**Start of Transcript**

Operator: Good day and thank you for standing by. Welcome to the AMP Half Year 2024 Results conference call. At this time, all participants are in a listen-only mode. After the speakers presentation, there will be a question and answer session.

To ask a question during the session, you'll need to press star one, one on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star one, one again. Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Chief Executive Officer, Alexis George. Please, go ahead.

Alexis George: Thank you very much, [Maggie], and welcome everyone to AMP's First Half Results. You've probably all noticed by now it's been quite a busy evening and so we have a lot to talk about today. Of course, I am joined by our CFO, Blair Vernon, who will take us through the detailed results later in the presentation.

Before we start today, I would firstly like to acknowledge the Traditional Custodians of the land which we're holding this meeting today, which for us is the Gadigal People of the Eora Nation and I would like to pay my respects to the Elders past and present and to the Elders past and present on the lands of which you're calling in on today.

Right. So, what do we want to go through today? Firstly, I just want to give a quick overview of the results. Of course, today we also announced the transformational transaction in relation to our AMP Advice business. So, I want to give you some of the details in relation to that and when we can expect to see that complete.

Then Blair will go through the financial results. There are always a lot of interesting costs and capital, so we'll spend a bit of time focusing on that before we come to a summary and of course, Q&A.

So, if we look at the First Half results, I think it's a strong result. We can see the NPAT's up 4.5% to $118 million and that is as a result of better performing businesses. Of course, in our bank space, it's been a competitive environment and we're certainly focused on margin over volume, but a pleasing result.

Costs, we're delivering on our promises in relation to costs. Down another 6.5% and we're well on track to delivering the promised $690 million, although that will be adjusted at the

end of the year. In fact, we have a lot of programs in place to continue through that trajectory in '25.

EPS earnings are up today and as a result of this good result, we're able to announce a $0.02 per share dividend, 20% franked. That together with the $963 million capital that we've returned from buyback, means that we will have delivered $1.05 billion of the promised $1.1 billion capital return.

At this point, with buy-ins as they are, we expect that we'll be able to complete that $1.1 billion capital return by the end of this year and at that point, we're not at this point proposing further buyback. Although, we'll be diligent about capital management. We will come to the final annual results with a formal dividend policy to be able to provide capital returns on a more enduring basis.

So, on top of the capital, on top of the cost, on top of the improvement in business results, we've also managed to continue to reduce the debt and that is pretty important for us in terms of being able to maintain those credit ratings. Of course, today we announce that transformational transaction for Advice, which I'll go into in a little bit more detail later.

So just quickly, let's look at the First Half progress. We've been running under three strategic pillars; deliver performance, focus on efficiency in terms of capital cost and balance sheet, and look for those new revenue opportunities. Because we have to start to deliver growth as well as efficiency.

On the business line performance, I've talked about the Bank. We've definitely skewed towards margin management in what is a very competitive environment. You would have seen that in the reduction of the mortgage balances through the First Half. We're seeing moderate growth through the last couple of months, and we do expect some improvement there.

On Platforms and on our Superannuation and Investments business, they've clearly benefited from the markets as they were in June, although a little more volatile in the last few days, but both those businesses are delivering stable margins and we're starting to see in the case of Platforms better net inflows and in the case of our Superannuation and Investments business, better retention as a result of the strong performance, the value proposition and, of course, our improving reputation.

In New Zealand, it continues to deliver good performance and it's benefiting from the enable.me transaction that we did last year to really help diversify the revenue. On efficiency, we've already talked about the promises that we continue to meet. By the end

of the year, we'll have delivered the $1.1 billion of capital. We're on track for meeting our cost promises, and we'll continue to look at the opportunities to improve the balance sheet through the paydown of debt.

In new revenue opportunities, we have said many times we want to become the experts in retirement. We're starting to see growth in our retirement solutions in Platforms and we want to launch a similar innovation in our Super and Investments business. On top of that, our Digital Small Business is on track for launch, soft launch at the end of this year to family and friends, and public launch next year.

We also, in the last couple of months, have launched publicly Citro, which is a community for over 50-year-olds. A social community where they can have the opportunity to get discounts et cetera, and that is a really important component of us focusing on the retirement space.

So, I think lots of traction in the First Half of '24. Before we go into the detailed financial results. Let me just give you an overview of the strategic partnership we announced for AMP Advice today.

As you know, we have been moving towards a breakeven space for AMP Advice, but we said publicly a number of times that that last $10 to $15 million of losses was going to be hard to address given the nature of our business being a regulated entity and a listed entity. That was certainly proving to be the case.

We've also publicly said that we're exploring alternative options and we wanted to bring our Advice sales force along with us as we did explore those options. Those options, as we've discussed, could have included keeping it within AMP and going on the continued pathway towards transformation, looking for a partner, or spinning it off in a NewCo.

All of the work that we did suggested that we are a scale business but in order to be able to continue to invest in the future more scale was needed. So as a result, we thought partnering on at least the services side of the business made sense. Finding someone who wanted to continue to invest in this business who could provide additional services and understand the business.

Then on our equity partnership side, where we own minority interest in some of our practices, there is an ongoing need for capital. Capital for growth and capital for succession. So, we felt having a partner there who is prepared to put large amounts of capital to help the advisors grow was really important.

So today we announce that relationship with both Entireti and AZ NGA. I'll go through that in more detail. To give you a synopsis of the deal, we do expect completion by the end of the calendar year. We do expect that there will be an accounting loss on sale of about $30 million, which comprises some separation costs, some legal costs, and some provisions we'll book for issues in the business.

We expect the capital implications to be broadly neutral, maybe slightly positive but broadly neutral. Of course, the CEO of this new business will be the current CEO of our AMP Advice business, Matt Lawler.

So let me just quickly go to a bit more detail so you can understand the construct of the deal. Firstly, we have two components to our Advice business. The first is a services business which manages our AFSLs and that business will be sold into a new entity whereby Entireti, who is the parent company of Fortnum, a well-known financial advisor group, will own 70% and AMP will own 30%. That 30% is to assist with the transition but also create a real continuity as that business incorporates itself and helps to become a standalone business in its own right.

