



# AMP Investor Report

Full year 2009

FY09

# Management and contact details

## Executive management team

Craig Dunn	Managing Director and Chief Executive Officer
Paul Leaming	Chief Financial Officer
Craig Meller	Managing Director, AMP Financial Services
Stephen Dunne	Managing Director, AMP Capital Investors
Lee Barnett	Chief Information Officer
Brian Salter	General Counsel & Company Secretary
Jonathan Deane	General Manager, Strategy
Matthew Percival	General Manager, Public Affairs
Fiona Wardlaw	General Manager, Human Resources

## Investor relations and media enquiries

Howard Marks    Director, Investor Relations  
Telephone        61 2 9257 7109  
Facsimile        61 2 9257 7445  
Email              howard\_marks@amp.com.au

Jane Anderson    Director, Media and Community Relations  
Telephone        61 2 9257 9870  
Facsimile        61 2 9257 2002  
Email              jane\_anderson@amp.com.au

## Online reports

This investor report is available online at [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre) along with other investor relations information.

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## Important note

This Investor Report provides financial information reflecting 100% shareholder attributable after income tax results from an operational perspective. The principles of life insurance accounting are used in reporting the results of AFS. Information is provided on an operational basis (rather than statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data and internal management information useful for investors. This Investor Report is not audited. In preparing the Investor Report, management has had its external auditor, Ernst & Young, prepare a review statement in relation to specific matters pertaining to the information presented herein for management's purposes. This statement has been included in the document for the information of readers; however, it has been prepared solely for management and may not be relied upon by any party other than the management of AMP Limited.

All results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

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

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

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

## FY 09 performance summary

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### Key performance measures

- Underlying return on equity decreased 7.3 percentage points to 31.6%, impacted by the November 2008 capital raising
- Underlying profit of A\$772m, down 5% on FY 08 with improving earnings momentum in 2H 09
- Growth measures:
  - AFS net cashflows of A\$1.7b, up 17% from A\$1.4b in FY 08; AMPCI external net cashflows of -A\$1.1b, down from -A\$0.8b in FY 08
  - Value of risk new business<sup>1</sup> down 11% to A\$102m, impacted by higher bond yields (Australia up 11% to A\$100m offset by deterioration in New Zealand)
- 67% of funds met or exceeded benchmark over the 12 months to 31 December 2009, 72% of funds met or exceeded benchmark over the five years to 31 December 2009.

### Profit and profit drivers

#### Underlying profit of A\$772m, down 5% on FY 08

#### Net profit attributable to shareholders of AMP Limited up 27% to A\$739m

- AFS contemporary wealth management operating earnings up 5% and contemporary wealth protection up 7%
- AFS mature operating earnings down 6%, AFS NZ down 4% and AMPCI down 33%
- Open businesses contributed 80% of total BU operating earnings
- Total investment income up A\$239m due to improved investment markets and higher capital resources.

### Cashflows, AUM and revenue margins

#### Group AUM up 9% in FY 09 to A\$114b, primarily due to improved investment markets

- AFS AUM increased 13% to A\$76b, AMPCI AUM up 6% to A\$97b
- AFS net cashflows up 17% on FY 08 to A\$1.7b. Retail superannuation and pensions/annuities fell 33% to A\$834m, corporate superannuation increased 47% to A\$812m (excluding mandate wins), while AFS NZ increased 87% to A\$235m
- AFS Australian individual risk API increased 11% to A\$607m, group risk increased 7% to A\$165m, AFS NZ individual risk API increased by 5% to A\$117m
- Contemporary wealth management investment related revenue to AUM increased 3 bps to 186 bps. AMPCI AUM based management fees fell marginally to 30.8 bps.

### Costs and cost ratios

#### Total costs fell 5% to A\$837m; cost to income ratio up 0.4 percentage points to 41.7%

- AFS controllable costs fell 6% to A\$529m, AMPCI costs decreased 5% to A\$255m. Cost declines were primarily the result of tight cost management and lower AFS labour costs.

### Capital management and dividend

- Excess capital over minimum regulatory requirements was A\$1.2b at FY 09, up from A\$0.9b at FY 08
- Interest cover (underlying) remains strong at 11.9 times
- Gearing on an S&P basis is 13%
- Final dividend of 16 cps was declared for FY 09.

<sup>1</sup> This is a combined value of new business measure for Australian contemporary wealth protection and New Zealand risk insurance.

## Financial summary

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss</b>						
Australian contemporary wealth management	<b>278</b>	149	129	266	4.5	15.5
Australian contemporary wealth protection	<b>164</b>	81	83	154	6.5	(2.4)
Australian mature	<b>151</b>	79	72	161	(6.2)	9.7
New Zealand	<b>54</b>	31	23	56	(3.6)	34.8
AMP Financial Services	<b>647</b>	340	307	637	1.6	10.7
AMP Capital Investors	<b>91</b>	48	43	136	(33.1)	11.6
<b>BU operating earnings</b>	<b>738</b>	388	350	773	(4.5)	10.9
Group Office costs	<b>(37)</b>	(19)	(18)	(36)	(2.8)	(5.6)
<b>Total operating earnings</b>	<b>701</b>	369	332	737	(4.9)	11.1
Underlying investment income	<b>126</b>	62	64	140	(10.0)	(3.1)
Interest expense on corporate debt	<b>(71)</b>	(34)	(37)	(82)	13.4	8.1
AMP Limited tax loss recognition	<b>16</b>	8	8	15	6.7	-
<b>Underlying profit</b>	<b>772</b>	405	367	810	(4.7)	10.4
Market adjustment – investment income	<b>(13)</b>	13	(26)	(266)	95.1	n/a
Other items <sup>1</sup>	<b>10</b>	(43)	53	73	(86.3)	n/a
Seed pool valuation adjustments <sup>2</sup>	<b>(30)</b>	5	(35)	(42)	28.6	n/a
<b>Profit after income tax before timing differences</b>	<b>739</b>	380	359	575	28.5	5.8
Market adjustment – annuity fair value <sup>3</sup>	<b>20</b>	29	(9)	(117)	n/a	n/a
Market adjustment – risk products <sup>3,4</sup>	<b>(14)</b>	2	(16)	6	n/a	n/a
Loan hedge revaluations <sup>3</sup>	<b>(5)</b>	(1)	(4)	(41)	87.8	75.0
Accounting mismatches <sup>3</sup>	<b>(1)</b>	(33)	32	157	n/a	n/a
<b>Net profit attributable to shareholders of AMP Limited</b>	<b>739</b>	377	362	580	27.4	4.1

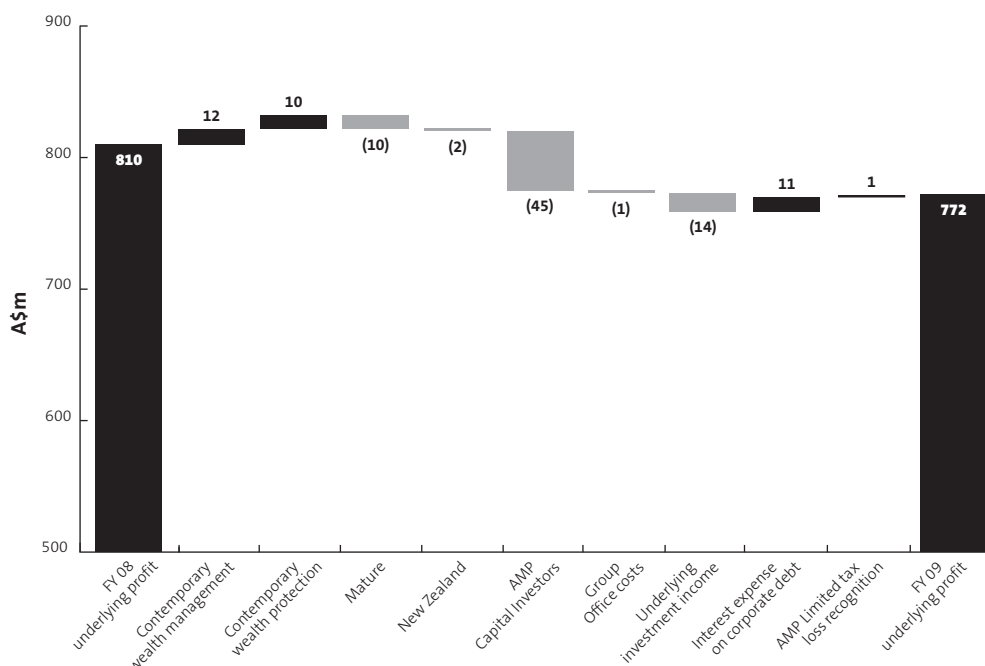
1 Other items comprise the release of prior year tax provisions offset by one-off and non-recurring costs. Refer to page 40 for more detail.

2 Seed pool valuation adjustments represent the abnormal writedown of seed pool assets, being primarily Singapore industrial property and an Australian retirement village business. Refer to page 30 for more detail.

3 Timing differences relate to accounting gains/losses that do not reflect the underlying profitability of the Group and should reverse over time. Refer to page 41 for more detail.

4 Market adjustment – risk products have previously been included within market adjustment – investment income.

### Movement in underlying profit FY 08 to FY 09



## Financial summary cont'd

	FY 09	2H 09	1H 09	FY 08
<b>Earnings</b>				
EPS – underlying (cps)	<b>38.3</b>	20.0	18.3	42.9
EPS – actual (cps) <sup>1</sup>	<b>37.1</b>	18.8	18.3	31.1
RoE – underlying	<b>31.6%</b>	31.6%	31.6%	38.9%
RoE – actual <sup>1</sup>	<b>30.3%</b>	29.4%	31.2%	27.9%
Underlying investment income as a percentage of underlying profit	<b>16%</b>	15%	17%	17%
<b>Dividend</b>				
Dividend per share (cps)	<b>30</b>	16	14	38
Dividend per share – sale of Cobalt/Gordian business (cps)				2
Dividend payout ratio – underlying	<b>78%</b>	80%	77%	89%
Ordinary shares on issue (m) <sup>2</sup>	<b>2,049</b>	2,049	2,014	1,993
Weighted average number of shares on issue (m) <sup>2</sup>	– basic	2,029	2,008	1,890
	– fully diluted	<b>2,025</b>	2,038	1,899
Market capitalisation – end period (A\$m)	<b>13,869</b>	13,869	9,827	10,801
<b>Capital management</b>				
Corporate debt (excluding AMP Bank debt) (A\$m)	<b>1,189</b>	1,189	1,389	1,504
S&P gearing	<b>13%</b>	13%	16%	14%
Interest cover – underlying (times)	<b>11.9</b>	11.9	10.0	10.9
Interest cover – actual (times) <sup>1</sup>	<b>11.4</b>	11.4	8.0	8.1
<b>EV and VNB</b>				
Value of risk new business (3% dm) (A\$m)	<b>102</b>	55	47	114
EV after transfers – AFS (3% dm) (A\$m) <sup>3</sup>	<b>7,909</b>	7,909	7,472	7,536
Return on EV – AFS (3% dm)	<b>11.3%</b>	8.6%	2.7%	3.4%
<b>Cashflows and AUM</b>				
AFS cash inflows (A\$m)	<b>12,491</b>	6,556	5,935	14,445
AFS cash outflows (A\$m)	<b>(10,830)</b>	(5,760)	(5,070)	(13,019)
AFS net cashflows (A\$m)	<b>1,661</b>	796	865	1,426
AFS persistency	<b>90.1%</b>	90.1%	90.3%	90.3%
AFS AUM – AMPCI managed (A\$b)	<b>59</b>	59	54	54
AFS AUM – externally managed (A\$b)	<b>17</b>	17	14	13
AMPCI net cashflows – external (A\$m)	<b>(1,077)</b>	(1,269)	192	(804)
AMPCI net cashflows – internal (A\$m)	<b>(306)</b>	(235)	(71)	(474)
AMPCI AUM (A\$b)	<b>97</b>	97	90	92
<b>Investment performance – AMPCI</b>				
Percentage of funds meeting or exceeding benchmark – total AUM <sup>4</sup>	<b>67%</b>	67%	32%	17%
<b>Controllable costs and cost ratios</b>				
Operating costs (A\$m)	<b>778</b>	397	381	806
Project costs (A\$m)	<b>59</b>	27	32	73
Total controllable costs (A\$m)	<b>837</b>	424	413	879
Cost to income ratio	<b>41.7%</b>	41.0%	42.4%	41.3%
Controllable costs to AUM (bps)	<b>79</b>	77	81	75

1 Comparatives restated to reflect change in methodology. Refer to accounting definitions on page 44 for more details.

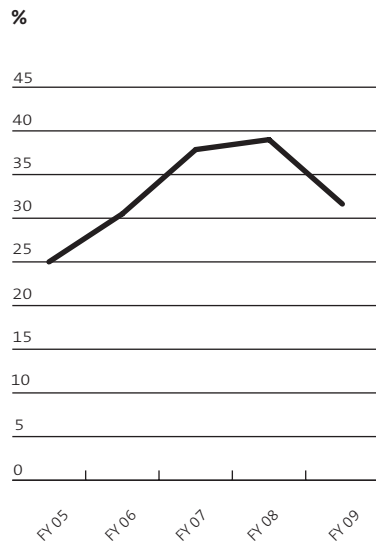
2 Number of shares has not been adjusted to remove treasury shares.

3 FY 09 transfers of A\$480m (FY 08 A\$407m).

4 Performance figures are on a 12 month rolling basis for total AMPCI AUM.

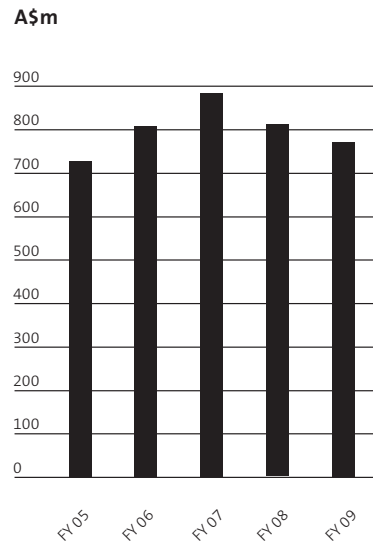
## Key performance measures

### Return on equity (RoE) – underlying



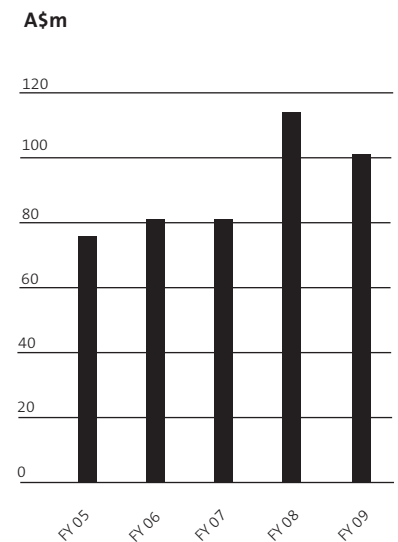
- Underlying RoE decreased to 31.6% in FY 09 impacted by the November 2008 capital raising

### Underlying profit



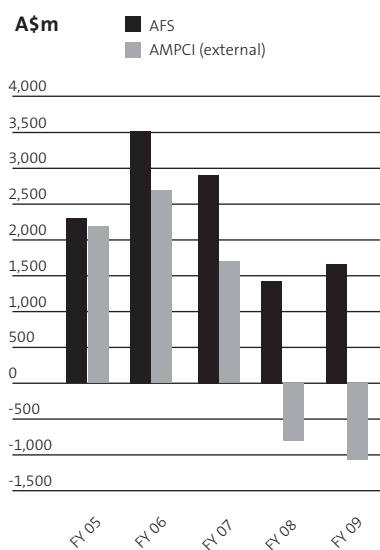
- Underlying profit was down A\$38m in FY 09. Earnings momentum improved in 2H 09

### Value of risk new business



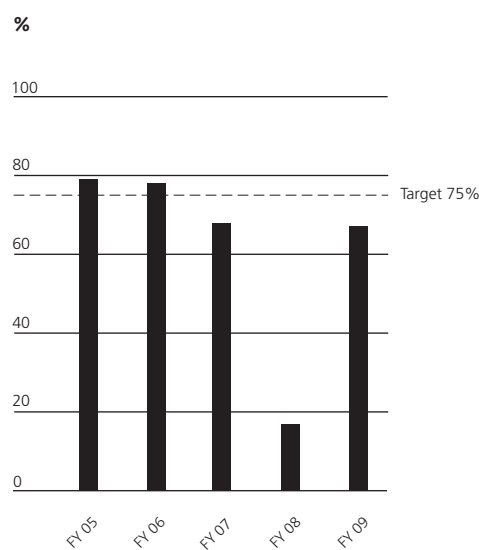
- Value of risk new business fell 11% to A\$102m (Australia up 11% offset by deterioration in New Zealand)

### Net cashflows



- Net cashflows for AFS up to A\$1,661m; AMPCI (external) down to -A\$1,077m

### Percentage of funds meeting or exceeding benchmark



- 67% of funds meeting or exceeding benchmark for the 12 months to December 2009

## Strategic overview

### Overview

AMP is a leading wealth management company operating in Australia and New Zealand, with selected investment management activities in Asia.

The company is financially strong, with a diverse earnings base, low cost ratio and a disciplined, prudent approach to capital management.

AMP's resilient business model is characterised by a pre-eminent brand; a low cost and scalable manufacturing platform; a large aligned planner channel; a broad based asset management and packaging business; and cost and capital efficiency.

