can move forward with that $350 million.

We've committed to additional buyback today, given we've got the regulatory approval subject to shareholder approval in March. That is going to take us a fair way through 2022 and that is working really, really hard. Then we've committed to the additional $350 million, which we haven't given you any detail on but we'll continue to work on later in the year. So let's just be clear, that is going to take us into 2024 and that is working as hard as we can to get back capital to shareholders.

In terms of the surplus, as I said before and I'll say again, we need to grow in this organisation. So if I look at any surplus capital, I look at it in a third, a third, a third. About a third would go to Bank growth. Of course we have to make sure we grow that Bank profitably and I'm quite serious about that. We can start growing below cost of capital, but it doesn't make sense, so we need to grow the Bank.

With second, third, we'll look at growth opportunities within that retirement specialist area that I talked about before because we've still got to bring growth into the organisation. The third, the last third, if we can't find opportunities that actually contribute to shareholder value, we'll look for alternative ways to give back to it. So that's not going to be something I have to worry about if we get into that 2024 year, given how hard we're going to have to work to give back the initial commitment.

Question: (Kieren Chidgey, Jarden) Okay, thanks. So the second question, just flowing on from one of your comments there, Alexis, on growing the Bank profitably, the ROE did improve to 10% in second half but obviously it's still a fairly benign credit backdrop, so on a normalised basis probably still very high single digits. So what is the target ROE within that part of the business and are you happy to grow above system even if you're shy of that at the moment?

Alexis George: Look I think we've got to be around those numbers, Kieren, which was why we've guided kind of a flat NIM growth for '23 in accordance with the average for this year. I am conscious, you know, that there's likely to be less new business through '23, so there's going to be competition in the refinancing area and competition for any new buy in, but I think it's great

that we've got our digital mortgage out, but I would expect a return in capitals to be similar..

Question: (Kieren Chidgey, Jarden) Okay and just a final question on wealth management, just on the external investment management expenses there, came down quite sharply through second half of 2022 both in dollar terms and some basis points, so as we look out through 2023 and you're flagging a little bit more margin compression and I guess mainly in the Master Trust part of the business, is most of the heavy lifting being done on that investment management expense line or is there opportunity for that to come down proportionately so that net margins are a bit more insulated?

Alexis George: You're exactly right. We do expect those IMEs to come down broadly in line with the margin compression, so it should be reasonably flat as of for the coming year. So there's more work in that line.

Question: (Kieren Chidgey, Jarden) Okay, great. Thank you.

Operator: Thank you. The next question comes from Andrei Stadnik from Morgan Stanley. Please go ahead.

Question: (Andrei Stadnik, Morgan Stanley) Good morning. I wanted to ask a question around integrating Nano into the Bank. For example how long does it take to underwrite or approve an AMP mortgage right now and how quickly can Nano do it and when would you hope to actually have that implemented?

Alexis George: Firstly, we expected that book will – the book migration, so we expect that book migration to happen over the coming months, so it's not going to be a long period of time. I think we're talking about two to three months. So Nano book is quite a clean book, actually the credit quality was similar to what our credit quality was, so not terribly worried about that. We've already started writing to customers, so it should come across pretty quickly.

In terms of the time, I mean you know we've launched our new digital mortgage, so we would expect the funds being experience for customers, at least those who are refinancing at the moment, would be pretty similar. If you go through a brokerage today with AMP, it's about seven or eight days.

Question: (Andrei Stadnik, Morgan Stanley) Thank you. Just a question on costs, because the same thing with costs were higher, was less than what we were looking for in this result and of course outlook into next year also seems higher, I think, given what we've seen. Are there any one-off costs,

for example, in the second half? Is there any seasonality? Is there any one-off impacts on costs we should be thinking about?

Alexis George: Definitely seasonal impacts on our costs for a variety of reasons. Firstly, because of our year end, the wage increases set to come through in March, so you see a higher impact in the second half, so that is an ongoing seasonality adjustment. Secondly, for us we see a lot of, typically see more of the marketing and branding spend come through in the second half. So traditionally we have seen a higher second half than first half, we've guided towards that at the beginning of the year as well and we've had a couple of one-off adjustments that came back in the first half. So that is a seasonal adjustment that we typically have, but you're right to call it out.

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

Operator: Thank you. The next question comes from Nigel Pittaway from Citi. Please go ahead.

Question: (Nigel Pittaway, Citi) Good afternoon guys. Just first of all a question, if I may, on the advice business, I mean I think at the half year you said the reshape of aligned advice is complete. Yet if you do look at slide 18, it looks like there was a 13% drop in aligned advisers again in the second half. So I mean I guess the question is, do you think you've now got stability in this business? I mean I realise there was an industry point at the end of September, but are we likely to see this stabilise now moving forward and how confident are you in that?