The services will be provided jointly. So, this is a transformational deal in that it's going to create an entity that will service 1300 advisors in Australia. The biggest in the country, and will provide scale to be able to continuously invest.

On the equity holdings, as I said, those 16 advisor practice minority holdings will be sold to AZ NGA. AZ NGA is backed by Azimut which is a large financial service institution in Italy. They will provide both majority and minority opportunities for our advisors depending on where they are in their growth trajectory.

I'm not going to spend a lot of time going into the details of the strategic partners, but as I said, Entireti is the parent company of Fortnum. It has existed since 2010. It's been committed to servicing advisors throughout that period of time and many of the executives in that business would be well known to you.

Matt Lawler though, will become the new CEO of NewCo, yet to be branded, and become a part of that Entireti Team. On the AZ NGA side, here we have a partner who has substantial capital behind them, who is very experienced in terms of transactions and as I said, will provide opportunities for our advisors to participate from an equity perspective both in terms of majority and minority ownership.

When we made these decisions there were a couple of things that we took into consideration, scale, as I said, we felt this was really important to face into the opportunities that Advice is going to experience in the future.

We have a more benign regulatory environment there and we want someone who can continue to support that, expertise, and of course, capital. This couldn't happen unless we had been speaking to our advisors and bringing them on this journey. They've been broadly supportive of the NewCo opportunity that we present today.

In order to help them with that transition, we will assist with some rebranding, we will assist with making sure that things are smooth for them in that transition and by moving all of the AFSLs it doesn't require them to re-paper, but certainly we'll be taking an active interest in the remainder of that.

So, if I look at the first half year, I think there's strong results and we also have a transformational transaction that we've announced today. On that note, Blair, I'll let you walk through the detail.

Blair Vernon: Thanks Alexis. Just going to return to obviously 1H 2024 financial results and walk through them in a little more detail. Firstly, the high level, I will provide some more information on each of the business units and as Alexis mentioned, as is usual, we'll talk to costs and capital and also some additional context around the Advice transaction that Alexis has just talked to.

So, to just turn to the 1H 2024 results overall, as Alexis mentioned, NPAT up 5.4% to $118 million for the half, which we think is a really solid result. Revenue was down 4% on 1H 2023, I think pretty well understood in terms of the NIM contraction that we had previously advised in terms of the Bank. But that's offset by good volume and margin performance across our wealth businesses. Obviously, market's helping, but also cash flows.

As Alexis mentioned, pleasingly costs down 6.4% on 1H 2023 at $339 million, shows the good progress on our business simplification program and our overall cost targets. I'll talk again to a little more of the rebasing of those later. Interest costs are down as a result of that debt repayment as we continue to manage capital and the balance sheet. Those factors, together with our buyback progress combined to see EPS up nearly 16% over 1H 2023, as Alexis mentioned.

Just turning to the statutory numbers, we posted a statutory NPAT for the half of $103 million. That's obviously down on 1H 2023, but you'll recall 1H 2023 was significantly

increased by the gains on sale from the AMP capital transactions on that time period. The most significant item below the line is obviously business simplification spend. On a post-tax basis, that's $13 million, slightly lower than we anticipated and that really reflects some timing delays in terms of some of the project mobilisation, but certainly that doesn't deter from the overall progress we're making in terms of cost out generally.

Just turning briefly to the business overview slide, we've tried to capture that on one page to help you in terms a quick snapshot of the business units overall. I'd say overall the business units' performance metrics are delivering against our guidance and our plans and the commitments we've made, whether that's stabilising margin in the Bank and earnings, growing our wealth businesses, trimming the losses in Advice and Group or steady performance in New Zealand. So overall, a very good result. I'll talk to the details in a moment.

Just turning to NPAT overall to give you a walkthrough of the drivers as we normally do, at a macro level you'll see the clear impact of that NIM compression I talk about in the Bank as being a significant impact on the comparative to 1H 2023. Again, offsetting that, obviously solid uplifts in platforms and our super investments business, which is a real standout this half I think and similarly, that improved cost performance is showing through, leading to that 5.4 lift overall in terms of the profit, compared to 1H 2023.

Just turning now to AUM, which obviously is a key driver of our revenue signature. That AUM stock is critical for us. Overall up 4.5% on the closing FY23 volume. We've seen good performance across all three wealth businesses, largely as a result of market movements, but importantly better flows generally specifically in our Platforms and Super and Investments business in Australia. Most importantly, in terms of volume, was the mix of margin, where the margin has been in line with our guidance and broadly in line to the prior year, so a very good result in terms of the half.

I'm now going to turn to the business unit performance and provide a few more highlights. Just turning firstly to the Bank, where as indicated profit is $35 million for the half, which is down on 1H 2023, but broadly steady with H2 outcomes we saw and that really reflects the stabilisation in NIM that you see through the half where we've averaged 114 basis points, so within the guidance band that we provided at the full year results. As Alexis mentioned, home loan volumes are slightly lower than we anticipated in the first half. That really reflects that intense competition we continue to see in the home loan market segments that we play in relative to the balancing of our focus on margin management as our most important one.

Correspondingly though, costs have been reduced in the Bank as we see lower overall volumes and careful management of costs given we knew the NIM compression was emerging, so overall I think a very good result. We are seeing some increased volumes again, as Alexis mentioned, in the last few weeks, so we are hopeful of some improved volumes through the second half, getting us closer back to that open position in terms of volumes overall.

Net interest margin detail, we've provided a walk of the first half relative to the close of position for 2H 2023. As I said, broadly stable, down one basis point in terms of the overall position. There's been some asset mix changes that have been positive. That's mostly two elements, one being back book to front book maturities, but also the continuing fixed to variable rolls, which are largely through, although there is some remaining fixed roll in the second half which we watch closely.

Offsetting that obviously is the ongoing competitive pressure in the deposit market and particularly in this half for us has been call deposits, so some margin contraction there, leading to that 114 basis point position for the half.

Just turning now to credit quality metrics across the Bank. I'd characterise these as remaining positive overall when we look at the total book. There has been an increase in 30 and 90 days arrears, as we've graphed there, albeit we don't see those trends as necessarily inconsistent with the sector overall and recent weeks again have seen a levelling off in terms of those metrics. Our actual experience in debt write-offs in the half is reflective of our very conservative credit position and actual basis, with only $220,000 of write-offs in the half.