AMP's two core businesses are AMP Financial Services (AFS) and AMP Capital Investors (AMPCI).

### Capital management

AMP remains well capitalised, with A\$1,242m in regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2009 (A\$898m at 31 December 2008). This was 2.2 times MRR (2.1 times at 31 December 2008). The MRR coverage ratio varies throughout the year due to a range of factors, including investment market movements, dividend payments and statutory profits.

AMP's regulatory capital resources above MRR increased in FY 09 despite AMP Life SF1 increasing its allocation to equities.

While markets improved in 2H 09, AMP continues to take a prudent approach to capital management with a bias toward holding more capital than less.

In FY 09, AMP raised A\$296m through the AMP Notes Offer, a retail Lower Tier 2 subordinated debt issue. This helped to refinance the AMP Corporate subordinated debt (August 2009) and AMP Bank Lower Tier 2 capital (April 2009).

AMP's final dividend is 16 cents per share franked to 50%. AMP's dividend payout ratio for FY 09 is 78% of underlying profit, with future dividends likely to be in the range of 75% to 85% of underlying profit.

AMP will continue to offer a discount of 2.5% to DRP participants. The DRP will not be underwritten and new shares will be issued.

### Strategy

AMP is executing a focused strategy to strengthen its competitive position in its core markets of Australia and New Zealand and to selectively invest in Asia.

The company is pursuing significant organic growth opportunities in these regions and as the lowest cost provider in the Australian wealth management industry, is well positioned to do this.

The current environment has also provided attractive inorganic growth opportunities.

During the year, AMP acquired the financial planning arm of Rabobank Australia and New Zealand to broaden Hillcross' financial planner network. The company also acquired Japan's Gemini Advisors Securities Investments Company Limited (Gemini), expanding AMPCI's reach into the Japanese retail investor market. To expand its property investment capability in Asia, AMP acquired a 50% stake in the management company of the Singapore Exchange-listed MacarthurCook Industrial REIT, which is now known as AIMS AMP Capital Industrial REIT.

In November 2009, AMP announced a joint proposal, with AXA SA, to acquire AXA Australia and New Zealand. The proposal was rejected by AXA independent directors and a revised proposal was also rejected by the independent directors and has lapsed. AMP is considering its position.

In light of the potential opportunities, M&A may be used to supplement the Group's organic growth strategy, but only when M&A opportunities are strategic, economic and within the Group's risk appetite.

AMP's strategy continues to position the company for both short and long-term success.

### Short term

While the economic outlook looks more promising, ongoing retail investor uncertainty and the potential for regulatory change remain.

AMP is continuing to reshape its business for growth in this environment.

By 1 July 2010, AMP Financial Services (AFS) will:

- provide a fee-for-service financial advice model for superannuation, investment and pension new business
- offer explicit pricing on superannuation, investment and pension products
- have further aligned its financial planning practices' business models with changing customer needs, reducing planners' cost to serve
- provide a broader range of products that compete on price and features
- use a broader range of distribution channels – beyond its aligned financial planner network – including workplace, third party and direct.

In FY 09, AFS continued to update its advice model, with its aligned planners efficiently transitioning to a new operating environment. At the end of 2009, 70% of AMP Financial Planning and 75% of Hillcross practices had approved fee-for-service capabilities.

AFS continues to evolve its superannuation product range. It launched award-winning FL Super Easy<sup>1</sup>, a simple, low cost superannuation product, in April 2009. This product is expected to grow further in an environment with no built-in commissions. To broaden the product's reach, AFS launched an employer version of FL Super Easy for small to medium businesses in November 2009, along with the insurance module designed for the FL Super Easy range. Further modules are expected in 2010.

1 2010 Best New Product, SuperRatings.



## Strategic overview cont'd

Broadening distribution beyond its aligned financial planning force is also a key short-term priority for AFS.

It is strengthening its workplace channel by using a direct sales force to attract new corporate superannuation business.

In the third-party market, AFS is establishing a stronger presence through its relationships with mortgage brokers, Aussie Home Loans (Aussie) and independent financial advisers (IFAs). Through its partnership with Aussie, AFS is attracting new customers through the distribution of its commended Loan Cover product<sup>1</sup>. To increase superannuation and risk business through IFAs and alliances, AFS now has a dedicated team responsible for these channels. During FY 09, risk sales increased 28% through IFAs, contributing to strong risk sales growth (up 15%) in Australia.

AFS also continues to broaden its distribution and attract new market segments through AMP Bank, which offers competitive deposit and mortgage products. In FY 09, AMP Bank increased deposits 15% with the launch of AMP First, a high-interest savings and transaction account. This product has attracted customers in different market demographics to the company.

AFS also offers products and services directly via telephone or its website, such as FL Super Easy and AMP First.

AMP Capital Investors short-term priorities include:

- strengthening its core business by developing and attracting new talent and embedding new investment systems
- increasing its scale in the Australian retail market
- sourcing more funds from international clients, particularly in Japan
- deepening its engagement with existing Asian partners to source new investment opportunities.

During 2009, AMPCI appointed new investment specialists to deepen relationships with increasingly sophisticated and diverse client groups; established the Multi Asset Group (MAG), a specialised function positioning AMPCI to better design and tailor innovative investment solutions for clients; and made significant progress updating its technology platform.

Extending its presence in the Australian retail market, AMPCI launched the AMP Capital Asian Equity Growth Fund and AMP Capital Corporate Bond Fund, which were both added to key Australian retail platforms.

AMPCI continued to build partnerships in Asia, focusing on markets with large pools of investable capital. It strengthened its position in Japan with the purchase of Gemini; and in Singapore it acquired a 50% stake in the manager of AIMS AMP Capital Industrial REIT.

Growth in China is also a part of AMPCI's medium-term strategy. In 2009, AMP became the first foreign financial institution to sign a Memorandum of Understanding (MOU) for Strategic Cooperation with the world's largest listed life insurer, China Life Insurance Group. The agreement outlines areas for partnership in pensions and asset management.

AMPCI made a number of senior appointments in 2009 to help it deepen its presence in Asia. It appointed a new head of international business. This role is being relocated from Sydney to Hong Kong to better capture opportunities in the region. AMPCI

also appointed a managing director to its business in Japan and a managing director responsible for South East Asia and Middle East.

### Medium to long term

Robust growth is forecast in the medium and long-term for AMP's core markets. As a result, AMP's growth platforms remain highly relevant to the company's future.

AMP will achieve growth via the following five platforms during the next three to five years:

- 1. Grow financial planner capacity and broaden distribution.**
- 2. Expand to Asia through AMP Capital Investors.**
- 3. Grow customers in high value segments.**
- 4. Reshape AMP Capital Investors into a high value-add investment manager.**
- 5. Invest in key growth enablers.**

By pursuing our short and long-term strategy, AMP aims to:

- remain the most cost efficient wealth manager in Australia
- continue to have a market leading aligned planner force in Australia and New Zealand
- offer extended distribution, with a focus on increased sales of contemporary wealth management and risk products through third party and direct channels
- deliver competitively priced products and services (ranging from high margin to low margin) to meet the needs of fast-growing customer segments
- emerge as a more regionally focused asset manager, manufacturing and distributing high value-add products and advice.

### AMP's executive remuneration is aligned with its growth strategy

Remuneration includes both short and long-term incentives, which are aligned to the company's performance and value growth for shareholders.

Short-term incentives are based on progress against AMP's four key performance measures: underlying return on equity; underlying profit; growth measures including AFS and AMPCI net cashflows and the value of risk new business; and investment performance.

Long-term incentives are based on progress in generating total shareholder returns (TSR) in the top quartile of the market.

AMP is currently reviewing its remuneration policies and practices to ensure remuneration at AMP continues to meet our business objectives as well as new regulatory requirements.

### Outlook – growth goal

AMP's over-arching goal is to deliver first quartile TSR performance to shareholders. This means that AMP aims to be in the top 25% of the major 50 Australian listed companies (S&P/ASX 100 Index) in terms of TSR.

AMP is confident of its ability to deliver first quartile TSR performance over the cycle given the financial strength and robust competitive position of the company. It will do this by prudently and pragmatically managing costs, capital and liquidity, while maintaining investment in its growth platforms.

<sup>1</sup> Innovative Product of the Year, 2009 Australian Banking and Finance Awards.

# AMP Financial Services financial summary

## Business overview

AMP Financial Services (AFS) is a wealth management business operating in Australia and New Zealand.

In Australia, it is a market leader in retail and corporate superannuation and is currently ranked third in retirement income (based on AUM market share). It also has the largest aligned planner force in Australia and New Zealand.

AFS discloses its results by the following businesses, which are described on pages 10 to 17:

- Australian contemporary wealth management
- Australian contemporary wealth protection
- Australian mature
- New Zealand.

## Strategy

AFS is evolving its business model in response to shifting consumer preferences and potential changes to regulation.

To do this, in line with AMP's five growth platforms, AFS is: increasing the size and productivity of its financial planner force; broadening distribution by accelerating its workplace, AMP Bank, third party (including independent financial advisers and alliances) and direct capabilities; and deepening AMP's customer insights to build tailored offers that create value for AMP, its customers and planners.

AFS is using its present key competitive advantages to achieve its goals. These advantages are:

- scale, which delivers cost advantages in manufacturing and distribution
- a large, aligned planner channel
- a low cost, scalable manufacturing platform
- a pre-eminent brand.

### **AMP growth platform 1: grow financial planner capacity and broaden distribution**

#### **Grow planner numbers and increase productivity**

AFS planner numbers increased to 2,128 in FY 09, up 33 on FY 08. This growth was driven by the transition of Horizons Academy graduates to AMP Financial Planning (AMPFP) practices, along with the acquisition of Rabo Financial Advisors to the Hillross network. Total AMPFP practice numbers increased 16 to 695, while Hillross practices increased by 10 to 116.

Consistent with its strategy, the AMP Horizons Academy continued to increase AMPFP planner numbers, which grew 5% during FY 09. Three groups graduated from the academy, where demand for places continues to exceed availability. In November, Horizons launched a separate training program (to begin February 2010) to attract external experienced planners who want to start a practice.

Planner productivity initiatives progressed during the year. These initiatives fall into three categories:

1. **Technology** to automate processes. A program is now underway to help AMPFP and Hillross practices realise the productivity benefits of new financial planning software. Efficiencies of up to 30% are expected over the medium-term.
2. **Centralised back-office services** to increase customer-facing time. Paraplanning services have been extended to 275 practices.
3. **Tailored customer offers** to drive increased activity. Planners utilising tailored offers are demonstrating greater productivity than non-participating planners.

The change program Advice 2010 is well underway to transition planners to a new environment with business models that are strongly aligned to customer needs. At FY 09, 70% of AMPFP and 75% of Hillross planners had approved fee-for-service capabilities.

#### **Developing broader, complementary distribution channels**

During the year, AFS further broadened its distribution to drive revenue and profit growth. It:

- strengthened its corporate superannuation business, with net cashflows (ex mandate wins) up 47% as a result of higher employer contributions and reduced outflows; new mandate wins totalled A\$274m
- increased net cashflows in New Zealand by A\$109m through growth in the employer superannuation market (KiwiSaver)
- grew its risk business, with Australian individual API up 11% mainly as a result of a 15% increase in sales; risk sales through independent financial advisers increased by 28%
- continued to grow AMP Bank, with deposits increasing 15% following the launch of AMP First, a high-interest savings and transaction account
- increased its presence in the direct market, with new products FL Super Easy and AMP First available online and over the telephone (also available via aligned planners)
- extended its distribution channels, with the launch of a boutique financial planning business AMP Private Wealth Management, which has been designed to attract high net worth customers.

#### **AMP growth platform 3: grow customers in high value segments**

To position its product range for the future, AFS introduced new products in FY 09 that target new market segments.

For consumers aged 25-50 years, AFS launched award-winning FL Super Easy, a simple, low cost superannuation product with no built-in commissions. In November, AFS introduced the employer version of FL Super Easy, along with the insurance module designed for this product range. FL Super Easy – Employer is for small to medium businesses, while Flexible Protection is available to individuals and members and offers a full range of insurance features. Additional modules are being developed, based on FL Super Easy, that will evolve with customers' lifetime needs and appeal to a wider customer base.

To attract self-managed superannuation fund (SMSF) investors, AFS introduced AMP Ascend during FY 09. It also launched:

- AMP Personalised Portfolio, a separately managed account platform for high net worth investors. It contributed A\$72m to AFS net cashflows in FY 09.
- Definitive Wrap, an alternative wrap product available to Hillross planners using a Macquarie platform. It contributed A\$111m to AFS net cashflows in FY 09.

#### **AMP growth platform 5: invest in key growth enablers**

AFS continued to invest in its core assets of people, brand and technology during 2009.

AFS implemented business process management technologies to drive its cost efficient growth and maintain its cost leadership position. AFS FY 09 total controllable costs were 6% lower than FY 08.

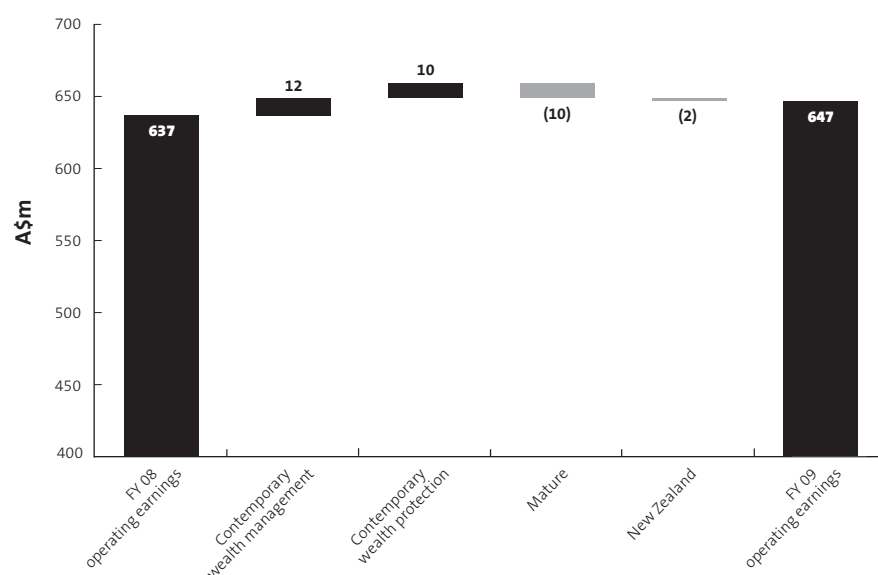
AFS also continued its programs to develop leadership capabilities and build a high performance culture.

In FY 10, AFS total controllable costs are expected to be 4-5% higher due to investment in growth initiatives.

## AMP Financial Services financial summary cont'd

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss</b>						
Profit margins	632	331	301	608	3.9	10.0
Experience profits	15	9	6	29	(48.3)	50.0
Operating earnings	647	340	307	637	1.6	10.7
Underlying investment income	71	35	36	79	(10.1)	(2.8)
<b>Underlying operating profit after income tax</b>	<b>718</b>	<b>375</b>	<b>343</b>	<b>716</b>	<b>0.3</b>	<b>9.3</b>
<b>Controllable costs and cost ratios</b>						
Operating costs	479	242	237	506	(5.3)	2.1
Project costs	50	23	27	54	(7.4)	(14.8)
Total controllable costs	529	265	264	560	(5.5)	0.4
Cost to income ratio	34.0%	33.0%	35.0%	35.4%	n/a	n/a
Controllable costs to AUM (bps)	76	73	79	75	n/a	n/a
<b>Return on capital</b>						
RoBUE	36.1%	35.7%	36.3%	45.3%	n/a	n/a
End period tangible capital resources – after transfers (A\$m)	2,193	2,193	1,907	1,811	n/a	n/a
<b>Cashflows, AUM and persistency</b>						
AFS cash inflows (A\$m)	12,491	6,556	5,935	14,445	(13.5)	10.5
AFS cash outflows (A\$m)	(10,830)	(5,760)	(5,070)	(13,019)	16.8	(13.6)
AFS net cashflows (A\$m)	1,661	796	865	1,426	16.5	(8.0)
AUM (pre-capital) (A\$b)	73.9	73.9	66.4	65.7	12.5	11.3
Persistency	90.1%	90.1%	90.3%	90.3%	n/a	n/a
<b>VNB – risk insurance and risk annual premium in-force (API)</b>						
Value of risk new business (3% dm) (A\$m)	102	55	47	114	(10.5)	17.0
Australian individual risk API (A\$m)	607	607	563	547	11.0	7.8
New Zealand individual risk API (A\$m)	117	117	111	112	4.5	5.4

## Movement in operating earnings FY 08 to FY 09



## Australian contemporary wealth management

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss<sup>1</sup></b>						
Revenue						
Investment related <sup>2</sup>	<b>849</b>	447	402	932	(8.9)	11.2
Bank related	<b>149</b>	74	75	129	15.5	(1.3)
Other <sup>3</sup>	<b>91</b>	49	42	70	30.0	16.7
Total revenue	<b>1,089</b>	570	519	1,131	(3.7)	9.8
Planner payments <sup>4</sup>	<b>155</b>	80	75	185	(16.2)	6.7
Investment management expense	<b>135</b>	74	61	154	(12.3)	21.3
Bank variable costs	<b>54</b>	27	27	49	10.2	-
Other variable costs	<b>8</b>	5	3	9	(11.1)	66.7
Total variable costs	<b>352</b>	186	166	397	(11.3)	12.0
Controllable costs	<b>340</b>	171	169	354	(4.0)	1.2
Tax expense	<b>119</b>	64	55	114	4.4	16.4
Operating earnings	<b>278</b>	149	129	266	4.5	15.5
Underlying investment income	<b>15</b>	8	7	20	(25.0)	14.3
<b>Underlying operating profit after income tax</b>	<b>293</b>	157	136	286	2.4	15.4
RoBUE	<b>42.9%</b>	43.4%	42.0%	46.5%	n/a	n/a
End period tangible capital resources – after transfers (A\$m)	<b>775</b>	775	655	656	n/a	n/a
Net cashflows (A\$m) <sup>5</sup>	<b>2,189</b>	1,058	1,131	2,180	0.4	(6.5)
AUM (pre-capital) (A\$b) <sup>5</sup>	<b>51.1</b>	51.1	44.2	42.4	20.5	15.6
Average AUM (including capital) (A\$b)	<b>45.7</b>	48.7	42.6	51.0	(10.4)	14.3
Persistency	<b>90.0%</b>	90.1%	90.3%	90.3%	n/a	n/a
Cost to income ratio	<b>44.9%</b>	43.3%	46.5%	46.5%	n/a	n/a
Investment related revenue to AUM (bps) <sup>2,6</sup>	<b>186</b>	184	190	183	n/a	n/a
Variable costs to AUM (bps) <sup>6,7</sup>	<b>65</b>	65	66	68	n/a	n/a
Controllable costs to AUM (bps) <sup>6,7</sup>	<b>65</b>	61	70	60	n/a	n/a
Operating earnings to AUM (bps) <sup>8,9</sup>	<b>53</b>	54	52	48	n/a	n/a

1 Contemporary wealth management business comprises: retail superannuation, corporate superannuation, retail investment, allocated pensions/annuities, external platforms, AMP Bank and Financial Planning, Advice & Services.