Alexis George: I think there's a couple of important points to raise here. You will see that we put some additional information into our adviser numbers to include what we call our Jigsaw advisers and those Jigsaw advisers are people that typically were aligned advisers that continued to use our services but may have chosen to self-licence because they want to run their businesses in a slightly different than they would have liked under an aligned badge. But it is important to show them because they're still using our services and we're still getting revenue from them, but obviously we don't have the risk and compliance issues from the licensee perspective. So that's why we've put those numbers in there.

If you ask me about the reshape of the aligned portfolio, I think we've reshaped in terms of the services we want to offer, the prices we want to offer those services at, what our view is around technology, et cetera. But

I'm not going to sit here and say there is no further loss of advisers. There may well be some further adviser reductions. Our focus right now is to make sure that we do that respectfully and if we can get them into our Jigsaw Services and they still remain part of the AMP family, for us that's a better proposition.

So I'm not saying there isn't further adviser reductions, there could well be. I think we are now in a position where we can start to attract people because we've done the hard yards but as you know, that takes a little time to do that.

Question: (Nigel Pittaway, Citi) Okay, thank you for that and then just on the $20 million to $30 million of cost reduction that you say will be the most challenging in terms of getting that business back to break-even, I mean is that really dependent on some sort of reward from the advice review? I mean, are you going to need some help from regulation in order to get that last cost out? Is it right to tie up those factors?

Alexis George: Well firstly, I mean as I said earlier, completely support the Quality of Advice Review because I think as one of the wealthiest nations in the world, our financial literacy is not great. So any way we can help Australians be better aware of their financials and particularly their superannuation and pension, all the better.

But I mean we can't rely on legislation, we have to keep doing the hard yards with or without legislation. So I'm not banking on that. If that comes, I think it'll help us. It'll certainly help us to grow the customer base but we have to work hard regardless of that.

The reason I say the last $20 million to $30 million will be hard to get out is, you know, we have had to take a complete reset in a new environment. Clearly we built up huge amounts of compliances and legal resources in the period where we need to be. I think we have cleared the problems of the past and we need to re-set the way we manage that business in terms of listing compliance.

As has been asked earlier today, we still have a corporate office that is too big for the size of the organisation. Some of that flows to Advice as well and both of those we need to continue to work on but

	I'm not relying on the Quality of Advice Review to hit our guidance in relation to that.
Question:	(Nigel Pittaway, Citi) Okay, thank you for that and maybe just finally, I mean previously you'd I think said on the Master Trust business that you had the expectation about being cashflow net positive in FY24. I may have missed it but I didn't see that reiterated today. So is that still the expectation?
Alexis George:	That would be an ambition but I think to get it to net cashflow positive by '24 is ambitious for us. That doesn't mean we won't stop trying but it certainly is ambitious given we've still got the large mandate coming out this year and it is incredibly competitive environment but we are working on it. I think it will be ambitious though.
Question:	(Nigel Pittaway, Citi) Okay, great. Thanks very much for that.
Operator:	Thank you. The last question today comes from Lafitani Sotiriou from MST. Please, go ahead.
Question:	(Lafitani Sotiriou, MST) Hi, just one follow up question in relation to the excess capital position I think Kieren asked about. There was a comment that you made about no longer including some non-liquid amounts in that excess capital calculation. Can you provide a little bit more colour as to what that is?
Alexis George:	We can. We can do that at a later time, we'll explain the differences, Laf, but there's some deferred tax assets there which you can find in our accounts with some of that we've included in at the group levels.
Question:	(Lafitani Sotiriou, MST) Sorry just to be clear, so at the last result, that was included…
Alexis George:	Yes.
Question:	(Lafitani Sotiriou, MST) …and then in this result, it's not included?
Alexis George:	Well yes because we just wanted to be clearer to the shareholders what can absolutely be distributed if we went down that road.
Question:	(Lafitani Sotiriou, MST) Okay but is that a yes? So in the last presentation they were included in the excess capital calculation, the slide, and in this presentation it's not being included?

Alexis George: Some of them were but I think we need to clarify that and show the difference between the $2 billion. So we'll get some details out to all of the people on this call today about that difference.

Question: (Lafitani Sotiriou, MST) Okay and just one other question. In relation to the hybrid, I think that's been - can you just confirm when that's actually going to be repaid and when we can start expect to see the cost savings from that adjustment that's come through on the excess capital?

Alexis George: Yes, so we're just obviously still working through the regulatory parts of that. I would expect we're going to have some additional announcements on that later in the year but we've got a way to get through there.

Question: (Lafitani Sotiriou, MST) Okay, thank you.

Alexis George: Thanks. Thank you very much, everybody. Look forward to speaking to you later.

[END OF TRANSCRIPT]