The other two key metrics we've graphed here are two that we particularly look at in terms of forward indicators. So, the bottom left shows two-thirds of our clients enjoy an LVR under 70%, so a significant [unclear] and I think most importantly, the top left graph shows eight out of 10 of our customers are ahead on repayments. Four out of 10 are ahead by four months, so that continues to be relatively stable and shows our clients in the majority weathering the current pressure in terms of the mortgage market.

Turning now to Platforms where NPAT for the period is up over 22% compared to 1H 2023 at $54 million. Average AUM in the period was $73 billion, or just over $73 billion in the half. As I mentioned, reflecting positive markets, but also pleasingly the improved cashflow [levels] in the half, up over 50% to $1.16 billion when we exclude pension payments. Controllable costs are a little higher at just over 1% in the Platforms business. That reflects

exactly as we've guided in terms of our ongoing investment in this critical business unit as it continues to emerge as a key part of our growth story.

Another key milestone in the half was the continued progress in terms of the growth of our IFA flows, up 30% in the half and now representing more than one-third of our total inflows to the platform. Just in terms of that NPAT walk for the half, up 22% as I noted. Over 1H 2023, most of that is attributable to improved market conditions and stronger cash flows. There's a more modest contribution from North guaranteed in this period, reflecting the progress in the overall underlying business of the Platform entity.

We've provided a little more detail in terms of the Platform margin mix, where you can see there's a relatively even mix of admin and other fees as we categorise them. In 1H 2024 in fact admin fees tipped over representing just over 50% of our proportionate component. The other fees is influenced, in our case, primarily by the mix of investments moves like AMP investments on behalf of the Platforms business and you can see that in terms of the mix of the pie graph that we've showed there.

In terms of cash flow in Platforms, continuing their positive momentum. As I mentioned, net cash flows, excluding pension payments, up over 56% compared to 1H 2023. We do see pension payments slightly higher in the half. That reflects the changes to the legislative minimum and also underlying economic conditions and also again reflects our slightly higher ratio of pension and super business across the platform. As mentioned earlier, that progress in terms of IFA flows continues to be positive, now making up more than a third of inflows in this half.

Turning now to the Super and Investments business, which we've previously called Master Trust, but we've updated in terms of our descriptor. That continues its turnaround, with profit up over 21% in the half to $34 million compared to 1H 2023. Net cash flows excluding pensions payments continue to improve, with only a $470 million outflow register for the half. That's better than 50% improved over 1H 2023.

Total costs within the business continue to be managed closely and we continue to explore simplification options, but having said that, we will also continue to look at growth opportunities in this business as it continues its turnaround. Pleasingly, as I mentioned before, margins are stable and within our guidance in this business, reflecting the progress the team have made in terms of simplification in prior periods.

We've provided a little more detail on cash flow in Superannuation and Investments just to provide more of that mix. The left-hand graph you can see highlights the general

improvement in outflows in recent halves. As Alexis mentioned, those retention efforts started to show through in terms of our offer to clients, improved returns and generally improving sentiment. The graph on the right shows that improved cash flow excluding pension payments where we separate out those mandate losses and you can see the positive trend that we're graphing there and looking to continue to repeat.

Now turning to Advice where losses for the half were trimmed to $15 million, which is a significant improvement on 1H 2023. Revenue for the half was higher as a result of fair value gains in our equity portfolio. We continue to make cost savings, down 13% on 1H 2023, all of that setting the platform for today's significant partnership announcement, which Alexis has already backgrounded.

Advisor sentiment continues to improve, as has the advisor average revenue and again, we see those metrics as laying a very firm foundation for the very important partnership that we've announced today and that transition for advisors into that new joint venture partnership with Entireti and also AZ NGA.

Turning to the New Zealand Wealth Management, which delivered another strong result of $17 million NPAT in Australian dollar terms for the half, flat period on period. Pleasingly they've continued to grow their other revenue by 15% compared to the first half 2023, reflecting that growth in Advice and coaching revenues from the enable.me acquisition as Alexis mentioned, as they continue to diversify revenue streams in that business. We see inflationary pressures as being higher in New Zealand at present and generally conditions being tougher but costs are being tightly managed and remain flat compared to 1H 2023.

Now finally turning to the Group segment where revenue from partnerships overall is up slightly at $37 million for the half. Most of that improvement has come from the recovery in our PCCP business, but China continues to improve also, particularly over the H2 result last year where we talked to those regulatory changes that had created a dip relative to historical periods. Controllable costs at Group continued to trend down, improving 10% compared to 1H 2023 and as I mentioned earlier, interest expense fell a little over 15%, reflecting that repayment of corporate debt.

Similarly, though, investment income trended down as we see less cash being held as we continue our capital return and balance sheet management generally. Overall, that delivers us an NPAT underlying of a $7 million loss for the Group for the half.

Now turning to costs, we've provided the traditional walk in terms of the 1H 2024 controllable costs by comparison, as we mentioned, down 6.4% at $339 million. Critically,

employee costs continued to benefit from the changes we made throughout last year and which we continue to drive into this year. We have seen some uplifts in technology and property costs as we see the full effect of the stranded costs from those prior transaction activities in the prior year that we'd flagged, but we expect those to track down as our business simplification program fully delivers. The momentum we're seeing overall is in line with our overall FY24 cost plans as we've previously advised.

Now just turning to those cost plans and the restatement as we think about the Advice transaction. FY24 controllable cost guidance is being re-baselined for the full year in anticipation of completing the Advice transaction in H2 2023. That will effectively see us removing the direct revenue and direct costs associated with the Advice licensee business from our continuing operations for the full year. So that will see our controllable costs, excluding Advice, rebased to $660 million for FY23, down from our original target of $690 million.

There are stranded costs over and above the cost savings we already had in play of around $45 million that had emerged post the Advice completion. Must of that cost was already in our overall cost plans for FY25 as we sought the breakeven performance of the Advice business unit. I will talk a little more on that in a moment. We do see further cost savings in the corporate centre flowing through from our business simplification initiatives in H2 that will offset the traditional seasonality you've seen in our H2 cost base, leaving us confident in meeting our rebased $660 million controllable cost target for the full year, excluding the Advice business unit.