2 Investment related refers to revenue on superannuation and allocated pension and investment products.

3 Other revenue includes product and platform fees received by Financial Planning, Advice & Services from AFS contemporary wealth protection and mature.

4 Planner payments represent payments by AMP customers to planners.

5 Fixed term annuities have been reclassified to mature. Cashflows and AUM comparatives have been restated.

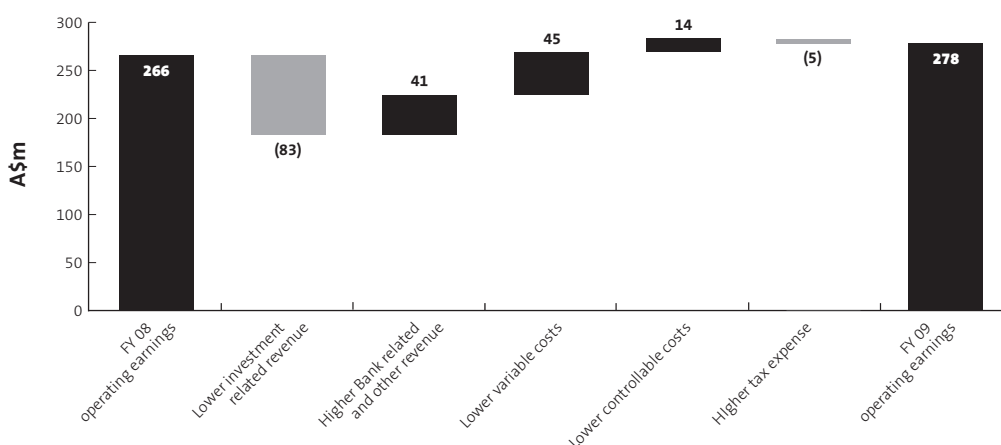
6 Based on monthly average AUM including capital.

7 Costs in this ratio exclude AMP Bank costs.

8 Operating earnings exclude AMP Bank.

9 Contemporary wealth management EV and VNB are detailed on page 22.

### Movement in operating earnings FY 08 to FY 09



# Australian contemporary wealth management cont'd

## Business overview

The contemporary wealth management (CWM) business is focused on optimising customer opportunities for financial planning services, superannuation, retirement income, managed investment and banking products.

CWM's key priorities are to:

- drive AFS's change program, improving the quality of the advice experience and developing complementary advice channels
- drive AUM and revenue growth while remaining vigilant on cost control
- improve planner productivity and grow planner numbers
- develop more attractive products and services
- pursue opportunities to lower unit costs.

In FY 09, CWM increased operating earnings by 5%, with strong cost control and resilient cashflows continuing to help offset the impacts of the market downturn.

## Operating earnings

Operating earnings increased by A\$12m (5%) to A\$278m in FY 09 due to higher bank and other revenue and lower variable and controllable costs. Investment related revenue was 9% lower than FY 08 due to lower average AUM in FY 09.

## Investment related revenue to AUM

While there was an A\$83m reduction (9%) in fees charged to customers in FY 09, investment related revenue to AUM increased 3 bps to 186 bps predominantly due to increasing revenue from member fees charged independently of AUM balances (ie fixed dollar fees). Such member fees are not impacted by lower average AUM levels.

1H 09 investment related revenue benefited from lower asset management fee rebates following the decline in investment markets in 1H 09. This benefit reversed in 2H 09 following the improvement in investment markets and increase in management fee rebates.

New superannuation business is being written at lower margins than average rates on the total in-force book. For example, in FY 09 new superannuation business for AMP's Flexible Lifetime Super (FLS) products was written at an average of 50 bps lower than the average margin on the FLS in-force book. This reflects higher asset management rebates on new balances transferred in and lower margin cash options.

## Variable costs

Variable costs include costs that vary directly with business volumes such as planner fees and commissions, investment management fees, bank securitisation costs and commissions.

Variable costs fell 11% to A\$352m due to:

- the reduction in average AUM levels and lower sales volumes resulted in lower payments to planners by customers (down 16% to A\$155m) and lower investment management fees (down 12% to A\$135m), offset by:
- higher bank variable costs (up 10% to A\$54m) as the growth in mortgage book resulted in increased planner and third-party broker payments.

Variable costs to AUM fell 3 bps to 65 bps in FY 09 primarily due to lower planner payments due to lower sales volumes.

## Net revenue margins

Net revenue margins (investment related revenue less variable cost to AUM ratio) increased 6 bps to 121 bps in FY 09, as a result of increased investment related revenue to AUM and lower planner payments.

## AMP Bank

AMP Bank is an important part of the AMP Group, focused on broadening its customer base and channel access, offering a range of products and diversifying its revenue base. At the end of 2009, AMP Bank had over 100,000 customers with a mortgage portfolio of A\$9.8b and deposit book of A\$3.9b.

AMP Bank's strategy is to:

- Provide competitively priced mortgage and deposit offers and other services as part of a complete financial offering to AMP customers.
- Be a distributor focused direct bank, providing high quality service and operational excellence.
- Provide home loans and deposits as introductory products that can lead to a deeper relationship with the AMP Group.

AMP Bank remains well positioned, with a capital adequacy ratio of 11.3% and a 90+ days loan arrears that trended down through the year to 0.30% at 31 December 2009. Loan portfolio volumes increased A\$220m to A\$9.8b.

AMP Bank contributed A\$35m to CWM operating earnings, up from A\$21m in FY 08, with earnings benefiting from improved retail lending margins and lower unit costs.

AMP Bank mortgages at 31 December 2009 were funded by a combination of on-balance sheet (66% being retail, superannuation and wholesale deposits) and off-balance sheet (34% being securitisation) funding.

In 2010, AMP Bank expects to manage its funding, liquidity and capital requirements through increased securitisation issues and bank warehousing facilities as these markets re-open. AMP Bank completed a A\$1b securitisation in January 2010 and expects to complete further deals later in the year. Assuming the securitisation market remains open, AMP Bank expects to be able to generate lending volumes in excess of system growth in 2010. For further details on AMP Bank funding, refer to page 39.

## Controllable costs

Total controllable costs fell 4% (A\$14m) to A\$340m in FY 09.

Absolute cost reductions in parts of CWM, including lower employment costs, were offset by funding a number of distribution and product initiatives, including the Horizons Academy and AFS's change program Advice 2010. These initiatives are expected to improve CWM's growth profile over the medium-term.

The cost to income ratio decreased by 1.6 percentage points to 44.9% in FY 09 as the decline in overall revenue was more than offset by lower controllable costs. Controllable costs to AUM increased 5 bps to 65 bps in FY 09 due to average AUM falling more than controllable costs.

## Return on capital

RoBUE for FY 09 was 42.9%, down from 46.5% reflecting higher capital due to the growth in AUM and AMP Bank and higher capital allocated to the capital guaranteed SuperLeader product. Offsetting the increase in capital was the transfer of fixed term annuities to mature.

## Australian contemporary wealth protection

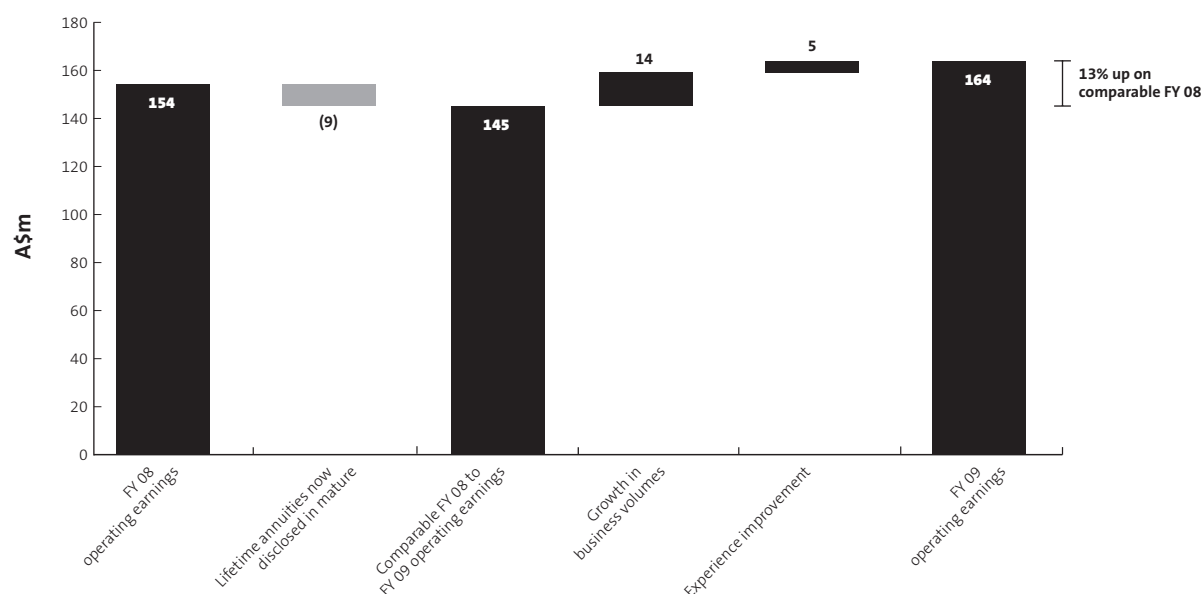
A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss<sup>1</sup></b>						
Profit margins	<b>144</b>	74	70	135	6.7	5.7
Experience profits	<b>20</b>	7	13	19	5.3	(46.2)
Operating earnings <sup>2</sup>	<b>164</b>	81	83	154	6.5	(2.4)
Underlying investment income	<b>30</b>	14	16	44	(31.8)	(12.5)
<b>Underlying operating profit after income tax</b>	<b>194</b>	95	99	198	(2.0)	(4.0)
RoBUE	<b>30.1%</b>	28.5%	31.7%	31.5%	n/a	n/a
End period tangible capital resources – after transfers (A\$m)	<b>670</b>	670	621	674	n/a	n/a
VNB (3% dm) (A\$m)	<b>100</b>	59	41	90	11.1	43.9
EV – after transfers (3% dm) (A\$m)	<b>1,781</b>	1,781	1,658	1,828	n/a	n/a
Return on EV (3% dm)	<b>12.4%</b>	11.7%	1.1%	22.9%	n/a	n/a
Individual risk API (A\$m)	<b>607</b>	607	563	547	11.0	7.8
Group risk API (A\$m)	<b>165</b>	165	150	155	6.5	10.0
Individual risk lapse rate	<b>11.1%</b>	12.3%	10.1%	10.8%	n/a	n/a
Operating earnings/annual premium <sup>3</sup>	<b>22.5%</b>	21.6%	23.4%	23.9%	n/a	n/a
Controllable costs (A\$m)	<b>75</b>	36	39	78	(3.8)	(7.7)
Cost to income ratio	<b>21.3%</b>	20.7%	21.9%	21.7%	n/a	n/a
Controllable costs/annual premium <sup>3</sup>	<b>10.3%</b>	9.5%	11.2%	12.1%	n/a	n/a

1 Contemporary wealth protection comprises individual risk and group risk.

3 Based on average annual premium in-force.

2 FY 09 operating earnings excludes earnings on lifetime annuities (A\$9m in FY 08) as this product was closed during the year and is now reported as part of mature.

### Movement in operating earnings FY 08 to FY 09





# Australian contemporary wealth protection cont'd

## Business overview

Contemporary wealth protection (CWP) comprises individual risk and group risk products. Holding a risk insurance product within a superannuation policy remains an attractive option following changes to superannuation legislation in 2007. In the individual risk business, 52% of in-force and 71% of new business is written within a superannuation contract. Group risk is a key component of the corporate superannuation offer.

CWP's key priorities are to:

- grow market share while only writing profitable business
- increase the proportion of superannuation customers who have adequate risk insurance coverage
- ensure AMP product and service propositions remain competitive
- improve ease and profitability of writing AMP risk for planners
- grow distribution through independent financial advisers and alliances channels
- improve operational leverage
- enhance claims management processes built on a philosophy of paying all genuine claims.

During the year, CWP increased operating earnings by 7% (or 13% on a comparable basis - see below), with continued new business growth, positive experience and good cost control contributing to the result.

## Operating earnings

Operating earnings grew 7% in FY 09 to A\$164m due to strong growth in business volumes.

FY 09 operating earnings does not include earnings on lifetime annuities (A\$9m in FY 08) as this product was closed during the year and is now reported as part of mature. If comparatives had been restated for lifetime annuities, operating earnings would have increased 13% in FY 09.

Lower experience profits in 2H 09 were primarily the result of higher income protection claims, in line with industry trends, offset by lower mortality rates on lump sum insurance business.

## Annual premium in-force (API)

Individual risk API grew A\$60m (11%) in FY 09. The growth was mainly due to strong sales growth (up 15%) from:

- Increased planner activity as sales of risk protection products benefited from the difficult market and economic conditions in 2009.
- Strong growth in sales by independent financial advisers and alliances (up 28%). AFS has capitalised on its strong brand, increased business development and infrastructure investment and improved competitive product and service offering to win new business in the IFA channel.
- Success of Loan Cover, which is distributed through mortgage brokers, including Aussie Home Loans. The product continues to make good progress and was awarded the Innovative Product of the Year by the Australia Banking and Finance Awards 2009 in June.

Group risk API increased A\$10m (7%) in FY 09 from:

- changes associated with providing default Total and Permanent Disability (TPD) cover to all customers, and
- an increase in insured customers from mandate wins within SignatureSuper.

FY 09 CWP API comprised lump sum insurance (78%) and disability, including income protection (22%). The composition of API was largely unchanged over the year.

## Lapse rates

Lapse rate management is a critical driver of individual risk profitability. AMP continues to have lapse rates that are among the lowest in the industry.

In FY 09, lapse rates were 11.1%, 0.3 percentage points higher than FY 08, in large part due to increased sales and changing business mix. Lapse rates in 2H 09 were higher than in 1H 09. This is due to annual age and inflation (CPI) increases that come into effect on 1 July each year and is consistent with previous years.

## Controllable costs

Controllable costs fell A\$3m to A\$75m in FY 09. The cost to income ratio fell 0.4 percentage points to 21.3% in FY 09 as controllable costs declined and operating earnings improved.

## Return on capital

RoBUE for FY 09 was 30.1%.

The total amount of capital allocated to the CWP business fell by A\$4m due to the transfer of lifetime annuities to the mature business, offset by capital allocated for new business growth.

Underlying investment income fell A\$14m to A\$30m as a result of a decline in the underlying rate of return in FY 09 from 5.20% to 4.25% and higher working capital allocated to CWP in FY 08.

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

EV increased 12.4% at the 3% discount margin in FY 09 before transfers. The increase was driven by new business growth and positive mortality experience, offset by the impact of increased bond yields during the year. Excluding the impact of changes in investment markets and bond yields, EV would have increased 19.1%.

VNB increased 11.1% to A\$100m in FY 09 as a result of an increase in new business premiums, partly offset by rising bond yields.

For further details on EV and VNB, refer to pages 22 to 26.

