ADDRESS BY AMP CHAIRMAN PETER MASON
TO THE AMP ANNUAL GENERAL MEETING
12 MAY 2011

So let me begin with a review of the past year.

2010 was a significant year for your company: a year in which we reshaped AMP and, indeed, reshaped a significant part of Australia's wealth management industry.

AMP took advantage of opportunities presented, and we now face the future with renewed strength, ready to capitalise on the tremendous potential of our industry.

Global context

This time last year, concerns about the repercussions for Australia of the global financial crisis loomed large. In most of the developed world, they still do.

The United States continues to experience economic stress, and so do many other countries. Sovereign debt issues, particularly in Europe, have continued to give pause to investors and keep the brakes on market growth.

While the Australian economy has been relatively resilient during the past couple of years, distance is no protection against economic uncertainty. Events on the other side of the world continue to make a noticeable impression on our country, and on AMP.

The prevailing economic mood in Australia in 2010 and continuing in 2011 has been relatively positive. But commodity exports will create long-term prosperity only if we invest the proceeds wisely, and there will inevitably be down cycles in the long-term trend. So Australian markets are tempered with caution.

This was manifested as market wariness and a preference for paying down household debt. Household savings ratios have increased – leading to reduced levels of discretionary investment.

In 2010, and so far in 2011, this has continued to have a noticeable impact on AMP's business.

Business performance

In this environment, your directors and senior executives continued to chart the disciplined course we embarked upon when fears about the global financial crisis were at their most urgent.

AMP remains a well-capitalised entity, with core businesses that continue to perform well.

Our underlying profit – our preferred measure of profitability – was down two per cent on 2009, and stood at $760 million.

In light of possible changes to regulation around the amount of capital we are required to hold, we maintained a very strong capital position.

Indeed, we finished 2010 with $240 million more in regulatory capital resources above minimum requirements than we had in 2009.

We will continue to hold more capital than statutorily required until we have a greater understanding of what the regulatory changes might be.

Both AMP and AXA adopted a prudent approach to capital management, and the merged group continues to hold significantly more capital than it is required by regulators to hold.

At the end of 2010, AMP had:
- some $1.5 billion in surplus capital above minimum regulatory requirements
- $3 billion in shareholder equity, up from $2.7 billion in 2009
- and liquidity of $470 million, with access to undrawn bank facilities of another $500 million.

As you know, we determine your dividend in light of our underlying profit, and the total dividend for 2010 was 30 cents per share, steady on 2009.

This means we paid out 82 per cent of our underlying profit as dividend, up from 78 per cent in 2009.

Industry consolidation

As I mentioned earlier, though markets have come back from their lowest levels, this recovery has by no means stabilised.

However, challenge rarely comes without opportunity. The measure of a strong company is what it does with those opportunities.

There has been a long-term trend to consolidation within our industry.

Your company chose to be an active participant in this consolidation. Indeed, 2010 was a momentous year in AMP's history – one in which we took a significant, industry-changing initiative.

As you know, the merger transaction with AXA Asia Pacific is now complete, although the integration work has only just begun.

New directors

To help in building the new company – a better company than either AXA or AMP was previously – we are recommending to you today the addition of three directors to your board.

Catherine Brenner joined our board in June last year, having already served on the AMP Life Board. Rick Allert and Patty Akopiantz were directors of AXA Asia Pacific Holdings.

All three bring a wealth of knowledge and insights with them to the AMP Board, and each will play a unique role in helping us build a powerful AMP capable of giving Australian and New Zealand consumers the choices they richly deserve.

Before I move on, I'd like to say a few words about diversity. Diversity is the lifeblood of your board. The directors before you represent a wide variety of business backgrounds, of viewpoints and of personal heritages.

What this means for you, as an investor, is robust boardroom discussions where issues pertaining to AMP's present and its future are looked at through many lenses.

As a group of directors, we work cohesively, but not always in lock-step with each other, and nor should you expect this to be the case.

It's the insights, knowledge and experience your directors bring to their work for AMP that, I believe, give real meaning to the much-bandied about term 'diversity'.

We have established a board diversity committee to reinforce the work that is being undertaken on this issue by management.

Merger

As I have said, the merger with AXA Asia Pacific marks a new beginning for both AMP and AXA, and sparks the opportunity to build an outstanding new company.

As you know, AXA was formerly National Mutual, a company that, along with AMP, laid the foundations for wealth management in Australia.

Merging the two provides the opportunity to build on both AMP's and National Mutual's long and proud histories. We are uniting the two pioneers of our industry, bringing them both back into Australian ownership.