Importantly, business simplification spend, as I noted earlier, albeit slightly softer in H1, we expect to ramp up in H2 as the projects fully mobilise, but it will be within our guidance of $60 million to $75 million pre tax and within the envelope of the $120 million to $150 million over the full year 2024 and 2025 periods. Now just a pro forma of where we expect some of the key drivers around the Advice transaction to be.

As mentioned, total consideration for the Advice business across the licensee and the equity stakes is expected to be around $92 million. As Alexis mentioned, we expect to book a loss in them second half of around $30 million as a result of the transaction, specifically legal transition costs, some of the specific separation activity and incentives for advisors and also some provisioning for known issues.

As I mentioned, we're rebasing that cost guidance with those direct costs down to $660 million and correspondingly for FY25, given our prior guidance of $620 million to $640

million, that correspondingly reduces to $590 million to $610 million for our controllable cost target in the FY25 year. As I mentioned, there are clear stranded costs that emerge as a result of the Advice separation. Some of those costs will come out through 2024. Some fall away as a direct result at completion of the transaction.

That leaves the remaining stranded costs which were always part of our cost base and we're committed to addressing and will address within our existing business simplification budgeted spend as previously guided. We see the capital implications for the transaction as being broadly neutral. There are some ins and outs in there, but broadly we see it as a neutral position as we currently look at the transaction.

Now just briefly turning to capital and liquidity overall in terms of the 1H position as we finish. As Alexis mentioned, we've returned $963 million of our committed $1.1 billion capital return in 1H 2023. We announced today's dividend, which is a further approximately $52 million of capital to be returned next month. That will leave us $85 million remaining in the tranche three buyback to complete that capital return and complete the capital program.

In the half we did continue to pay down corporate debt, as we'd advised, broadly halving the outstandings over the first half 2023 as we continue our overall capital management. Similarly, Group cash continues to trend towards normalised levels as we complete those capital management initiatives. That sees Group surplus capital for the half close at $676 million as displayed in that table with the detail as you can see.

As is customary, we've also provided a waterfall to track the FY23 capital and key movements through the half year. We saw total capital requirements, including the board buffer fall by just under $70 million to $1.892 billion for the half. That's primarily a result of the smaller Bank balance sheet. You can see the impact of profit in the half, our planned buybacks and also the previously announced Bank Tier 2 redemption earlier in the half, culminating in that overall surplus position, as we said, at $676 million.

Now just briefly from me in terms of guidance, a quick recheck in terms of comparisons. Our guidance remains largely unchanged from our full year announcement. Bank, Platforms and our Super and Investment businesses are expected to perform as guided, particularly around margin. Our controllable cost guidance is now updated to $660 million, accounting for that removal of Advice that we anticipate in the second half, and we remain confident of meeting that target.

Our business simplification investments we do expect to ramp in H2, but as I mentioned will be inside our guided envelope of $60 million to $75 million for the full year. We are expecting the strategic partnerships to continue to perform broadly at 10% return on investment through the cycle and you're seeing that improvement as we track the first half.

I'll now hand back to Alexis to summarise.

Alexis George: Thanks very much Blair and let me just spend a few moments talking about what we anticipate to be the priorities for the second half of this year. Firstly, if I turn to our Bank, should be no surprises here. We intend to soft launch our small and micro business and consumer Bank in the fourth quarter to friends and family and publicly in the first half of near year, in fact in the first quarter of next year.

Recently Engine by Starling, which is the platform that we're embedding into Australia was supportive of a new bank that launched in Romania and that scaled and performed very well, which gives us additional comfort that we'll be able to do the same in Australia. Undoubtedly the market in Australia remains competitive, but we still believe there is an opportunity in this small and micro businesses area.

In Platforms, it's continuation of the good work that that team has been doing. We're starting to see momentum build with our innovative retirement solutions, with now over 250 active advisors in that space and we have FUM approaching $300 million. We want to continue to innovate in the space of retirement because we see huge amounts of money migrating into that area over the next 20 years.

In our Super and Investments business, clearly the retention efforts have been starting to pay off but I think there's more we can do here. We're now in a position where we have offerings with strong performance, we have the competitive insurance, we have a good proposition in terms of price and service, and we have an improving AMP reputation, and all of those things affect this business.

We're now starting to drive into that direct-to-consumer space and we're able to start to activate some of the corporate super opportunities that we haven't spoken to before. On top of that, we're hoping in the first half of next year to launch an innovative new retirement offering for our default super customers. I'm very excited about some of the things we're doing there.

In our Advice business, clearly the focus needs to be making sure we have a smooth transition of the transaction for our advisers, making sure we provide clarity for our people

in terms of their positioning, and completing the deal. We're hoping that all of that will occur by the end of this calendar year.

The regulatory environment in relation to Advice is certainly more benign and there's lots of opportunities out there for advisers, and we want to make sure we can continue to support those directly through our minority interest in here, but of course through our North platform also.

In New Zealand, the business continues to perform there despite the economic environment. The recent enable.me acquisition will continue to be focused on to broaden that financial coaching to help people really set themselves up for a better retirement. We are growing our corporate super base, albeit a slightly different environment to that of Australia.

In our strategic partnerships, as Blair mentioned, there was a drop in our assets under management in our pension company last year as the result of a regulatory change. That has already been recovered and there is optimism about the pension system in China. It continues to be a focus of the government and continues to be a growth area for us.

In our asset management company, again it's performing well, and we'll continue to see growth there. Our focus in terms of the partnerships is making sure we support them through the growth periods of the pension reforms and also to focus on adequate dividend payouts.

If I summarise the first half results, we continued to deliver on the promises. We are improving the financials, maintaining the margins, growing the inflows. We're focused and are delivering on those costs. We've almost completed the $1.1 billion capital return that we promised to the market, and we're starting to see improving flows in our platforms and superannuation business, along with stabilising the Company, including the balance sheet.