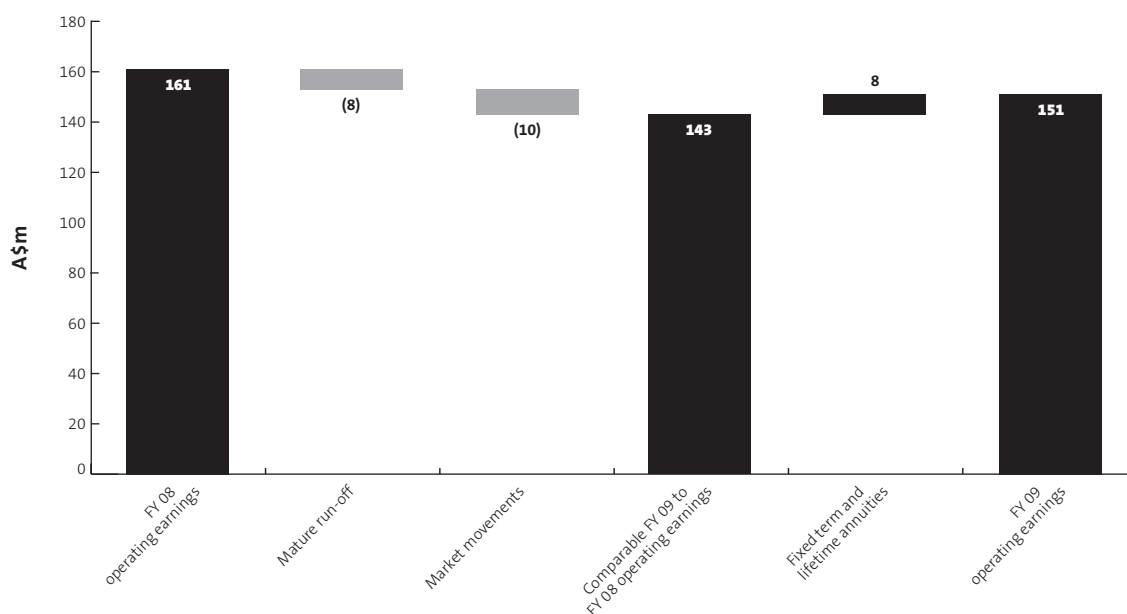
## Australian mature

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss</b>						
Profit margins	<b>145</b>	72	73	157	(7.6)	(1.4)
Experience profits/(losses)	<b>6</b>	7	(1)	4	50.0	n/a
Operating earnings	<b>151</b>	79	72	161	(6.2)	9.7
Underlying investment income	<b>18</b>	9	9	8	125.0	-
<b>Underlying operating profit after income tax</b>	<b>169</b>	88	81	169	-	8.6
RoBUE	<b>43.4%</b>	41.2%	45.5%	158.2%	n/a	n/a
End period tangible capital resources – after transfers (A\$m)	<b>462</b>	462	374	221	n/a	n/a
VNB (3% dm) (A\$m)	<b>21</b>	6	15	21	-	(60.0)
EV – after transfers (3% dm) (A\$m)	<b>1,715</b>	1,715	1,575	1,376	n/a	n/a
Return on EV (3% dm)	<b>17.1%</b>	10.4%	6.5%	(19.6%)	n/a	n/a
Net cashflows (A\$m) <sup>1</sup>	<b>(1,201)</b>	(625)	(576)	(1,276)	5.9	(8.5)
AUM (pre-capital) (A\$b) <sup>1</sup>	<b>18.1</b>	18.1	17.9	18.8	(3.7)	1.1
Operating earnings to AUM (bps) <sup>2</sup>	<b>81</b>	86	76	93	n/a	n/a
Persistency	<b>89.5%</b>	89.0%	89.5%	89.7%	n/a	n/a
Controllable costs (A\$m)	<b>60</b>	31	29	64	(6.3)	6.9
Cost to income ratio	<b>19.8%</b>	19.6%	20.0%	20.8%	n/a	n/a
Controllable costs to AUM (bps) <sup>2</sup>	<b>32</b>	33	31	37	n/a	n/a

1 Fixed term annuities and lifetime annuities previously disclosed under CWM and CWP respectively, have been reclassified to mature following being closed to new business in 1H 09. Net cashflow and AUM (pre-capital) comparatives have been restated.

2 Based on monthly average AUM including capital.

### Movement in operating earnings FY 08 to FY 09





## Australian mature cont'd

### Business overview

AMP's mature business remains one of the largest closed life insurance businesses in Australia, with AUM (pre-capital) of A\$18.1b at FY 09. AUM decreased 4% over the year largely as a result of the natural run-off of the business. During the year, fixed term annuities and lifetime annuities were reclassified to mature after being closed to new business. They were previously disclosed under CWM and CWP respectively.

Key priorities for management are:

- maintaining capital efficiency
- improving persistency
- striving for greater cost efficiency.

Persistency declined 0.2 percentage points to 89.5% in FY 09 driven by higher withdrawal balance in 2H 09 as markets recovered. Offsetting this was that customers remained wary of the volatile environment which led to fewer surrenders from capital guaranteed products.

### Operating earnings

Operating earnings fell 6% to A\$151m in FY 09, due to:

- investment markets and bond yields (-A\$10m)
- business run-off (-A\$8m), offset by:
- fixed term and lifetime annuities (A\$8m).

FY 09 operating earnings includes A\$8m for lifetime and fixed term annuities, following the transfer of these products to mature during 1H 09.

Experience profits of A\$7m in 2H 09 includes improved annuity experience profits.

### Controllable costs

Controllable costs fell 6% to A\$60m in FY 09 due to run-off and the benefit of absolute cost reductions across AFS. Controllable costs to AUM fell 5 bps to 32 bps in FY 09 as costs fell at a greater rate than AUM.

### Return on capital

RoBUE fell to 43.4% in FY 09 from 158.2% in FY 08. There were two primary drivers of the reduction:

- the transfer of fixed term and lifetime annuities to mature, which increased the capital allocated to mature by A\$96m, and
- an increasing amount of capital was allocated to capital guaranteed products.

The capital position of this business remains strong. Refer to page 36 for regulatory capital resources above MRR.

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

EV rose 17.1% in FY 09 (before transfers), while VNB was flat on FY 08. The rise in EV was driven by the expected return and the impact of rising bond yields. The impact of rising bond yields leads to higher crediting rates.

### Product characteristics and run-off profile

The open RSA/ERF products have approximately 1.5m customers and AUM of A\$4.4b. The other mature products service around 550,000 customers and AUM of A\$13.7b (including A\$2.2b from annuities).

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

The run-off of AUM mirrors policy liabilities, although there is potential for operating margins to be impacted differently.

The run-off of AUM is anticipated to have an average duration of approximately 15 years but will be impacted by investment markets. The profile of the run-off for existing customers in RSA and ERF products is similar to AMP's contemporary superannuation products. The key source of new customers for these products is determined by policy decisions of trustees of superannuation schemes. The increasing use of master trusts rather than stand-alone corporate schemes results in membership from non-AMP sources declining.

### Managing mature for investment market movements

Mature AUM supports capital guaranteed products (85%) and market linked products (15%). AMP's capital guaranteed products are held within the AMP Life Statutory Fund No.1 (SF1). Asset allocation for SF1 is struck prudently over the long-term and has a bias of income over growth assets. The long-term asset mix for the Australian participating business portion of SF1 is set out on page 26.

AMP actively manages its SF1 equity exposure, including the use of derivative strategies to provide protection from equity market declines. As at 31 December 2009, the equity exposure in SF1 was A\$5.3b and comprised the following positions:

- A long-term derivative strategy using options and futures that provides a variable level of protection depending on market conditions. This strategy provides market protection assuming a significant fall in markets.
- Tactical equity strategy of equity collars covering A\$1.4b of equities, reducing upside market exposure while protecting against significant market falls. These replaced the short futures and call spreads that were in place at 30 June 2009.

Within SF1, AMP also employs strategies designed to protect against changes in bond yields. Consistent with this strategy, AMP shortened the average duration of the SF1 bond portfolios during FY 09 from an average of nine years to an average of six and a half years.

## New Zealand

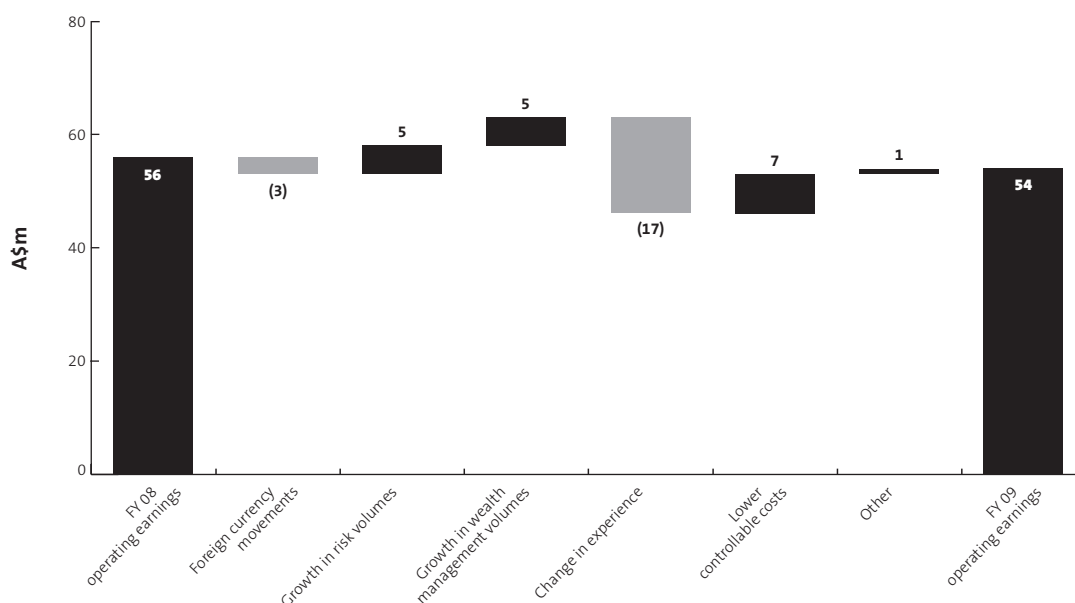
A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss</b>						
Profit margins	65	36	29	50	30.0	24.1
Experience profits/(losses)	(11)	(5)	(6)	6	n/a	16.7
Operating earnings	54	31	23	56	(3.6)	34.8
Underlying investment income	8	4	4	7	14.3	-
<b>Underlying operating profit after income tax</b>	<b>62</b>	<b>35</b>	<b>27</b>	<b>63</b>	<b>(1.6)</b>	<b>29.6</b>
RoBUE	20.0%	22.0%	20.5%	27.2%	n/a	n/a
End period tangible capital resources – after transfers (A\$m)	286	286	257	260	n/a	n/a
VNB (3% dm) (A\$m) <sup>1</sup>	16	5	11	26	(38.5)	(54.5)
EV – after transfers (3% dm) (A\$m)	623	623	730	743	n/a	n/a
Return on EV (3% dm) (A\$m) <sup>2</sup>	(10.1%)	(11.4%)	0.8%	16.5%	n/a	n/a
Net cashflows (A\$m)	235	147	88	126	86.5	67.0
AUM (pre-capital) (A\$b)	4.7	4.7	4.3	4.5	4.4	9.3
Individual risk API (A\$m)	117	117	111	112	4.5	5.4
Individual risk API (NZ\$m)	145	145	139	133	9.0	4.3
Operating earnings/annual premium <sup>3</sup>	48.5%	53.9%	42.8%	53.5%	n/a	n/a
Lapse rates	11.6%	12.2%	11.0%	8.2%	n/a	n/a
Controllable costs (A\$m)	54	27	27	64	(15.6)	-
Cost to income ratio	37.9%	35.5%	40.7%	41.4%	n/a	n/a
Controllable costs/annual premium <sup>3</sup>	48.3%	48.2%	48.4%	61.1%	n/a	n/a

1 In NZ dollar terms, VNB has decreased by 35% on FY 08.

2 In NZ dollar terms, return on EV is -7.0%.

3 Based on monthly average individual risk API.

## Movement in operating earnings FY 08 to FY 09



## New Zealand cont'd

### Business overview

AFS NZ is a leading wealth manager and risk insurance provider in New Zealand. Its key priorities are to increase shareholder value by:

- enhancing products and services to customers
- building strong distribution relationships
- proactively preparing for regulatory change
- investing in its people, and
- maximising cost efficiency.

FY 09 AFS NZ operating earnings decreased by 4%, reflecting an appreciation of the Australian dollar and higher experience losses offset by strong cost control. The future outlook for the NZ operating environment continues to be challenging, with tax and further regulatory changes expected.

### Operating earnings

Operating earnings fell A\$2m (4%) to A\$54m in 2009, reflecting the appreciation of the Australian dollar and experience losses. In NZ dollar terms, operating earnings increased 2% in a very difficult economic environment.

Operating earnings in 2009 reflect:

- strong cost management
- volume growth on risk insurance products
- increasing wealth management revenues from strategic distribution alliances and AUM growth
- offset by increased surrenders and aggressive competition resulting in higher lapses.

### Controllable costs

Controllable costs fell A\$10m (16%) to A\$54m for FY 09. In NZ dollar terms, controllable costs declined 11%.

The reduction in controllable costs resulted from disciplined cost control across the business, along with lower operating costs as a result of consolidating the Wellington and Auckland offices in 2008.

The cost to income ratio fell 3.5 percentage points to 37.9% for FY 09 as the decline in earnings was more than offset by a reduction in controllable costs.

### Annual premium in-force (API)

Individual risk API grew A\$5m (5%) to A\$117m in FY 09. Growth was primarily driven by:

- inflation and age related premium increases, and
- increased risk sales, underpinned by improved processing and aligned intermediary support.

In NZ dollar terms, API increased by 9% to NZ\$145m in FY 09.

### Lapse rates

FY 09 lapse rates increased 3.4 percentage points to 11.6%, due to the difficult economic environment resulting in increased voluntary cancellations, the impact of repricing initiatives in 2008 and continuing competitive distribution behaviour.

AFS NZ's lapse rate is now broadly consistent with the rest of the New Zealand market.

### Return on capital

RoBUE decreased to 20.0% for FY 09, reflecting higher capital allocated for new business growth.

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

EV decreased 10.1% to A\$668m (before transfers) at the 3% discount margin. In NZ dollar terms, EV decreased 7.0% to NZ\$825m. EV was impacted by higher expected lapse rates (A\$86m) and the impact of NZ regulatory tax changes (A\$55m).

VNB decreased 38% to A\$16m in FY 09. In NZ dollar terms, VNB decreased 35% to NZ\$20m. VNB fell as a result of higher expected lapses and NZ regulatory tax changes, partly offset by growing KiwiSaver sales.

### Advisers

In FY 09, total aligned intermediaries in AFS NZ decreased by 15 to 361. The decrease was primarily due to lower levels of recruitment driven by less attractive market conditions for new entrants. Total aligned intermediaries included 27 mortgage and insurance advisers for Roost, operating from 20 franchises.

The New Zealand Financial Advisers Act is expected to be implemented from December 2010. AFS NZ is proactively managing for this change.

### KiwiSaver

AFS NZ is positioning itself to achieve scale in the KiwiSaver market through a number of customer-focused initiatives. For example, it is upgrading its wealth management offer, scheduled to roll out in early 2010. AFS NZ had approximately 122,000 KiwiSaver members at 31 December 2009 and was ranked third with a 14% market share (based on AUM).

## Cashflows and assets under management (AUM)

Cashflows by product (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	FY 09	FY 08	% FY	FY 09	FY 08	% FY	FY 09	FY 08	% FY
<b>Australian contemporary wealth management</b>									
Retail superannuation <sup>1</sup>	3,808	4,594	(17.1)	3,212	4,133	22.3	596	461	29.3
Allocated pensions/annuities	1,529	1,954	(21.8)	1,291	1,165	(10.8)	238	789	(69.8)
Total retail superannuation and pensions/annuities	5,337	6,548	(18.5)	4,503	5,298	15.0	834	1,250	(33.3)
Retail investment	335	308	8.8	305	428	28.7	30	(120)	n/a
External platforms <sup>2,3</sup>	1,641	1,710	(4.0)	1,402	1,721	18.5	239	(11)	n/a
Total retail	7,313	8,566	(14.6)	6,210	7,447	16.6	1,103	1,119	(1.4)
Corporate superannuation and pensions/annuities	2,794	3,022	(7.5)	1,982	2,468	19.7	812	554	46.6
Corporate superannuation mandate wins <sup>4</sup>	274	507	(46.0)	-	-	-	274	507	(46.0)
<b>Total Australian contemporary wealth management</b>	<b>10,381</b>	<b>12,095</b>	<b>(14.2)</b>	<b>8,192</b>	<b>9,915</b>	<b>17.4</b>	<b>2,189</b>	<b>2,180</b>	<b>0.4</b>
<b>Australian contemporary wealth protection</b>									
Group risk	141	148	(4.7)	83	75	(10.7)	58	73	(20.5)
Individual risk	577	502	14.9	197	179	(10.1)	380	323	17.6
<b>Total Australian contemporary wealth protection</b>	<b>718</b>	<b>650</b>	<b>10.5</b>	<b>280</b>	<b>254</b>	<b>(10.2)</b>	<b>438</b>	<b>396</b>	<b>10.6</b>
<b>Total Australian contemporary</b>	<b>11,099</b>	<b>12,745</b>	<b>(12.9)</b>	<b>8,472</b>	<b>10,169</b>	<b>16.7</b>	<b>2,627</b>	<b>2,576</b>	<b>2.0</b>
<b>Australian mature<sup>5</sup></b>	<b>692</b>	<b>930</b>	<b>(25.6)</b>	<b>1,893</b>	<b>2,206</b>	<b>14.2</b>	<b>(1,201)</b>	<b>(1,276)</b>	<b>5.9</b>
<b>Total Australia</b>	<b>11,791</b>	<b>13,675</b>	<b>(13.8)</b>	<b>10,365</b>	<b>12,375</b>	<b>16.2</b>	<b>1,426</b>	<b>1,300</b>	<b>9.7</b>
<b>New Zealand</b>	<b>700</b>	<b>770</b>	<b>(9.1)</b>	<b>465</b>	<b>644</b>	<b>27.8</b>	<b>235</b>	<b>126</b>	<b>86.5</b>
<b>Total AFS cashflows</b>	<b>12,491</b>	<b>14,445</b>	<b>(13.5)</b>	<b>10,830</b>	<b>13,019</b>	<b>16.8</b>	<b>1,661</b>	<b>1,426</b>	<b>16.5</b>
AMP Bank – mortgages	2,037	3,085	(34.0)	1,817	1,608	(13.0)	220	1,477	(85.1)
AMP Bank – deposits							531	1,431	(62.9)
<b>Cashflows by distribution channel</b>									
AMP Financial Planning	6,952	8,315	(16.4)	6,204	7,452	16.7	748	863	(13.3)
Hillross <sup>3</sup>	1,799	1,887	(4.7)	1,481	1,831	19.1	318	56	467.9
Corporate superannuation – direct sales force	1,654	1,987	(16.8)	868	1,060	18.1	786	927	(15.2)
Centrally managed clients and other	654	705	(7.2)	934	1,057	11.6	(280)	(352)	20.5
3rd party distributors	732	781	(6.3)	878	975	9.9	(146)	(194)	24.7
<b>Total Australia</b>	<b>11,791</b>	<b>13,675</b>	<b>(13.8)</b>	<b>10,365</b>	<b>12,375</b>	<b>16.2</b>	<b>1,426</b>	<b>1,300</b>	<b>9.7</b>
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<b>Total AFS cashflows</b>	<b>12,491</b>	<b>14,445</b>	<b>(13.5)</b>	<b>10,830</b>	<b>13,019</b>	<b>16.8</b>	<b>1,661</b>	<b>1,426</b>	<b>16.5</b>
<b>Australian contemporary wealth management cash inflows (A\$m)</b>									
Member contributions	1,034	1,389	(25.6)						
Employer contributions	3,065	3,189	(3.9)						
Total contributions	4,099	4,578	(10.5)						
Transfers and rollovers in <sup>6</sup>	5,695	6,832	(16.6)						
Other cash inflows	587	685	(14.3)						
<b>Total</b>	<b>10,381</b>	<b>12,095</b>	<b>(14.2)</b>						

1 Retail superannuation includes the product Flexible Lifetime – Super (FLS), a component of which is small corporate superannuation schemes.