We are also taking leadership of the wealth management agenda, and providing investment advisers and clients with a compelling alternative to the banks.

Both the AMP and AXA boards held steady throughout the merger process, driven – as ever – by a responsibility and a desire to serve shareholders' best interests.

It was on this basis that the AMP Board assessed AXA as a merger partner against our long-standing M&A criteria.

Those criteria dictate that any transaction we consider must be strategic, economic and have an acceptable level of risk.

All along, we strongly believed that a merger with AXA would create a powerful competitive force, independent of the banks, and able to offer Australians and New Zealanders real choice in wealth management.

And I am pleased to say that, in the end, AXA's board – equally driven by its responsibility to shareholders – agreed that the proposal served the best interests of AXA's investors and clients.

The challenge now is to create an organisation operationally and culturally capable of reaching its tremendous potential.

Just as neither AXA nor AMP rushed the M&A process, nor will we act expediently in integrating the two companies.

An integration of this scale is a tremendous task requiring planning, consideration and dedicated expertise from both AMP and AXA executives and at all levels of the two organisations.

We are now planning what the new AMP will look like, and Craig will speak to you about this in more detail.

I am very encouraged by the level of enthusiasm I've seen from both AXA and AMP people – at all levels of both organisations – for this merger. What we have ahead of us is a huge task, but we are off to a very strong start.

But rest assured we are as focused on business as usual in each part of the combined organisation as we were before we came together.

As critical a task as it is, designing the shape and form of the new AMP is happening independently of what we do every day and what our company excels at: providing products and advice that help our customers turn possibilities into realities.

What we achieved in 2010

Indeed, much was happening at AMP in 2010 to prepare our company for the future, apart from our merger with AXA.

That future is one in which governments', regulators' and consumers' expectations of what we do, and how we do it, are changing.

As you know, our industry has been the subject of several reviews during the past couple of years. As an industry, we manage more than one trillion dollars in retirement savings. We expect to be subject to government review.

In 2010, both AXA and AMP were active participants in the review process and we've been strong supporters of initiatives that aim to enhance the financial advice profession and consumer confidence in our industry.

And, in line with that support, at AMP – and at AXA – we made substantial changes to our business, and in the business operations of our financial adviser networks, to anticipate changes which should occur in the regulatory environment.

Importantly, we helped our planners move to fee-for-advice in Australia – two years ahead of the industry deadline.

We strongly support the government's proposed increase in the superannuation guarantee levy from nine per cent to 12 per cent. In fact, this year AMP has moved from paying its employees 10.5 per cent superannuation to 11 per cent, and over the next three years this will rise to 12 per cent.

We will continue to be a voice at the table where it is appropriate, and to recommend and support changes we believe serve consumers' best interests.

We will also oppose proposals we believe to be ineffective policy – and the proposal to phase out commissions on insurance bought through superannuation is, we believe, one such policy.

Given the substantial underinsurance problem in Australia, we are concerned about the unintended consequences of this proposal, which we believe could worsen the problem.

95% of Australian families do not have adequate levels of insurance, and underinsurance costs the taxpayer $131 million every year.

Without the encouragement and support of a financial planner, many people would not appreciate the need to arrange adequate insurance.

In 2010 we also continued to strengthen our investment capabilities, investing in new operating systems and platforms, and we increased our efforts to pursue Asian asset management and investment business.

All of this activity has begun to change how people see us. Perceptions of our brand are improving. We are being seen as more contemporary, more flexible, faster-moving and more customer-focused.

AXA, too, made great progress in 2010, amid what could only be described as challenging times.

AXA's board and management did a marvellous job of keeping the company focused on its core business during an unsettling year. It's never easy to be the subject of M&A activity.

In AXA chief executive Andy Penn's final message to the market, he commented that he believed he was handing AXA to AMP in robust shape – and we agree wholeheartedly.

I would like to take this opportunity, on behalf of the AMP Board, to extend congratulations to Rick and the people who served on the AXA Board, and to Andy and the people who were part of his management team, and to the employees of AXA, on the fine company they built.

Together, we will now build something even better than either of us was able to build alone.

Summary

2010 was a challenging year, but one in which we re-oriented AMP towards a more competitive future.

Though short-term challenges remain, AMP is in a strong position to vigorously pursue growth.

Critical to the success of the new AMP will be an unstinting focus on our customers, and on doing all within our power to help them own their tomorrows. With AXA and AMP together, we now present a stronger-than-ever alternative to the banks in wealth management.

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