I think we're now in a position of much greater strength with the announcement of the transaction today and really are able to focus on the next phase for AMP, which is about growth. Thank you very much and on that note, I'll go to you, Maggie, for questions.

Operator: Thank you very much. We will now conduct the question-and-answer session. As a reminder, to ask a question please press star 1 on your telephone and wait for your name to be announced. To withdraw your question, please press star 1 again. Please stand by as we compile the Q&A roster.

Our first question comes from Nigel Pittaway from Citi. Please go ahead.

Nigel Pittaway: (Citi, Analyst) Good morning, guys. Thanks for taking my questions. Just first of all on the controllable costs. You did say you're well on track for targets, and I do hear what you've said about seasonality with the cost base before, but your guidance does envisage 4% increase in controllable costs in the second half, so I was just intrigued as to why you're expecting that level of increase given the initiatives that you've got in place.

Alexis George: Thank you. I'll let Blair answer that one, Nigel.

Blair Vernon: Hi, Nigel. Thank you. Yes, we have always seen second half seasonality [previously] if you look back [at corresponding] periods, it's largely a function of the roll-forward of salary changes that appeared in the first half as well as some seasonality in terms of marketing spend. Obviously, the increase that we see in the second half I think is much more moderate than previously, and from my point of view that's in line with the trend we've seen.

What I would say is there's also - continues to be some opportunities to drive that growth, so particularly the platforms business. As I mentioned, that cost is flat. The Super and Investment business we're seeing some momentum, so there are some small investments that we're making to continue to shift to that growth footing that we'd like to see.

Alexis George: I think there's probably a bit of a timing in some of the spend around projects as well, Nigel, so at this point we would see there'd be an uplift in the second half.

Nigel Pittaway: (Citi, Analyst) Okay. Thank you. Then just maybe a question on the Bank. You said that the growth should pick up second half and you'd maybe seen a little bit already. Why do you think that will be able to pick up in second half and are you prepared to dial down the margin and the NIM a little bit in order to achieve that?

Alexis George: Yes. Thank you for that question. You can see in the first half we've certainly been biased towards margin and that's why the volume has seen that reduction. While the market remains competitive, there certainly are pockets that we're seeing we can grow in at the right margin. That's around the self-employed people not going up the risk curve much, some of the self-managed super funds, et cetera. So, there's some pockets that we've been able to leverage to improve the margin basis, which is why we can have some confidence that volumes will pick up. That's certainly what we've seen in the last couple of months, but [unclear].

Nigel Pittaway: (Citi, Analyst) Yes, okay. Thank you. Maybe just finally, the PCCP thing was interesting. You built the write-down last time right back up this time, which does seem to

be slightly surprising given the market conditions in terms of office property and the like. Can you just explain how those values managed to improve in this period?

Alexis George: Yes. The improvement was in our seed investment. PCCP is not only in offices, it's in a broad range of developments, so yes, there is some office exposure but in terms of our seed investment it is much broader of that into industrial and commercial, and that has picked up more than office.

Nigel Pittaway: (Citi, Analyst) Okay. Thank you very much.

Alexis George: Thank you, Nigel.

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

Lafitani Sotiriou: (MST Financial, Analyst) Good morning, guys. My first question is around the improved flows you're getting on North and the traction you're getting with the IFA network. Can you just talk to some specifics as to what's changed, what are you doing differently to penetrate that user base, and does the new partnership you're forming help accelerate that?

Alexis George: Yes. Thanks, Laf, that's a great question. Firstly, in terms of the improving flows, and you've probably heard me say that before, but it was really important for us to launch something different about North and about AMP. We went through a lot of work to decide that the retirement space and the innovation we launched around the retirement space was really important for our North platform, not just for the flows that we could get into retirement but because we'd not been in that external or IFA market for a while.

It allowed us to open the doors to new relationships and you're starting to see some of the benefits of that today. We need to continue to do that and that's why we talk about the flows from IFAs. I'm not saying the flows from our [unclear] aren't important, they clearly are and they're a very important partner, but we know the market is changing and IFAs are growing. So, that's the main reason for that.

Yes, the announcement today with Entireti and with the dealer groups that they own is a real opportunity for us and we're starting to talk to them about opportunities for North across their network. So, absolutely think there is some opportunity for us and the teams are working together.

Lafitani Sotiriou: (MST Financial, Analyst) Okay, thanks. Just moving to the excess capital bucket, and I appreciate the extra line with the [DTAs] to help clarify what is I guess

usable more immediately, but could you just talk us through as you get to the end of this capital return program, philosophically into the next couple of years, there's still that bucket of capital, excess capital that will come through and you will have sustainable earnings there.

How should we think about into the future the capital return mix? Would you envisage possibly there still being buybacks and dividends or what are your early views on what that excess capital bucket will be used for?

Alexis George: Yes. Thanks, Laf. I think we want to get to the situation where we're in a more business-as-usual type of capital management position, which is why we want to move to a more formal dividend policy. As you quite rightly note, we expect to finish that $1.1 billion in the buyback by the end of the year. We'll come to the market with a formal dividend policy by the end of the year as well, to move into that phase. I'm not saying we wouldn't ever buy back because it's not in our interest to have surplus capital sitting on our balance sheet, but it's not something that we're anticipating in the short term.

Lafitani Sotiriou: (MST Financial, Analyst) Sorry, just to clarify, but there's still $0.5 billion plus excess capital even net of your current program and you'll have organic earnings generation next year. Is there any thought on what may happen with that $0.5 billion bucket? There's no discussion or consideration?

Alexis George: Yes. We've still got a few movements in the capital stack and across the balance sheet over the next six months as we finalise this transaction and deal with some other items. We've got the buyback continuing until the end of the year. The Board and I will have another look at capital as we come up to the end of the financial year because as I mentioned before, it's not in our interest to hold surplus capital. I do want to make sure that we start to move into a more orderly capital management process and focus on growth. We'll have another look at that as we come up to the annual results but at this point, we're not planning a secondary buyback.

Lafitani Sotiriou: (MST Financial, Analyst) Yes, got it. Can I just circle back on the simplification of the Super and Investments platform? Could you just add a little bit of colour around where is the consideration at; are you possibly going to re-platform it? Are we talking within the next year you'll come back to market with some decision you've made or is it years away, or how should we think about it?