2 Externally manufactured products that earn platform fees (superannuation, pensions and investments).

3 External platforms and Hillross net cashflows benefited from the transition of client funds following the acquisition of Rabo Financial Advisors.

4 Cashflows from the transfer of accumulated member benefits as a result of SignatureSuper mandate wins.

5 Fixed term annuities and lifetime annuities previously disclosed under CWM and CWP, respectively, have been reclassified to mature. Comparatives have been restated.

6 Transfers and rollovers in include the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pensions/annuities) and external products.

## Cashflows and assets under management (AUM) cont'd

### Overview

AFS net cashflows increased 17% in FY 09 to A\$1.7b. Net cashflows improved in all AFS divisions.

Contemporary wealth management (CWM) net cashflows increased 0.4% to A\$2.2b. CWM FY 09 net cashflows includes A\$231m from the acquisition of Rabo Financial Advisors and A\$274m in new corporate superannuation mandates (FY 08 A\$507m). Lower cash inflows to retail superannuation, allocated pensions/annuities and external platforms were offset by lower cash outflows in superannuation (both retail and corporate) and external platforms.

CWM net cashflows continued to be adversely impacted by the volatile investment markets and poor investor sentiment, resulting in materially lower discretionary member superannuation contributions. Despite stronger investment markets later in 2009, discretionary member contributions were 26% lower than in FY 08. Employer contributions remained relatively steady reflecting their compulsory nature but lower salary sacrifice contributions were recorded. Weak investment markets also decreased cash outflows, with lower AUM levels resulting in lower member balances when withdrawing or transferring funds between products or providers.

### Persistency excluding internal flows

Removing major internal product flows from the persistency calculations, total AFS persistency decreased marginally to 90.1% in FY 09 from 90.3% in FY 08.

Retail superannuation persistency decreased to 91.6% from 91.9% in FY 08. Despite lower cash outflows in FY 09, persistency fell as outflows fell less than the fall in AUM.

For allocated pensions/annuities, persistency decreased from 86.8% to 85.9% in FY 09 as cash outflows increased and opening AUM was lower.

Corporate superannuation persistency decreased to 93.7% from 94.0% in FY 09 as outflows fell less than the fall in AUM.

### Internal flows

AMP's cashflows, which are reported on a product basis, are impacted by flows both into and out of AMP, as well as internal flows between products. Overall net cashflows are not affected by internal flows; however, these internal transfers do impact individual product level flows.

### Retail superannuation and allocated pensions/annuities

As retail superannuation and allocated pension/annuity flows are significantly impacted by internal movements, it is more appropriate to consider a combined result for retail superannuation and allocated pensions/annuities products. Total retail superannuation and pensions/annuities net cashflows fell 33% to A\$0.8b.

Retail superannuation pensions/annuities cash inflows declined 19% to A\$5.3b. Cash inflows were impacted by the discretionary nature of retail superannuation contributions and lower transitions from retail superannuation to allocated pensions/annuities as members delayed retirement and transferred lower balances (resulting from weak investment markets). The average retail superannuation contribution per member in FY 09 was 22% lower than in FY 08.

Retail superannuation pensions/annuities cash outflows declined 15% to A\$4.5b. Cash outflows decreased due to lower member balances following the decline in investment markets, resulting in lower withdrawals and lower outflows as members delayed retirement.

In FY 09 51% (FY 08 48%) of retail superannuation and allocated pension/annuity cash outflows were retained in AMP products.

### Retail investment

Retail investment represents AMP's Flexible Lifetime Investments product and AMP Personalised Portfolio, a separately managed account platform. Retail investment net cashflows increased by A\$150m to A\$30m in FY 09. Cash inflows increased by 9% to A\$335m, benefiting from AMP Personalised Portfolio, which was launched in late 2008. Cash outflows fell by 29% to A\$305m reflecting improvement in customer sentiment towards investment markets.

### Corporate superannuation

Corporate superannuation net cashflows (excluding mandate wins) increased 47% to A\$812m in FY 09, driven by regular employer contributions and lower outflows.

Employer contributions into corporate superannuation products increased by 2%, reflecting the resilience of Superannuation Guarantee Contributions (SGC) and higher member numbers following mandate wins in 2008 and 2009. Cash inflows were adversely impacted by lower rollovers in as a result of lower member balances and lower salary sacrifice contributions.

Cash outflows fell 20%, with the decline in investment markets resulting in lower balances transferred to other products or providers. In corporate superannuation, 60% of outflows flowed back into AMP products, down from 63% in FY 08.

### External platforms

External platforms represent superannuation, pension and investment products on the Asgard, Macquarie and BT platforms. External platform flows are largely driven by Hillross, which primarily targets more affluent clients.

External platform net cashflows increased by A\$250m in FY 09. These cashflows include A\$111m from the Definitive Wrap product launched in 2009 and A\$231m from the acquisition of Rabo Financial Advisors in Q4 09.

Asgard recorded a net cash outflow of A\$103m, as a result of a reduction in cash inflows into superannuation products as fewer members contributed and the average contribution per member fell. Part of the reduction in inflows was mitigated by additional inflows into the Definitive Wrap product. Cash outflows decreased due to lower superannuation member balances following the decline in AUM.

## Cashflows and assets under management (AUM) cont'd

### Mature

Mature net cash outflows improved by A\$75m (6%) in FY 09. Net cashflows benefited from lower cash outflows, offset by lower cash inflows. Cash outflows were down 14% in FY 09, reflecting lower volumes and the attractiveness of capital guaranteed products in times of market volatility. Cash inflows were down 26% in FY 09 primarily due to lower inflows for fixed term annuities following the closure of this product in 1H 09.

### New Zealand

AFS New Zealand increased net cashflows by 87% in FY 09. Cash inflows fell 9% to A\$700m, whilst outflows decreased by 28% to A\$465m. Cash inflows have been impacted by market conditions; however, KiwiSaver inflows increased 18% in NZD terms despite weaker market conditions. Cash outflows were lower in FY 09, as FY 08 included outflows from the closure of a number of investment funds.

### AMP Bank

AMP Bank recorded deposit growth of 15% (A\$531m), this was lower than FY 08 growth due to significantly lower superannuation fund cash deposits, partly offset by higher retail deposit growth.

FY 09 mortgage growth slowed to 2%, compared to 19% in FY 08. The reduction in mortgage growth follows the closure of securitisation markets in 2009 and the intense competition for retail deposits, limiting available resources to fund higher mortgage growth.

### Channel flows

Net cashflows through AMP Financial Planning fell 13% in FY 09 to A\$0.8b, driven by lower member contributions and lower rollovers. Net cashflows through Hillross increased by A\$262m, which includes the acquisition of Rabo Financial Advisors. Net cashflows through the corporate superannuation direct sales force fell as a result of lower mandate wins.

AUM by product (A\$b)	FY 08 AUM	FY 08 share cap <sup>6</sup>	FY 08 total	Net cashflows	Other <sup>7</sup>	FY 09 AUM	FY 09 share cap <sup>8</sup>	FY 09 total	FY 09 % change
<b>Australian contemporary wealth management</b>									
Retail superannuation <sup>1</sup>	16.5	0.1	16.6	0.6	2.6	19.6	0.2	<b>19.8</b>	19.3
Allocated pensions/annuities	5.9	0.1	6.0	0.2	1.0	7.2	-	<b>7.2</b>	20.0
Retail investment	1.8	-	1.8	-	0.4	2.2	-	<b>2.2</b>	22.2
External platforms <sup>2</sup>	5.6	0.1	5.7	0.3	1.1	7.0	0.1	<b>7.1</b>	24.6
Total retail	29.8	0.3	30.1	1.1	5.1	36.0	0.3	<b>36.3</b>	20.6
Corporate superannuation	12.6	0.1	12.7	1.1	1.5	15.1	0.2	<b>15.3</b>	20.5
<b>Total Australian contemporary wealth management</b>	<b>42.4</b>	<b>0.4</b>	<b>42.8</b>	<b>2.2</b>	<b>6.6</b>	<b>51.1</b>	<b>0.5</b>	<b>51.6</b>	20.6
<b>Australian contemporary wealth protection</b>									
Group risk <sup>3</sup>	-	-	-	0.1	-	-	0.1	<b>0.1</b>	n/a
Individual risk <sup>3</sup>	-	0.6	0.6	0.4	(0.4)	-	0.6	<b>0.6</b>	-
<b>Total Australian contemporary wealth protection</b>	<b>-</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>(0.4)</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>	16.7
<b>Total Australian contemporary</b>	<b>42.4</b>	<b>1.0</b>	<b>43.4</b>	<b>2.7</b>	<b>6.2</b>	<b>51.1</b>	<b>1.2</b>	<b>52.3</b>	20.5
<b>Australian mature<sup>4</sup></b>	<b>18.8</b>	<b>0.2</b>	<b>19.0</b>	<b>(1.2)</b>	<b>0.8</b>	<b>18.1</b>	<b>0.5</b>	<b>18.6</b>	(2.1)
<b>Total Australia</b>	<b>61.2</b>	<b>1.2</b>	<b>62.4</b>	<b>1.5</b>	<b>7.0</b>	<b>69.2</b>	<b>1.7</b>	<b>70.9</b>	13.6
<b>New Zealand</b>	<b>4.5</b>	<b>0.3</b>	<b>4.8</b>	<b>0.2</b>	<b>-</b>	<b>4.7</b>	<b>0.3</b>	<b>5.0</b>	4.2
<b>Total AFS</b>	<b>65.7</b>	<b>1.5</b>	<b>67.2</b>	<b>1.7</b>	<b>7.0</b>	<b>73.9</b>	<b>2.0</b>	<b>75.9</b>	12.9
AMP Bank – mortgages	9.6		9.6	0.2		9.8		<b>9.8</b>	2.1
AMP Bank – deposits <sup>5</sup>	3.4		3.4	0.5		3.9		<b>3.9</b>	14.7

AUM by asset class	FY 08	FY 09
<b>Australian contemporary wealth management</b>		
Fixed interest	30.1%	<b>25.7%</b>
Australian equities	32.6%	<b>37.0%</b>
International equities	22.9%	<b>22.9%</b>
Property <sup>9</sup>	6.7%	<b>6.5%</b>
Other	7.7%	<b>7.9%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

1 Retail superannuation includes the product Flexible Lifetime – Super (FLS), a component of which is small corporate superannuation schemes.

2 Externally manufactured products that earn platform fees.

3 Individual and group risk are included in inflows and outflows but not in the AUM balances.

4 Fixed term annuities and lifetime annuities previously disclosed under CWM and CWP, respectively, have been reclassified to mature. Comparatives have been restated.

5 AMP Bank deposits include retail deposits and AMP Super Cash.

6 Share capital at 1 January 2009 contains A\$70m of capital transfers declared at 31 December 2008.

7 Other includes product transfers, fees, investment returns, taxes, share capital movements and foreign currency movements on New Zealand AUM.

8 Share capital at 31 December 2009 includes A\$50m of capital transfers declared at 31 December 2009 and excludes AMP Bank.

9 Includes both listed and unlisted property securities.



## Market share

	September 2009			September 2008		
	Total market size	Market position	Market share	Total market size	Market position	Market share
Market share – Australia	A\$b	(rank) <sup>4</sup>	%	A\$b	(rank) <sup>4</sup>	%
<b>Assets under management<sup>1,2</sup></b>						
Superannuation including rollovers	232.5	2	17.5%	228.4	2	17.6%
Retirement income	101.9	3	11.2%	100.6	3	11.5%
Unit trusts (excluding cash management trusts)	135.9	9	3.6%	139.6	9	3.6%
Total retail managed funds (excluding cash management trusts)	477.3	3	12.0%	476.2	3	12.0%
<b>Total in-force annual premiums<sup>3</sup></b>						
Individual risk	5.4	4	11.2%	4.7	4	11.1%

1 Source: Plan for Life 30 September 2009 – QDS Retail & Wholesale.

2 September 2008 comparatives for assets under management have been restated by Plan for Life.

3 Source: Plan for Life 30 September 2009 – Detailed Risk Statistics and Plan for Life 30 September 2008 – Detailed Risk Statistics. In-force premiums individual risk excludes single premiums.

4 AMP has consolidated the NAB/Aviva market share data and hence rankings may differ slightly to published Plan for Life market share reports.

AMP's market share positions have been largely steady over the past year. AMP retained its number two ranking in superannuation with market share falling 0.1 percentage points to 17.5%. Within this segment, AMP retained its number one ranking in the corporate superannuation market with market share steady at 20.2%<sup>1</sup>. Market share in retirement income decreased to 11.2%.

On a total retail managed funds (excluding cash management trusts) basis, AMP maintained its number three position in the market and its market share of 12.0%. Both were unchanged from September 2008.

Market share data is not available for the December 2009 quarter.

1 Based on Plan for Life reporting of corporate superannuation masterfunds.

	September 2009			September 2008		
	Total market size	Market position	Market share	Total market size	Market position	Market share
Market share – New Zealand	NZ\$b	(rank)	%	NZ\$b	(rank)	%
<b>Assets under management</b>						
Retail superannuation <sup>1,2</sup>	5.0	4	17.7	5.5	4	18.5
Unit trusts <sup>1,2</sup>	6.2	8	3.4	6.1	9	3.7
Insurance bonds <sup>1</sup>	0.8	3	18.3	0.9	3	19.1
Total retail funds <sup>1,2</sup>	18.4	4	9.8	17.3	5	9.6
Corporate superannuation <sup>3</sup>	3.7	1	34.4	3.3	1	35.7
Conventional <sup>4</sup>	0.1	1	42.9	0.1	1	42.5
KiwiSaver <sup>1</sup>	3.9	3	13.6	1.5	3	15.2
<b>Total in-force annual premiums<sup>5</sup></b>						
Individual risk	1.2	2	12.3	1.1	2	12.1

1 Source: Fund Source Research Limited September 2009 (measured by AUM).

2 September 2008 comparatives have been restated by Fund Source Research Limited.

3 Source: Eriksen's Master Trust Survey September 2009 (measured by AUM).

4 Source: ISI Statistics September 2009 (measured by in-force premium).

5 From June 2008 it became industry standard for all premiums for non-life business to be reported inclusive of GST. Reporting across the various market participants previously was not done on a consistent basis. Source: ISI Statistics September 2009.

In the period to 30 September 2009, AMP New Zealand life insurance market share increased by 0.2 percentage points to 12.3% while maintaining its number two ranking. AMP New Zealand continues to dominate the conventional market, holding market share of 43%.

AMP New Zealand maintained its number one market share ranking for corporate superannuation with market share of 34.4%.

AMP New Zealand's market share of total retail funds increased 0.2% to 9.8%.

AMP New Zealand's market share of KiwiSaver decreased 1.6 percentage points to 13.6%. The change in market share was impacted by a number of KiwiSaver providers reporting market share for the first time.

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

AFS embedded value (A\$m) <sup>1</sup>	3% dm	4% dm	5% dm
Embedded value as at FY 08	7,536	7,021	6,574
Expected return	523	557	587
Investment returns, bond yields and other	11	53	86
VNB	319	285	256
Net transfers out	(480)	(480)	(480)
<b>Embedded value as at FY 09</b>	<b>7,909</b>	<b>7,436</b>	<b>7,023</b>
<b>Return on embedded value as at FY 09</b>	<b>11.3%</b>	<b>12.7%</b>	<b>14.1%</b>
<b>Embedded value comprises</b>			
Adjusted net assets <sup>2</sup>	793	793	793
Value of in-force business <sup>3</sup>	7,116	6,643	6,230

AFS embedded value (A\$m) at the 3% dm	Wealth Management	Wealth Protection	Mature	New Zealand	Total
Embedded value as at FY 08	3,589	1,828	1,376	743	7,536
Restatement <sup>4</sup>	(68)	(105)	173	-	-
Expected return	240	117	106	60	523
Investment returns, bond yields and other	28	(4)	138	(151)	11
VNB	182	100	21	16	319
Net transfers out	(181)	(155)	(99)	(45)	(480)
<b>Embedded value as at FY 09</b>	<b>3,790</b>	<b>1,781</b>	<b>1,715</b>	<b>623</b>	<b>7,909</b>
<b>Return on embedded value as at FY 09</b>	<b>12.8%</b>	<b>12.4%</b>	<b>17.1%</b>	<b>(10.1%)</b>	<b>11.3%</b>

AFS embedded value (A\$m) at the 4% dm	Wealth Management	Wealth Protection	Mature	New Zealand	Total
Embedded value as at FY 08	3,330	1,699	1,303	689	7,021
Restatement <sup>4</sup>	(66)	(99)	165	-	-
Expected return	255	125	115	62	557
Investment returns, bond yields and other	48	5	134	(134)	53
VNB	163	89	19	14	285
Net transfers out	(181)	(155)	(99)	(45)	(480)
<b>Embedded value as at FY 09</b>	<b>3,549</b>	<b>1,664</b>	<b>1,637</b>	<b>586</b>	<b>7,436</b>
<b>Return on embedded value as at FY 09</b>	<b>14.3%</b>	<b>13.7%</b>	<b>18.3%</b>	<b>(8.4%)</b>	<b>12.7%</b>

AFS embedded value (A\$m) at the 5% dm	Wealth Management	Wealth Protection	Mature	New Zealand	Total
Embedded value as at FY 08	3,107	1,586	1,240	641	6,574
Restatement <sup>4</sup>	(63)	(94)	157	-	-
Expected return	268	132	123	64	587
Investment returns, bond yields and other	60	14	130	(118)	86
VNB	149	79	17	11	256
Net transfers out	(181)	(155)	(99)	(45)	(480)
<b>Embedded value as at FY 09</b>	<b>3,340</b>	<b>1,562</b>	<b>1,568</b>	<b>553</b>	<b>7,023</b>
<b>Return on embedded value as at FY 09</b>	<b>15.7%</b>	<b>15.1%</b>	<b>19.3%</b>	<b>(6.7%)</b>	<b>14.1%</b>

AFS value of new business (A\$m) <sup>1</sup>	3% dm		4% dm		5% dm	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
<b>Value of new business by business line</b>						
Wealth management	182	223	163	201	149	183
Wealth protection	100	90	89	77	79	67
Mature	21	21	19	19	17	16
New Zealand	16	26	14	21	11	17
<b>Total</b>	<b>319</b>	<b>360</b>	<b>285</b>	<b>318</b>	<b>256</b>	<b>283</b>
% change	(11.4%)		(10.4%)		(9.5%)	

1 AMP Bank is excluded.

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

3 Value of in-force business discounts the value of shareholder net assets (A\$1,137m at face value) to reflect expected time of release.

4 The restatements reflect the reclassification of fixed term annuities from Wealth management and lifetime annuities from Wealth protection to mature.

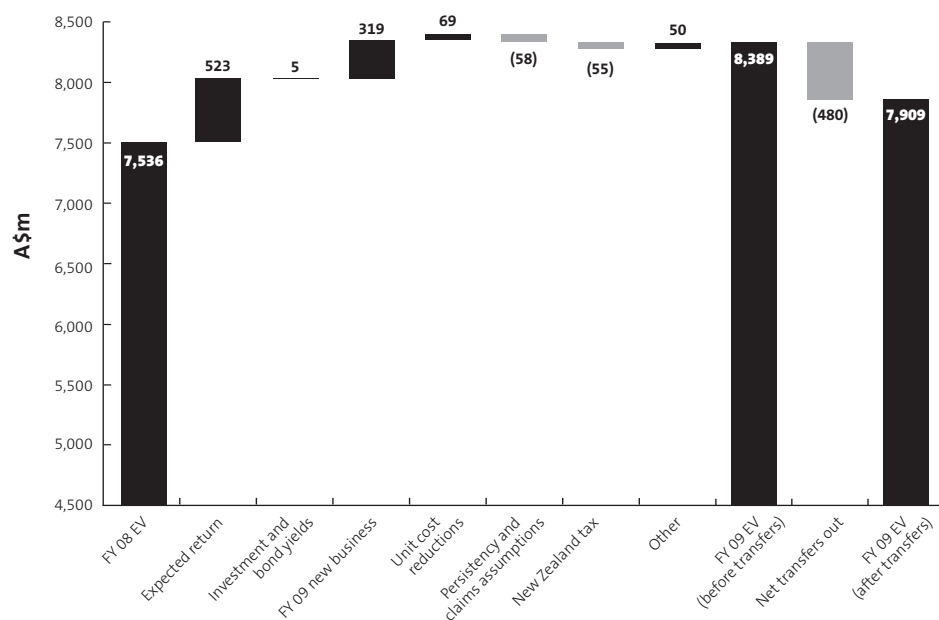


## Embedded value (EV) and value of new business (VNB) cont'd

Embedded value increased 11.3% before transfers at the 3% discount margin to A\$8,389m driven by the expected return (A\$523m), value of new business (A\$319m) and other items (A\$11m). FY 09 EV includes the impact of New Zealand regulatory tax changes which reduced embedded value by A\$55m.

### Change in embedded value FY 08 to FY 09

(at the 3% dm above bond rate)

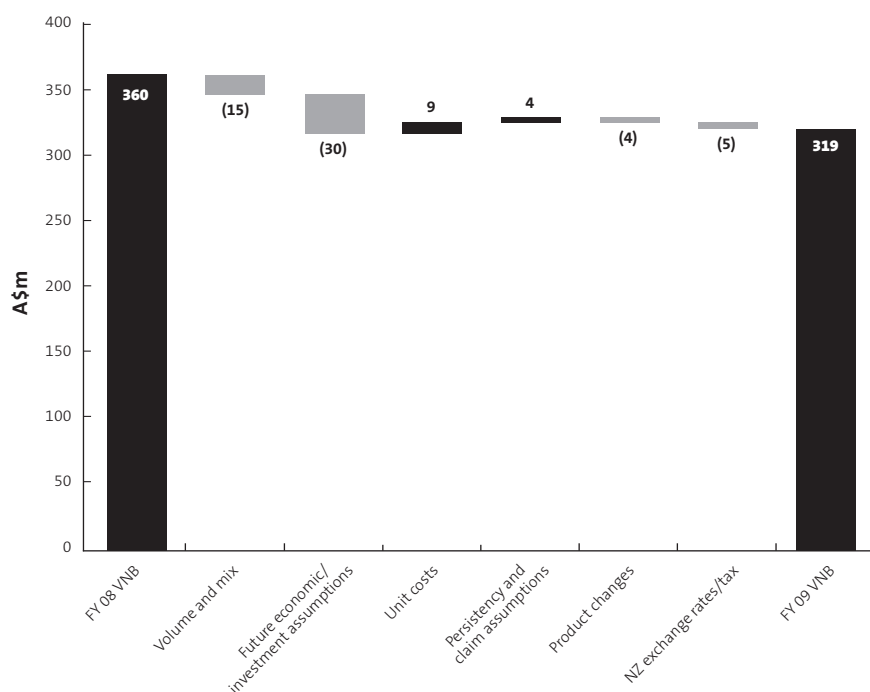


## Embedded value (EV) and value of new business (VNB) cont'd

VNB fell 11.4% to A\$319m in FY 09 largely as a result of lower wealth management volumes, increases in bond yields and tax and lapse rate changes to New Zealand risk insurance. These were partially offset by the positive impact of a reduction in unit costs and increase in Australian risk insurance volumes.

### Change in value of new business FY 08 to FY 09

(at the 3% dm above bond rate)



## EV and VNB sensitivities

FY 09 change in embedded value (A\$m)	Wealth management	Wealth protection	Mature	New Zealand	Total
5% reduction in controllable costs	58	13	17	3	91
10% reduction in discontinuance rates	223	148	50	41	462
1% (100 bps) decrease in long-term bond yields	70	66	(50)	11	97
1% (100 bps) increase in long-term bond yields	(64)	(59)	37	(11)	(97)
10% increase in Australian equities	74	-	47	-	121
10% increase in international equities	39	-	14	13	66
1% reduction in investment fees	(62)	-	(2)	(2)	(66)

FY 09 change in value of new business (A\$m)	Wealth management	Wealth protection	Mature	New Zealand	Total
5% reduction in controllable costs	7	2	-	-	9
10% reduction in discontinuance rates	18	16	2	2	38
1% (100 bps) decrease in long-term bond yields	5	8	(1)	1	13
1% (100 bps) increase in long-term bond yields	(5)	(8)	1	(1)	(13)
5% increase in sales (all costs variable)	7	4	1	1	13
5% increase in sales (controllable costs fixed)	12	6	1	-	19
1% reduction in investment fees	(5)	-	-	-	(5)
No transition relief for NZ tax <sup>1</sup>	-	-	-	(4)	(4)

1 Business written prior to 1 July 2010, qualifies for transition relief in respect of New Zealand tax changes.

### Key assumptions

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

- they are not always linear or symmetrical, due to the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the movement in a particular variable is independent of all others. For the change in discontinuance rates, unit costs are assumed unchanged. For the 5% increase in sales (all costs variable), unit costs are assumed unchanged. For the 5% increase in sales (controllable costs fixed), unit costs are assumed to reduce because of the increase in business volumes
- they show the average movement for the risk discount margin range
- they are based on the FY 09 position, ie not “forward looking”, and make no allowance for events subsequent to 31 December 2009.

The 1% increase in long-term government bond yields is assumed to be accompanied by a 0.5% increase in Consumer Price Index (CPI) and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For equities, the assumed future earning rate is assumed to increase by 1.0% (ie the equity risk premium is unchanged).

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

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

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

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

## EV assumptions

### Economic assumptions

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

Annualised 10 year Government bond yields	FY 09	FY 08
Australia	<b>5.7%</b>	4.0%
New Zealand	<b>6.2%</b>	4.7%

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

Risk premiums	FY 09	FY 08
Local equities <sup>1</sup>	<b>4.1%</b>	4.9%
International equities	<b>2.5%</b>	2.5%
Property	<b>2.0%</b>	2.0%
Corporate bonds	<b>0.5%</b>	0.5%
Other fixed interest	<b>0.0%</b>	0.0%
Cash (where significant)	<b>(0.5%)</b>	(0.5%)

<sup>1</sup> Includes allowance of approximately 1.1% (FY 08 1.9%) for franking credits on equity income.

For the purpose of setting future investment assumptions, the broad asset mixes assumed for participating business (A\$13b) in Australia are:

AMP Life (Australia)	FY 09	FY 08
Equities	<b>30%</b>	31%
Property	<b>11%</b>	11%
Fixed interest	<b>40%</b>	40%
Cash	<b>19%</b>	18%

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

Annual inflation rates assumed are:

Inflation rate		FY 09	FY 08
Australia	- CPI	<b>2.8%</b>	1.5%
Australia	- Expenses	<b>3.0%</b>	3.0%
New Zealand	- CPI	<b>3.4%</b>	1.0%
New Zealand	- Expenses	<b>3.0%</b>	3.0%

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

### Operating assumptions

Future mortality and morbidity rates are based on an analysis of recent AFS experience, general industry experience and, in some cases, population experience. Changes to mortality and morbidity assumptions since 31 December 2008 are:

- assumed mortality experience has improved for insurance cover on Flexible Lifetime Superannuation, and
- assumed morbidity experience has deteriorated for stand-alone disability income business.

Future discontinuance rates are largely based on an analysis of recent AFS experience. Changes to discontinuance assumptions since 31 December 2008 are:

- significant increase in lapse rates for New Zealand risk products
- changes in lapse rates for several other products, and
- changes to the annual CPI take up rate for indexation for sums' insured.

Maintenance unit costs are derived from 2010 budgets. Allowance is made for future inflation but potential cost improvements arising after 2010 are ignored. Future rates of bonus for participating business were set at levels that were supportable by the assets backing the respective product sub-funds as at 31 December 2009.

Acquisition costs for VNB are the actual costs incurred in FY 09.

Franking credits are valued at 70% of face value.

Assumptions assume the continuation of the existing tax and regulatory framework and make no allowance for:

- Australian tax and superannuation reviews/inquiries (note: New Zealand tax changes effective 1 July 2010 have been reflected in EV), or
- any other regulatory changes.

### Further details

Assumptions are consistent with the best estimate assumptions used in calculating policy liabilities for AMP Life. A more detailed description of these assumptions and their 31 December 2009 values can be found in the notes to the 2009 AMP Limited Financial Report. As all relevant business is projected for the embedded value, the description of the assumptions in the notes applies even where that business is not valued by projection methods for profit reporting.

# AMP Capital Investors financial summary

## Business overview

AMP Capital Investors (AMPCI) is a leading diversified investment management business operating in Australia and New Zealand, with selected investment management activities in Asia.

At the end of 2009, AMPCI had A\$97b in assets under management.

## Strategy

AMPCI's strategy is to become a high value-add Asia Pacific investment manager. Its key priorities are to:

- offer high value investment opportunities
- continue to develop its pan-Asian capability
- be more operationally effective and efficient through market-leading operating systems and processes
- strengthen its talent development programs.

AMPCI is positioning its business model for growth in response to changing client expectations and potential regulatory change. It is doing this by strengthening its investment capabilities, developing new investment opportunities, deepening client relationships, and driving cost efficient growth.

In FY 09, AMPCI improved its investment performance (with 67% of assets under management exceeding benchmark), attracted strong offshore cashflows and maintained tight cost control.

### **AMP growth platform 1: grow financial planner capacity and broaden distribution**

AMPCI is expanding distribution of its funds in the Australian retail and private client markets.

During the year, AMPCI launched two new funds to this market:

- AMP Capital Asian Equity Growth Fund, which has been well rated, and targets investment opportunities across China, India, Hong Kong, Korea, Singapore and Taiwan
- AMP Capital Corporate Bond Fund, which provides investors with regular distributions through investment in an actively managed portfolio of credit securities.

Both these funds were added to key Australian retail platforms in the second half of 2009. AMPCI's capabilities are represented on 32 of the top 50 Australian retail platforms.

In New Zealand, AMPCI attracted A\$682m in net cashflows, up from A\$122m in FY 08.

AMPCI also distributes selected products through third parties in the US, UK and Europe.

### **AMP growth platform 2: expand to Asia through AMPCI**

AMPCI is making selective investments in key Asian markets.

In FY 09, AMPCI appointed a new head of international business, based in Hong Kong, to oversee the continued expansion of AMPCI investment capabilities and distribution in the region. In addition, AMPCI appointed a Managing Director to its Japanese business (reporting to the Managing Director North Asia), and appointed a new Managing Director, South-East Asia and Middle East.

At FY 09, 6% of AMPCI AUM was sourced from Asia. Two of its largest five clients are now from the region.

## Markets

AMPCI distributes its products in Japan, Singapore, Malaysia and South Korea.

In Japan, AMPCI attracted A\$715m in net cashflows from Japanese retail investors through its Australian bond and global REIT products.

During the year, AMPCI strengthened its distribution presence in Japan. It acquired Gemini Advisors Securities Investments Company Limited to expand its reach into the Japanese retail investor market, and continued its partnership with four of Japan's leading asset management companies and Japan's T&D Asset Management, which distributes AMPCI infrastructure products (AGIF and SITE) to Japanese pension funds. AMPCI is one of the top 10 foreign Toshin (retail) fund managers in Japan.

Growth in China is also a part of AMPCI's medium-term strategy. AMP became the first foreign financial institution to sign a Memorandum of Understanding (MOU) for Strategic Cooperation with the world's largest listed life insurer, China Life Insurance Group. The agreement outlines areas for partnership in pensions and asset management.

## Investment capabilities

AMPCI's medium-term goal is to build its Asian investment capability and it is doing this on a pan-Asian and country-specific basis. For example, AMPCI is building a pan-Asian capability in equities and country-specific capabilities in infrastructure (China and India) and property (Japan and Singapore).

Consistent with this strategy, AMPCI acquired a 50% stake in the manager of Singapore Exchange-listed MacarthurCook Industrial REIT (MI REIT). AMPCI also acquired a cornerstone stake in the REIT, which is now known as AIMS AMP Capital Industrial REIT.

To strengthen its investment capabilities, AMPCI has appointed new investment specialists and formed the Multi Asset Group (MAG), a specialised function that brings together its strategy and economics, diversified multi manager and structured fund teams. Through MAG, AMPCI will be better positioned to provide tailored solutions for clients, with a focus on portfolio construction and design, asset allocation and alpha opportunities.