Alexis George: Yes, you're right. At a point in time, we've probably modernised most of the technologies that we're using across the businesses. The area where we do need to focus

on that modernisation of the technology stack is in the superannuation space and we've been looking at that. Anything we did do there though would be within the envelopes that we've already committed to the market.

Lafitani Sotiriou: (MST Financial, Analyst) Okay, great, and just one final very quick question. Historically, there was a potential to earn a performance fee from the asset sale to DigitalBridge; it was up to $180 million. I think most people have just written it off. Are you able to add any colour as to if there's still potential in earning any of that performance fee? Is there any timeline we can expect or should we just assume nothing there?

Alexis George: Yes, good question, Laf. Always optimistic about booking some of those fees but we certainly haven't taken them into account in the result. Some of those will emerge through '25 and '26 if they're actually to realise but at this point, we haven't put them into our projections and we'll update the market as we get closer. I'd like to think some of that will be realised but what amounts I'm not quite sure yet.

Lafitani Sotiriou: (MST Financial, Analyst) It sounds like some of it may be realised.

Alexis George: Yes. I would expect it will be positive, that some of that will be realised. Actually, giving you a dollar amount today I think would be a bit silly.

Lafitani Sotiriou: (MST Financial, Analyst) No worries. Thank you.

Alexis George: Thanks, Laf.

Operator: Thank you. Our next question comes from the line of Simon Fitzgerald from Jefferies. Please go ahead.

Simon Fitzgerald: (Jefferies, Analyst) Hi there. Just one quick question about the AZ Next network. You talked about opportunities for North. Do you know, do they use a competitor platform at this point in time and whether there's a transition opportunity there?

Alexis George: Yes, they use several platforms is my understanding. I think they have an open platform and so obviously we think that's a real opportunity for us.

Simon Fitzgerald: (Jefferies, Analyst) Great, okay. Then just I'd like a bit of a breakdown just in terms of how we get to the $30 million accounting loss on the sale. Is it just so that the holding, the carrying value is above the $82.2 million or was that written off, and also is there any sort of update on whether that includes some of those written-down or impaired registers through the BOLR facilities that are on the balance sheet as well?

Alexis George: I'll let Blair walk you through the loss. In terms of the BOLR situation, obviously we've taken the BOLR class action into account already in our balance sheet and

we don't really have any other BOLRs. There might be one that's still on foot but they're pretty much complete, Simon.

Blair Vernon: Yes, I'll just [unclear], Simon. Certainly, the BOLR remains on our account and so that's already been dealt with. The $30 million loss broadly reflects the fact that we've got a licensee business where there's about a $10 million consideration. So, setting aside the equity portfolios, there's about a $10 million consideration coming through. We have some specific legal and transaction costs obviously associated with the transaction.

There are some specific separation costs and also some incentives that we're providing to the adviser community in terms of rebranding and some other things that they've got to do, because we want to make sure that it's a very smooth transition for advisers and so they can continue to focus on clients and growing the business. We've also taken - considered a view on some small provisions associated with known issues that are in the book because obviously they are on our account and so we've accounted for those. That's what drives essentially our assessment at this stage of about a $30 million loss on sale.

Simon Fitzgerald: (Jefferies, Analyst) Okay, and then just one final question on the bank in terms of the arrears tick-up that you've seen there. Are there any trends that you identify, particular states in general, any vintages, any LVR categories?

Alexis George: No, there's nothing in particular. If there is an uptick across the book once someone rolls off the fixed onto the variable, that tends to cure over six months or not, so that's certainly one of the areas we're looking at. In terms of OO or IO, no, it is across the book, and as you can see in terms of the repayments, if you're quite a way ahead you're doing really well, if you're in arrears or just on time that's where they're struggling. I think as any banker would say, things look pretty benign despite the environment and we're just all watching those unemployment numbers.

Simon Fitzgerald: (Jefferies, Analyst) Right. Thank you for taking my questions.

Alexis George: Thank you.

Blair Vernon: Thanks, Simon.

Operator: Thank you. Our next question comes from the line of Benjamin Moss from Macquarie. Please go ahead.

Benjamin Moss: (Macquarie, Analyst) Good morning. Thanks for taking my questions. First off…

Alexis George: Good morning. Nice to have a new voice.

Benjamin Moss: (Macquarie, Analyst) Thank you very much. Thank you. First off, how should we be thinking about the timing and clarity of further paydowns in debt in terms of the return of capital going forward?

Alexis George: Yes. I'll let Blair answer that one, thank you, Benjamin.

Blair Vernon: Yes. We obviously have debt maturity very late in the half which we paid down, which we flagged. Broadly speaking in terms of the debt we're carrying, we think that's a pretty neutral position now in terms of what our requirements are. We don't necessarily see more paydown, there's nothing directly due in the next period. In fact, the next maturity is actually out late '25, and so we're pretty comfortable with that. We're obviously monitoring carefully that position but right now we're pretty neutral in terms of where we are now.

Benjamin Moss: (Macquarie, Analyst) Fantastic. Thank you, that's helpful. Just lastly from me, on the cost-out program as we go into the second half, which division will benefit the most from that?

Blair Vernon: Great question. Obviously, we would see corporate centre being the particular area where we would see the most cost-out. That's where we're for want of a better word housing the stranded costs and so that's the real focus now in terms of as we ramp up our business simplification program, so that's the key one. I would expect obviously that that's - because that's where we're going to see the remainder of, or the balance of the advice stranded cost emerge, it will mostly be centred on that corporate centre, which clearly is a big focus for us in terms of right-sizing the total corporate entity, which we're now very clearly focused on.

Benjamin Moss: (Macquarie, Analyst) Okay. Thank you. That's it from me.

Alexis George: Thank you.

Blair Vernon: Thank you.

Operator: Thank you. Our next question comes from Andrei Stadnik from MS. Please go ahead.

Andrei Stadnik: (MS, Analyst) Good morning. Can I ask my first question on the retirement income strategy? You're saying you're going to adapt the retirement income product for the old Master Trust [unclear] investments. What kind of adaptation do you need to do, what kind of work is required, how different will the product be, and what kind of uptake, what kind of success do you expect with this product?