### **AMP growth platform 4: reshape AMPCI into a high value-add investment manager**

AMPCI is maintaining its focus on developing its investment capabilities in specialised, high value segments. During the year, AMPCI:

- Extended its global partnership with Brookfield Investment Management in a A\$6b joint venture providing investors with global listed real estate and infrastructure opportunities.
- Secured a new A\$500m mandate to invest in direct property through AMPCI's Property Portfolio Service and increased allocations from existing property mandates.
- Continued its shopping centre redevelopment program, receiving DA approval for construction at Sydney's Macquarie Centre and completing work on the third stage of Brisbane's Mt Ommaney shopping centre. AMPCI manages a portfolio of 39 shopping centres across Australia and New Zealand.

### **AMP growth platform 5: invest in key growth enablers**

AMPCI continued to invest in its core assets of people, brand and technology in 2009.

AMPCI successfully completed the transition to a new strategic platform. This marks the end of the most complex phase of AMPCI's technology transformation program, which is already delivering quantifiable benefits. AMPCI secured two new credit mandates totalling over A\$500m in FY 09, with the new systems noted as a key differentiator by investment consultants.

During the year, AMPCI also continued investment in its leadership and mentoring programs.

## AMP Capital Investors financial summary cont'd

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
<b>Profit and loss</b>						
Management fees – AUM based	284	143	141	314	(9.6)	1.4
Management fees – Non-AUM based	57	28	29	73	(21.9)	(3.4)
Total management fees	341	171	170	387	(11.9)	0.6
Performance fees	32	19	13	66	(51.5)	46.2
Transaction fees	6	4	2	20	(70.0)	100.0
Total performance and transaction fees	38	23	15	86	(55.8)	53.3
Fee income	379	194	185	473	(19.9)	4.9
Controllable costs	(255)	(132)	(123)	(268)	4.9	(7.3)
Tax expense	(31)	(14)	(17)	(59)	47.5	17.6
Operating earnings before net seed pool income	93	48	45	146	(36.3)	6.7
Net seed pool income <sup>1</sup>	(2)	-	(2)	(10)	80.0	n/a
Operating earnings	91	48	43	136	(33.1)	11.6
Underlying investment income	10	5	5	12	(16.7)	-
<b>Underlying operating profit after income tax</b>	<b>101</b>	<b>53</b>	<b>48</b>	<b>148</b>	<b>(31.8)</b>	<b>10.4</b>
Seed pool valuation adjustments <sup>2</sup>	(30)	5	(35)	(42)	28.6	n/a
<b>Operating profit after income tax and seed pool valuation adjustments</b>	<b>71</b>	<b>58</b>	<b>13</b>	<b>106</b>	<b>(33.0)</b>	<b>346.2</b>
<b>Management fees</b>						
Management fees – external	178	82	96	211	(15.6)	(14.6)
Management fees – internal	163	89	74	176	(7.4)	20.3
<b>Total management fees</b>	<b>341</b>	<b>171</b>	<b>170</b>	<b>387</b>	<b>(11.9)</b>	<b>0.6</b>
<b>Controllable costs</b>						
Employee related	146	76	70	145	0.7	8.6
Investment operations and other	100	52	48	104	(3.8)	8.3
<b>Total operating costs</b>	<b>246</b>	<b>128</b>	<b>118</b>	<b>249</b>	<b>(1.2)</b>	<b>8.5</b>
Project costs	9	4	5	19	(52.6)	(20.0)
<b>Total controllable costs</b>	<b>255</b>	<b>132</b>	<b>123</b>	<b>268</b>	<b>(4.9)</b>	<b>7.3</b>
Cost to income ratio	65.2%	65.1%	65.3%	56.3%	n/a	n/a
Controllable costs to AUM (bps) <sup>3</sup>	27.7	27.8	27.6	26.4	n/a	n/a
AUM (A\$b)	96.9	96.9	89.9	91.8	5.6	7.8
Average AUM (A\$b)	92.2	94.8	89.6	101.6	(9.3)	5.8
AUM based management fees to AUM (bps) <sup>3</sup>	30.8	30.2	31.5	30.9	n/a	n/a
Performance and transaction fees to AUM (bps) <sup>3</sup>	4.1	4.9	3.3	8.5	n/a	n/a
RoBUE	60.8%	65.5%	56.6%	59.9%	n/a	n/a

1 The net seed pool result excludes abnormal valuation adjustments.

3 Based on average monthly AUM.

2 Seed pool valuation adjustments represent the abnormal writedown of seed pool assets, being primarily Singapore industrial property and Australasian retirement village businesses. Refer to page 41 for more detail.

## AMP Capital Investors financial summary cont'd

### Business overview

AMPCI's strategic intent is to be a high value-add diversified investment manager, focused on the Asia-Pacific region. Earnings growth is being targeted through development of AMPCI's domestic and international distribution channels and a progressive shift to higher margin products and investment capabilities. Expansion into Asia is an integral part of this strategy.

AMPCI's operating earnings fell A\$45m (33%) to A\$91m in FY 09 as lower fee income was only partly offset by cost reductions. Fee income fell 20%, driven largely by the drop in performance and transaction fees and lower average AUM, while controllable costs fell 5% over the year.

### Fee income

Fee income decreased A\$94m (20%) to A\$379m in FY 09, with management fees falling by A\$46m (12%) to A\$341m and performance and transaction fees declining A\$48m (56%) to A\$38m.

Management fees fell due to lower AUM and non-AUM based fees.

AUM based management fees fell 10% to A\$284m in FY 09, reflecting the decline in average AUM resulting from difficult investment markets in FY 08 and early FY 09. FY 09 average AUM was 9% lower than FY 08.

AUM based management fees to AUM fell marginally to 30.8 bps in FY 09 due to changes in the asset mix. Weak equity markets in 1H 09 resulted in a relatively larger proportion of higher margin infrastructure and property assets. The mix shifted in 2H 09 to a higher proportion of lower margin equity assets as equity markets improved and property values continued to decline. The AUM based management fees to AUM ratio will continue to be impacted by changes in asset mix.

Non-AUM based income includes property asset management, bond lending, property development and property leasing fees.

Non-AUM based fees decreased by A\$16m (22%) to A\$57m due to lower bond lending fees (down A\$8m) and lower property development fees (down A\$5m). Bond lending fees fell following the decline in bond activity and margins. Property development fees decreased due to lower property development activity as a result of weaker economic conditions.

External management fees fell 16% compared to a 7% fall in internal management fees. Internal AUM has a higher weighting to equities.

Performance fees fell by 52% to A\$32m in FY 09. Performance fees are impacted by relative investment performance. While investment performance has improved across most asset classes in FY 09, this has not translated into significant performance fees given the need to recover past underperformance.

Performance fees are an intrinsic part of a diversified funds management business. Over the medium-term, performance fees are expected to improve as AMPCI's investment performance improves and markets return to previous levels. For property and infrastructure, it may take a number of years for higher levels of performance fees to return as their performance benchmarks are typically a bond yield plus a margin with prior period underperformance needing to be recovered.

The performance fee split by asset class in FY 09 was infrastructure and other direct investments (45%), property (9%) and equities and fixed income (46%).

Transaction fees decreased by A\$14m to A\$6m in FY 09. Transaction fees primarily relate to alternative assets such as infrastructure, property and private debt. Due to market conditions in FY 09, there was limited investor demand for these assets, which has resulted in lower activity and transaction fees.

### Controllable costs

Controllable costs decreased by A\$13m (5%) to A\$255m in FY 09 as a result of tight cost management.

Employee related costs increased by A\$1m (1%), reflecting higher staff bonuses following improved investment performance and continued investment in Asia-Pacific, offset by lower staff numbers.

Investment operations and other costs decreased by A\$4m (4%), as higher technology costs were offset by reductions in other operating costs. Technology costs will continue to increase following the introduction of new business platforms, enhancing the efficiency of operations and scalability. These increases will include licensing, other running costs and amortisation.

Controllable costs include A\$9m of project related expenditure, down from A\$19m in FY 08. Project costs fell as a result of lower project activity and associated staff costs.

The cost to income ratio increased by 8.9 percentage points to 65.2% in FY 09 as the reduction in fee income was only partially offset by a reduction in controllable costs. Over the medium-term, AMPCI expects to have a cost to income ratio of between 55% and 60%.

### Tax expense

The AMPCI effective tax rate in FY 09 was 25.4%, which is lower than the Australian corporate tax rate (30%) due to tax concessions as a result of undertaking offshore activities and the receipt of joint venture (JV) income.

In FY 09, the effective tax rate was lower than FY 08 (28.8%) due to a higher contribution from tax concessions on offshore activities. The decrease in the effective rate has been higher than expected due to lower Australian based fee income in FY 09.

Over the longer term it is expected that the growth in offshore activities will continue to result in an effective tax rate of approximately 28%.



## AMP Capital Investors financial summary cont'd

### AUM and cashflows

AUM increased A\$5.1b (6%) to A\$96.9b in FY 09, reflecting improved investment markets. All asset classes except property, direct investments and alternative assets recorded positive investment returns for the year. Property and direct investments were impacted by weaker economic conditions.

External AUM decreased by A\$0.5b (1%) to A\$34.8b, and internal AUM increased by A\$5.6b (10%) to A\$62.1b. Internal AUM increased more than external AUM due to its higher weighting to equities. External AUM was impacted by its higher weighting to property, which represented 39% of total AUM at the start of the year.

FY 09 total client cashflows recorded a net outflow of A\$1.4b. External cashflows experienced a net outflow of A\$1.1b and internal cashflows experienced a net outflow of A\$0.3b.

As a result of AMPCI's investments in Asia, the business attracted A\$0.8b in net external cashflows. Included in external cashflows is the loss of a significant (A\$1.3b) mandate in the multi-manager business. The loss of this mandate is not expected to have a material impact on future profits. FY 09 also includes the transfer of the Cobalt/Gordian fixed interest mandate (A\$495m) to the new owner.

Internal net cashflows include AMP Group payments, such as dividend payments to shareholders, and inflows/outflows from AFS products. Internal fixed interest net cashflows also experienced outflows due to a change in asset allocation as investors reweighted to growth assets.

In 2009, AMPCI experienced a higher level of redemption requests than usual in its Australian property business. AMPCI has been able to successfully manage redemptions via retained cashflow, a deferral of the development pipeline, stakeholder engagement and a managed program of asset sales.

Refer to the tables on page 32 for more detail on external and internal cashflows.

### Net seed pool income

The seed pool is designed to assist business growth by funding the acquisition of assets to "seed" new funds or opportunities. Group Office lends AMPCI the funds at commercial interest rates. AMPCI aims to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

At 31 December 2009, the seed pool held gross assets of A\$261m.

Seed pool assets comprise:

- Five Singapore industrial properties. At 31 December 2009, AMPCI had contracted to sell four of these properties, with the property valuations reflecting the agreed sale price. The remaining property is a quality asset located in the city's key industrial area.
- An investment in a New Zealand retirement village business. The business owns and operates retirement villages throughout New Zealand. During 1H 09 AMPCI sold 50% of its interest in this asset to a third party. AMPCI has since entered into an agreement to sell the remaining interest in this investment, with the valuation reflecting the agreed sale price. No material profit/loss on sale is expected.

- Joint venture (JV) in an Australian retirement business. The JV owns and operates retirement villages in three Australian states, combining development and management of these properties.
- A 16.1% stake in Singapore exchange listed AIMS AMP Capital Industrial REIT.

During FY 09, AMPCI disposed of the following seed pool assets:

- An investment in an Indian toll road development company. There was no material profit/loss on sale.
- An investment in a UK train leasing company. There was no material profit/loss on sale.
- An investment in a New Zealand retirement village business. The business owns and operates retirement villages throughout New Zealand. There was no material profit/loss on sale.
- AMPCI has contracted to sell four of AMPCI's Singapore industrial assets to the Singapore Exchange-listed AIMS AMP Capital Industrial REIT effective January 2010. After acquiring 16.1% of the REIT in December, AMPCI is now a cornerstone investor. In 2H 09, a small profit was recognised on the MI REIT transaction.

The net seed pool result comprises funding costs, trading results and normal valuation movements. In normal market conditions the seed pool is expected to break even. In FY 09, the net seed pool incurred a loss of A\$2m due to funding costs exceeding asset earnings.

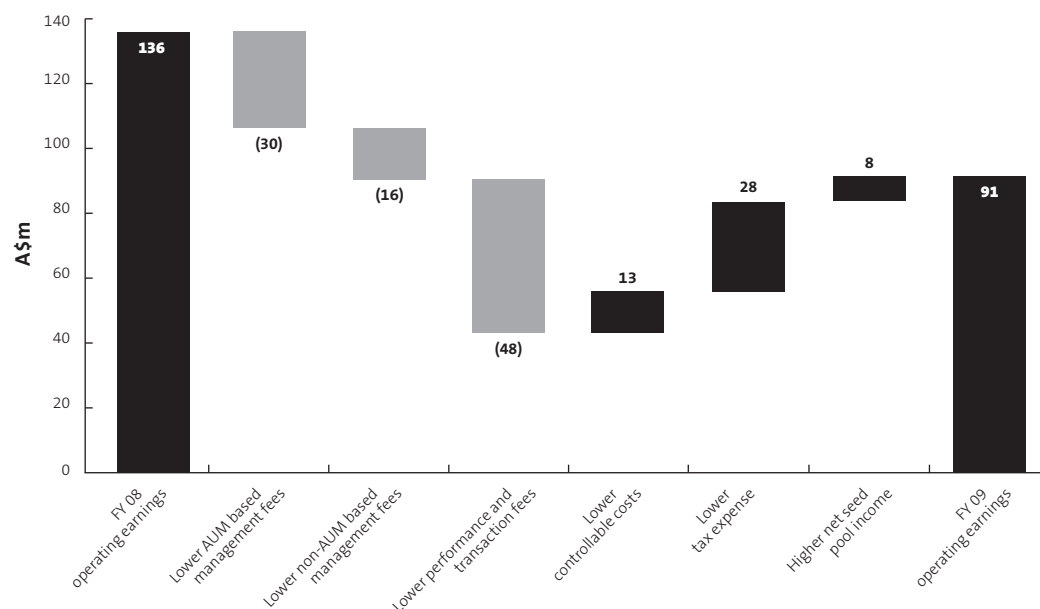
The seed pool valuation adjustments have been disclosed separately due to the nature and size of the valuation movement, particularly in 1H 09. The valuation adjustments of -A\$30m (after tax) were primarily due to:

- A writedown of the Singapore industrial property portfolio. Property valuations were impacted by higher capitalisation rates partly due to the weaker Singapore economy.
- A writedown on AMPCI's joint venture in an Australian retirement village business. The writedown reflected a deterioration in the market value of both the property and business.

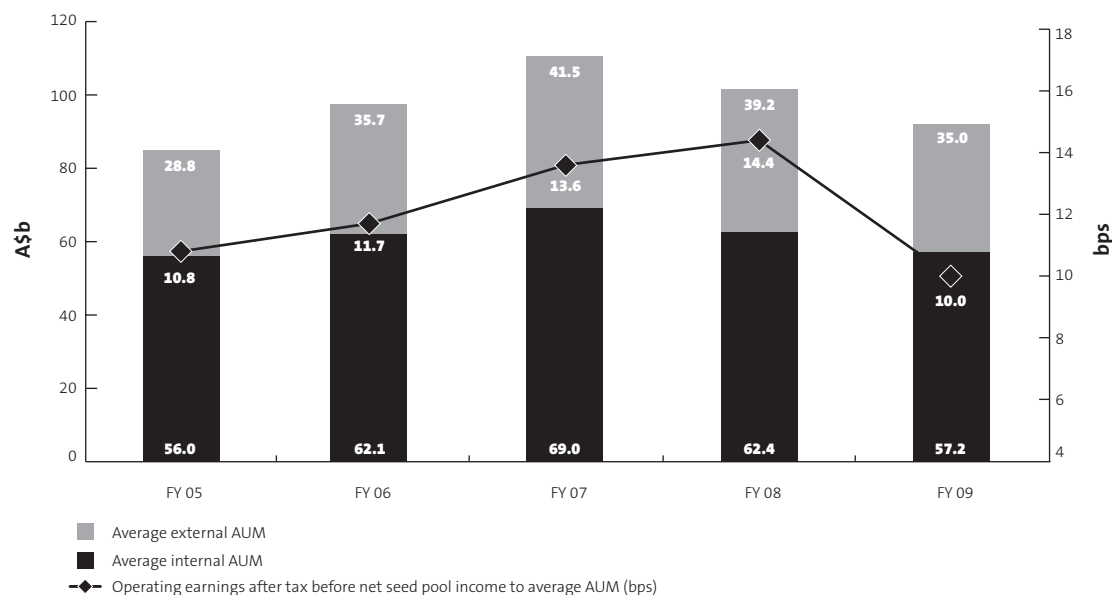


## AMP Capital Investors financial summary cont'd

### Movement in operating earnings FY 08 to FY 09



### Average AUM and operating earnings



## Cashflows and assets under management (AUM)

Cashflows by asset class (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	FY 09	FY 08 <sup>1</sup>	% FY	FY 09	FY 08 <sup>1</sup>	% FY	FY 09	FY 08 <sup>1</sup>	% FY
<b>External</b>									
Australian equities	766	945	(18.9)	1,237	1,762	29.8	(471)	(817)	42.4
International equities	1,626	1,576	3.2	2,126	1,674	(27.0)	(500)	(98)	(410.2)
Fixed interest	2,330	2,544	(8.4)	2,100	3,240	35.2	230	(696)	n/a
Infrastructure	273	1,033	(73.6)	137	141	2.8	136	892	(84.8)
Direct investments	-	12	n/a	12	7	(71.4)	(12)	5	n/a
Property	61	480	(87.3)	519	568	8.6	(458)	(88)	(420.5)
Alternative assets <sup>2</sup>	4	29	(86.2)	6	31	80.6	(2)	(2)	-
<b>Total external</b>	<b>5,060</b>	<b>6,619</b>	<b>(23.6)</b>	<b>6,137</b>	<b>7,423</b>	<b>17.3</b>	<b>(1,077)</b>	<b>(804)</b>	<b>(34.0)</b>
<b>Internal</b>									
Australian equities	2,315	2,544	(9.0)	2,114	1,246	(69.7)	201	1,298	(84.5)
International equities	3,178	3,563	(10.8)	1,699	2,123	20.0	1,479	1,440	2.7
Fixed interest	4,221	4,280	(1.4)	6,031	7,477	19.3	(1,810)	(3,197)	43.4
Infrastructure	155	275	(43.6)	340	178	(91.0)	(185)	97	n/a
Direct investments	106	52	103.8	54	59	8.5	52	(7)	n/a
Property	182	141	29.1	482	455	(5.9)	(300)	(314)	4.5
Alternative assets <sup>2</sup>	271	410	(33.9)	14	201	93.0	257	209	23.0
<b>Total internal</b>	<b>10,428</b>	<b>11,265</b>	<b>(7.4)</b>	<b>10,734</b>	<b>11,739</b>	<b>8.6</b>	<b>(306)</b>	<b>(474)</b>	<b>35.4</b>
<b>Total</b>	<b>15,488</b>	<b>17,884</b>	<b>(13.4)</b>	<b>16,871</b>	<b>19,162</b>	<b>12.0</b>	<b>(1,383)</b>	<b>(1,278)</b>	<b>(8.2)</b>