Alexis George: Well, I don’t want to expose all our secrets, Andrei, because it’s really important. No, it is really important for us to launch that appropriately next year, but it will clearly be a simplified version of what we’ve done in the platform space. We’ve been working really hard on that probably for about nine months today, engaging with regulators and with Treasury, and we will launch that next year, and it will affect quite a large portion of our superannuation, or default superannuation space. I probably don’t want to go into a lot more detail now because probably a lot of competitors would love to hear what we're doing there.

Andrei Stadnik: (MS, Analyst) Understood, thank you. Look, for my second question, can I ask around the bank funding cost dynamics; what are the opportunities to explore better outcomes on deposits? Particularly, at call deposits and then on the other hand, are you expecting further pick up in your replicating portfolio?

Alexis George: Yeah, a couple of questions there. Firstly, we don't have a replicating portfolio really, but there's slight pickup there. In terms of the funding cost, which is the big one for us, that's something we've been looking at for a couple of years. The reality is we don't have a transaction banking capability, so as a result of that, we don't get very much low-cost funding. So it's at call and term deposits. That was really the reason that we had to start looking at alternative strategies and the launch of the small and micro bank which will come out in the first quarter of next year. That strategy was all about diversification of the funding and diversification of the customer base. Did you want to say anything else on the replicating portfolio?

Blair Vernon: No, I think we have flagged previously there is a material deficit for us in terms of that low-cost funding. We see that most competitors with upwards of 25% of their funding mixes on those products and we simply don't possess any of that. So, the launch next year as Lex said can't be understated in terms of its importance. We obviously see that starting to deliver benefits in really [‘26] but mostly '27. So it is about growing that. So that I think is the key for our funding mix overall. A critical strategic initiative for us.

Andrei Stadnik: (MS, Analyst) Thank you.

Alexis George: Thank you.

Operator: Thank you. Our next question we have Siddharth Parameswaran from J.P. Morgan. Please, go ahead.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Good morning, Alexis. Good morning, Blair. A couple of questions if I can. Firstly, just on the variable costs. They fell reasonably sharply in this - in the past half; $149 million. I think it was around $160 million the preceding half. I'm just keen to understand whether that is a new base and if you could just give us some idea of what actually drove that. I think a lot of it seems to be in Master Trust, but I was hoping you could just provide us some context to what happened here and the sustainability of that going forward?

Alexis George: Yeah, I think a lot of that is to do with simplification of the platforms and superannuation and investments business and removing some of the older products and some of the older investment management fees. Blair, did you want to say anything else?

Blair Vernon: Yeah, product mix and predominantly investment management expenses and so we do see that being more in line with our go-forward view.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Okay, thank you for that. Okay, second question if I can, just on the bank and the new initiatives on the SME side, I was just wondering is there any implications on cost of this going forward? It didn't seem like you were guiding to anything, but usually, if you're starting something, there should be some investment made. I was just wondering if you could tell us how you're thinking about this and really what should be the impacts we should be thinking in '25?

Alexis George: Yeah, through '24 and '25, the costs of that have been included into our simplification program because, at the same time, we are able to take out some of the legacy IT architecture, so that's why you don't see it necessarily coming through separately. Some of those costs have been borne by the bank as it's been looking to target its operating costs. So through '24 and '25, it really is being absorbed as part of either BAU or the simplification program if it's removing complex IT.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Okay, fair enough. Okay, and I presume it's too early to really have any impact on NIMs in '25?

Alexis George: Yeah, I think we'll launch in the first quarter, we'll start to see the success of that through the year and be able to reforecast that.

Operator: Thank you. Our next question will come from the line of Scott Russell from UBS.

Alexis George: Morning, Scott.

Scott Russell: (UBS, Analyst) Morning, Alexis. Morning, Blair. A few questions on advice if I can please. I'm interested in the - what the pro forma position looks like and maybe

talking about FY25 is a bit premature, but I guess what I'm trying to understand, and it may be not clear from the materials, is what exposure AMP has left to its advice segment after these transactions? We used to talk about a break even on FY24; I guess that's null and - irrelevant now, but you will still have some exposure here. I'm just trying to put together some of these numbers.

Alexis George: Yeah, there's a couple of things. Firstly, we will of course maintain our [intra-fund and salaried] advice which is part of the proposition within Super, but that's always been carried in Super, so I just want to make that clear that that's there. In terms of the ongoing exposure to advice, let's assume for the moment that the deal is complete at the end of the year, we'll have that 30% stake in the licensee business, so we'll still have that exposure. We've been open about the fact that as the financials are bedded down in the new environment where we will transfer an additional 10% to the advisors over that first two periods - over that first period.

So other than the known liabilities around our class-action that we have and that impacts several of the advice - the various class actions, that impacts several of the advice businesses. We have that exposure which of course will continue. A couple of small remediations that we need to finish in the current year and then the normal warranties and indemnities that would come with any transaction.

Scott Russell: (UBS, Analyst) Okay, and if I just look at some numbers from the last 12 months advice P&L, $110 million of controllable costs, $155 million of revenues and you're calling out $30 million of those costs will be exited alongside $30 million of revenues. So that sort of takes the P&L down to $80 million of costs on $25 million of revenues which is still a significant loss. I think you've said that of the cost that targeted for cost out in FY25, does that bring you down to what you would imagine to be in FY25, neutral P&L?

Alexis George: Yes, good question, Scott, and I'll let Blair work through that for you.

Blair Vernon: Yes, broadly we would be aiming to get the position, Scott. Those stranded costs absolutely remain with us, obviously, and remain in our remit to address. They were always part of our business simplification targeted investment and the overall cost guidance of it. Because obviously again, to breakeven was a core part of that commitment to the overall cost guidance envelope through '24 and '25. So, we remain focused on that.

What I would observe is, obviously, having this transaction to essentially architect the separation against allows us to accelerate that separation of the Advice business and then

more diligently address that stranded cost, which is obviously work that literally starts from tomorrow and so we'll be continuing to work on that through FY25.

Alexis George: I think it's also important to note that we have taken some further restructuring in Advice in the First Half. The benefits of that wouldn't have flown through to the Second Half either. So, you've got some extra things that we were doing that will flow through, but your question is quite right. There were additional costs to take out of the others that we need to address, and always knew we had to address as part of the simplification.

Scott Russell: (UBS, Analyst) Okay. Okay. That's clearer. Thank you. Maybe just on flows and the possible disruption caused by the transactions by the end of this year, are there any guarantees from the buyer on keeping client money on AMP Platforms? Or what is - what do you see as the risk of outflow as a result of divestments?

Alexis George: Of course, no, there are no guarantees. That would not be possible in today's world, but I mean, I think the fact that Matt Lawler, firstly, will be the CEO of the new entity so that creates a great continuity. He and I have been working really hard with all of the Advice practices over the last year bringing on the journey of what NewCo looked like.

We put in place today what - [unclear] aware of that, but we've also put in place some rebates to make sure that the transaction is smooth and easy. Those rebates will apply for the first year and the second year of the fees they pay to the licensee and will be rebated at the end of the two years, either in cash or equity. So, we've done a lot of hard work in making this as easy as possible for advisors and making sure they've been involved in the decision and making sure we continue to invest in North.

So, I'm not saying there won't be any exposure. Clearly, it's a concern for me but I think we've done everything we can to protect the business and make sure we can keep investing in the business. That's what the advisors want us to do as well, just keep investing in North.

Blair Vernon: Scott, just for clarity, those incentives that Lex talked about are part of that envelope of transition costs which is why we're booking that $30 million loss on sale.

Scott Russell: (UBS, Analyst) Got it. Thanks, guys. I'll leave it there. Cheers.

Alexis George: Thank you very much, Scott.

Operator: Thank you.

Alexis George: Maggie, I think there are a couple of more questions.

Operator: Yes, there are two more questions. Our next question comes from Lafitani Sotiriou from MST Financials.

Alexis George: Thank you, Laf.

Lafitani Sotiriou: (MST Financial, Analyst) Hey guys, just one follow-up question from me, just in relation to the Bank and the talk of potentially re-accelerating some growth or some of the parts of the market there is some opportunity for you to grow the book. How should we think about the guard rails for overall return on capital within this business?

Because, you know, your currently in - even though - even if it steady it's still not good enough to - meet your cost to capital. So are you still going to grow your book if the cost to capital - sorry, your return on capital is still around 6% or what's the thinking internally around when to pull the trigger to grow the book and what hurdles do you have to hit?

Alexis George: Yes, thanks, Laf. Clearly, our bias is towards margin and return on capital and I just want to - I want to be really clear about that. Which is why you've seen the reduction in the book. Yes, we are expecting some moderate growth, and I want to stress moderate growth, in the second half in those I've outlined before. I would expect that you would see flat-ish NIM and flat-ish return on capital through the second half.

We really need to focus on diversification of the funding and [unclear] clients to significantly improve that in the current environment.

Lafitani Sotiriou: (MST Financial, Analyst) Should you be growing anything that's returning 6% return on capital, below your cost to capital, even at a small rate? I'm just trying to understand the reasoning for it.

Alexis George: Yes, it's a fair question. As I said, it's moderate growth and it's in those pockets where we think the return on capital is better than the base return on capital. So, you know, I'm not - we're not talking about outshooting the market here by two times. We are seriously talking about very moderate growth.

Lafitani Sotiriou: (MST Financial, Analyst) Okay. Got it.

Operator: Thank you. Our last…

Alexis George: Thanks, Laf.

Operator: Our last question comes from the line of Siddharth Parameswaran from J.P. Morgan.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Sorry, I got dropped off earlier. Just a question around revenue - the revenue margin, but I don't know if that question came through last time. I just asked about the fact that there was some pressure that we saw in the Platform division. Just, I think, the other fees, the non-admin side, I think there was some pressure there.

I was just wondering if you could comment on whether that would be expected to continue going forward? We've seen it for the last two halves and also just on the other side, on the master trust revenues, there was a big bounce in the investment income line. I was just wondering if you could comment on whether that $7 million is likely to continue at those levels?

Alexis George: Yes, I'll let Blair talk about the S&I. In terms of the Platforms, we wanted to provide a bit more disclosure today about the Platform fee and the composition being both admin and investment management. Because, look, it's a competitive environment but there is greater pressure on the admin side than the investment management side.

You can see for us that it's about a 50/50 split in that. So, we've maintained reasonable margins, [unclear drop in a basis point of about one] over the last period of time. We've gone into [flat] for the end of the year. Haven't started to think about what that may look like through '25 but that's why we wanted to give you an indication that our composition of margin is a little different to some of our competitors. So, therefore, not as stressed as maybe others may be.

Blair Vernon: Maybe - so just on the investment income and separate investments, there is some timing differences in terms of cash holdings that are sat within that entity in terms of when we push dividends up to Group. So some of that earning is on that cash in that entity. There was a bit of difference between period on period. So that's what accounts for that movement you've seen.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Sorry, so what's the go-forward basis? What should we think of as a normal number?

Blair Vernon: The go-forward would be slightly down on what you see there. So, trending more towards - look, it would be 3 to 4, rather than a 7.5.

Siddharth Parameswaran: (J.P. Morgan, Analyst) Yes. Okay.

Blair Vernon: Obviously, it would depend on…

Siddharth Parameswaran: (J.P. Morgan, Analyst) Great. Okay.

Alexis George: Thank you.

Siddharth Parameswaran: (J.P. Morgan, Analyst) [Unclear], thank you. Thanks.

Operator: Thank you. This concludes the Q&A session. I will now hand back to Alexis.

Alexis George: Yes. Thank you all for your attention today. I think it is a really important day for AMP and I'm certainly - am not naive enough to believe it's not a big day when we announce that we are taking a minority rather than the whole ownership of AMP Advice.

I think this is transformational for the industry. It's certainly transformational for advisors and very much looking forward to the next era of our company. So, thank you very much and I hope you have a great day.

Operator: Thank you. This concludes today's conference call. Thank you all for participating. You may now disconnect.

**End of Transcript**