AUM by asset class (A\$m)	FY 08 <sup>1</sup>	Net cashflows	Investment returns and other <sup>4</sup>	FY 09	% FY
<b>External</b>					
Australian equities	3,503	(471)	1,387	4,419	26.1
International equities	6,250	(500)	592	6,342	1.5
Fixed interest	8,766	230	(80)	8,916	1.7
Infrastructure	2,955	136	(26)	3,065	3.7
Direct investments	196	(12)	(12)	172	(12.2)
Property	13,610	(458)	(1,253)	11,899	(12.6)
Alternative assets <sup>2</sup>	25	(2)	2	25	-
<b>Total external</b>	<b>35,305</b>	<b>(1,077)</b>	<b>610</b>	<b>34,838</b>	<b>(1.3)</b>
<b>Internal</b>					
Australian equities	15,042	201	4,206	19,449	29.3
International equities	10,775	1,479	1,235	13,489	25.2
Fixed interest	22,826	(1,810)	1,325	22,341	(2.1)
Infrastructure	1,468	(185)	39	1,322	(9.9)
Direct investments	956	52	(554)	454	(52.5)
Property	4,471	(300)	(385)	3,786	(15.3)
Alternative assets <sup>2</sup>	998	257	(4)	1,251	25.4
<b>Total internal</b>	<b>56,536</b>	<b>(306)</b>	<b>5,862</b>	<b>62,092</b>	<b>9.8</b>
<b>Total</b>					
Australian equities	18,545	(270)	5,593	23,868	28.7
International equities	17,025	979	1,827	19,831	16.5
Fixed interest	31,592	(1,580)	1,245	31,257	(1.1)
Infrastructure	4,423	(49)	13	4,387	(0.8)
Direct investments	1,152	40	(566)	626	(45.7)
Property <sup>3</sup>	18,081	(758)	(1,638)	15,685	(13.3)
Alternative assets <sup>2</sup>	1,023	255	(2)	1,276	24.7
<b>Total</b>	<b>91,841</b>	<b>(1,383)</b>	<b>6,472</b>	<b>96,930</b>	<b>5.5</b>
<b>AUM by source of client (A\$m)</b>					
Australia	76,276	(3,005)	6,679	79,950	4.8
New Zealand	10,327	864	(564)	10,627	2.9
Asia (including Middle East)	4,633	759	178	5,570	20.2
Rest of world	605	(1)	179	783	29.4
<b>Total</b>	<b>91,841</b>	<b>(1,383)</b>	<b>6,472</b>	<b>96,930</b>	<b>5.5</b>

1 FY 08 cashflows and AUM have been restated due to the inclusion of alternative assets as a new asset class.

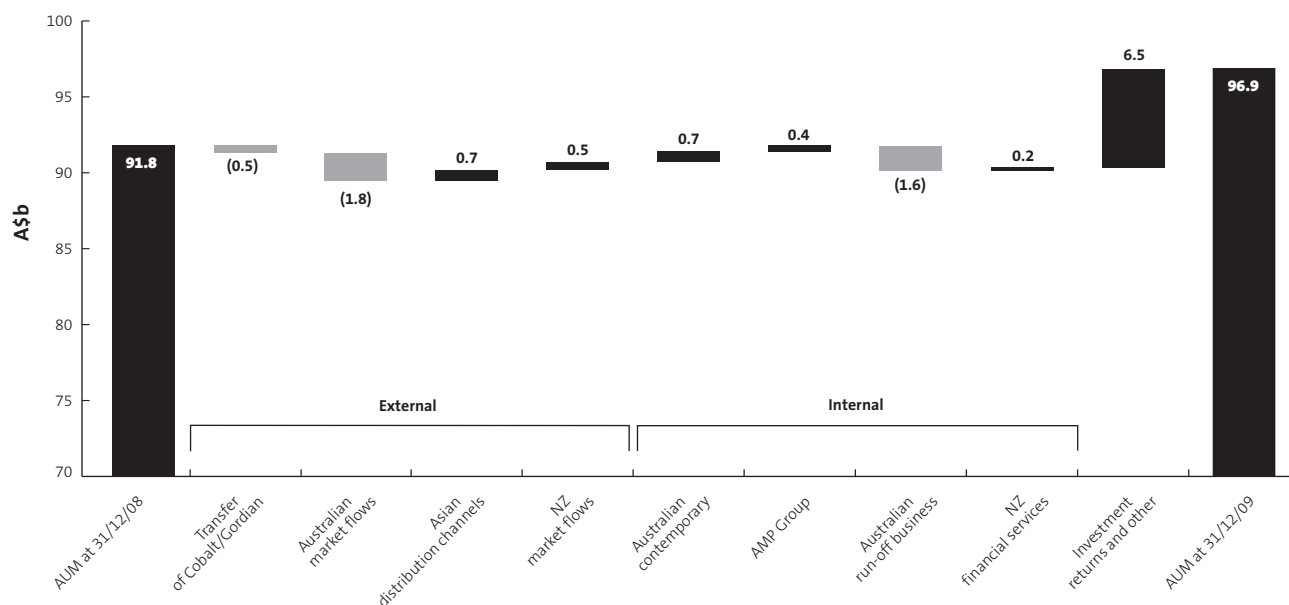
2 Alternative assets refer to a range of investments that fall outside of the traditional asset classes and includes investments in commodities and absolute return funds.

3 Property AUM comprises Australian (A\$13.2b) and NZ (A\$2.5b) managed assets. Australian property AUM is invested in office (37%), retail (54%), industrial (7%) and other (2%).

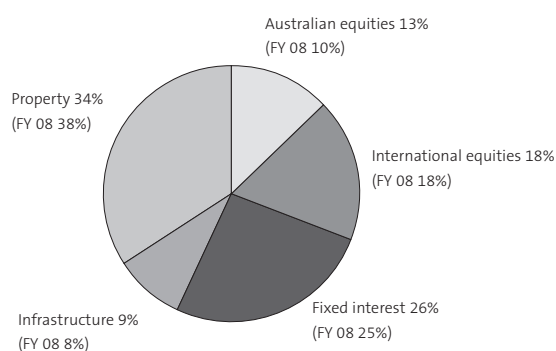
4 Other includes distributions, taxes and foreign exchange movements.

## Cashflows and assets under management (AUM) cont'd

Movement in AUM by channel FY 08 to FY 09

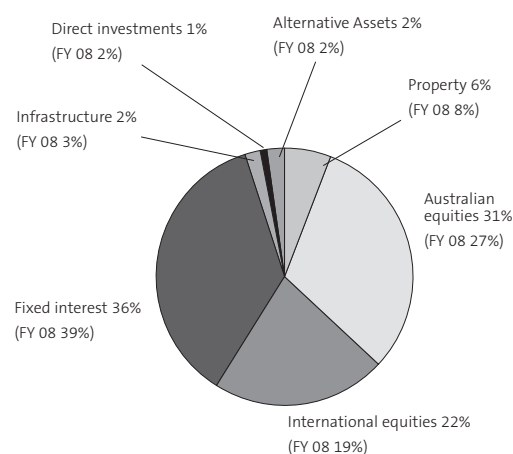


External AUM by asset class  
(A\$35b AUM)



Direct investments 0% (FY 08 1%)

Internal AUM by asset class  
(A\$62b AUM)



## Investment performance

72% of AUM met or exceeded benchmark over the five years to 31 December 2009. Investment performance has steadily improved during the year, resulting in 67% of AUM meeting or exceeding benchmark for the 12 months to 31 December 2009. The target for the business is 75% of AUM meeting or exceeding benchmark.

The competitive rankings of AMPCI's main funds remain strong over the five year period to December 2009, with first quartile rankings for the Corporate Bond Fund and Global Listed Property Trust and second quartile rankings for AMPCI Balanced Growth Fund, Australian Equities, Fixed Interest and Direct Property funds.

The 12 months to December 2009 have continued to be challenging for the property and infrastructure sectors due to illiquidity, difficult credit conditions and tough economic conditions experienced during the Global Financial Crisis. Towards the end of 2009 there were tentative signs of improvements in these sectors.

Many of the property and infrastructure benchmarks are set against a bond yield plus margin benchmark, which were challenging to exceed given market conditions over the past 24 months.

17% of Australian property AUM met or exceeded their benchmarks for the 12 months to December 2009, reflecting the tough market environment and valuations. Around 70% of AMPCI property fund benchmarks related to the government bond yield plus a margin (eg 3%). Over five years 72% of property AUM exceeded benchmark.

99% of Australian bonds met or exceeded benchmark for the 12 months to 31 December 2009. Investment performance benefited from credit markets stabilising. The Corporate Bond Fund ranked in the first quartile according to the Mercer Sector Survey for three and five years.

82% of Australian equities met or exceeded benchmarks for the 12 months to 31 December 2009. The Value, Capital, Quant, Enhanced Index and Small Companies all added value over one, three and five year periods against their passive benchmark.

Over five years, the Capital, Quant and Small Companies investment styles have beaten their benchmarks by 2.3%, 1.9% and 5.0% respectively along with a Q2 competitor ranking according to the Mercer Sector Survey.

Performance across international multi-manager funds has improved in the 12 months to December 2009 as liquidity and credit conditions improved.

International bond portfolios benefited from improved credit spreads and liquidity resulting in all funds outperforming for the 12 months to December 2009.

International equities performance improved with 75% of funds outperforming. The Large Cap Fund outperformed while the Global Small Cap, Extended and Emerging Markets funds underperformed for the 12 months to December 2009.

AMPCI's investment capability was endorsed in FY 09 with the following awards and ratings:

- AMPCI New Zealand was awarded the top honour as the Morningstar Fund Manager of the Year, the Fixed Interest Fund Manager of the Year and Multi Sector Fund Manager of the Year
- AMPCI New Zealand won the INFINZ 2009 Chapman Tripp Fund Manager of the Year – Equities award
- The Asian Equity Growth Fund achieved a three star rating by S&P in its first research review and a recommend rating from Lonsec
- AMPCI was awarded 2009 "Best Global Listed Property Fund" by AFR Smart Investor and was upgraded to highly recommended by Lonsec and given a five star rating by S&P
- The Corporate Bond Fund achieved a four star rating by S&P in its first research review and a recommend rating from Lonsec.

### Investment performance

Percentage of funds meeting or exceeding benchmark (%)	December 2009		
	1 year	3 year	5 year
<b>AMPCI managed</b>			
Australasian equities	88%	73%	96%
Australasian fixed interest	99%	78%	78%
Infrastructure and direct investments	17%	37%	45%
Australasian property	15%	10%	65%
<b>Total AMPCI managed</b>	<b>59%</b>	<b>48%</b>	<b>74%</b>
<b>Multi-manager and Multi Asset Group</b>			
Australasian equities	68%	93%	91%
Australasian fixed interest	100%	100%	100%
International equities	75%	55%	85%
International fixed interest	100%	9%	0%
Diversified	65%	43%	67%
<b>Total multi-manager</b>	<b>72%</b>	<b>47%</b>	<b>71%</b>
<b>Total AMPCI</b>	<b>67%</b>	<b>48%</b>	<b>72%</b>

## Investment performance cont'd

A summary of investment performance for the one, three and five years to December 2009 across the various funds/styles is shown in the table below. In instances where there is more than one fund for an investment style, investment performance of the flagship fund has been quoted.

### Investment performance across funds/styles

	1 Year			3 Year			5 Year		
	Absolute return <sup>1</sup> (%)	Excess return (%)	Competitor quartile ranking <sup>2</sup>	Absolute return <sup>1</sup> (%)	Excess return (%)	Competitor quartile ranking <sup>2</sup>	Absolute return <sup>1</sup> (%)	Excess return (%)	Competitor quartile ranking <sup>2</sup>
<b>Equities</b>									
<b>Fund/style name</b>									
Sustainable Future (SRI)	40.0	3.0	Q2	(0.9)	(0.2)	Q4	8.7	0.3	Q4
Capital	37.3	0.2	Q3	2.4	3.1	Q2	10.6	2.3	Q2
Active quant	39.1	2.1	Q3	1.7	2.4	Q3	10.3	1.9	Q2
Value	42.7	5.6	Q2	3.4	4.1	Q2	9.4	1.0	Q3
Enhanced index	37.6	0.6	Q2	(0.2)	0.5	Q3	8.5	0.2	Q4
Small companies	60.1	2.7	Q1	(2.0)	2.7	Q4	11.8	5.0	Q2
New Zealand equities	20.1	(0.4)	n/a	(3.2)	2.6	n/a	5.2	2.7	n/a
<b>Fixed interest</b>									
<b>Fund/style name</b>									
Core plus strategies	4.1	2.3	Q3	5.7	(0.9)	Q2	5.4	(0.3)	Q2
Structured high yield	4.3	0.9	Q4	9.1	3.1	Q1	9.6	3.7	Q1
Enhanced yield	8.7	5.4	Q3	6.4	1.0	Q1	7.3	1.8	Q1
Corporate bond	5.6	3.9	Q4	5.9	(0.6)	Q1	5.7	(0.0)	Q1
New Zealand fixed interest	4.4	2.7	n/a	9.5	2.6	n/a	7.9	1.5	n/a
<b>International funds (multi-manager)</b>									
<b>Fund/style name</b>									
International equities	6.6	6.9	Q2	(9.7)	0.3	Q3	0.4	1.4	Q2
International fixed interest	24.8	16.8	Q1	4.2	(3.8)	Q2	5.1	(1.9)	Q2
<b>Property (direct and listed)<sup>3</sup></b>									
<b>Fund/style name</b>									
Australian Core Property Portfolio	(7.4)	(15.4)	Q1	3.8	(4.8)	Q2	8.6	0.1	Q2
AMP Wholesale Office Fund	(12.3)	(20.9)	Q2	1.5	(7.7)	Q2	6.8	(2.2)	Q3
AMP Shopping Centre Fund	(4.4)	(12.9)	Q1	3.4	(5.8)	Q2	10.3	1.3	Q2
Property Income Fund	(8.5)	0.6	Q2	4.3	1.1	Q1	7.9	(0.3)	Q2
New Zealand Direct Property	(19.4)	n/a	n/a	(1.1)	n/a	n/a	7.2	n/a	n/a
Australian Listed Property Trusts	10.7	2.8	Q3	(23.0)	0.1	Q2	(6.7)	0.5	Q2
Global Listed Property Trusts	34.3	6.9	Q1	(13.5)	3.2	Q1	2.1	3.4	Q1
<b>Infrastructure</b>									
<b>Fund/style name</b>									
Infrastructure Equity Fund	1.9	(6.4)	Q2	0.6	(9.1)	Q4	5.4	(4.4)	Q4
Strategic Infrastructure Trust of Europe (GBP)	0.4	(7.8)	n/a	7.8	(1.9)	n/a	n/a	n/a	n/a
Australia Pacific Airports Fund	9.7	(2.3)	n/a	19.1	7.1	n/a	19.1	7.1	n/a
<b>Private equity</b>									
<b>Fund/style name</b>									
Business Development Fund 2	6.4	(37.3)	n/a	8.8	4.5	n/a	32.2	18.4	n/a
Private Equity Fund 3	(18.4)	n/a	n/a	(10.6)	n/a	n/a	n/a	n/a	n/a

1 Absolute returns are annualised for periods greater than one year.  
Absolute return for private equity represents internal rate of return.

2 Competitor quartile ranking determined using relevant Mercer Sector Surveys.

3 For Australian and global listed property trusts competitor quartile ranking, a composite return was used.

## Capital management

31 December 2009

A\$m	Total AMP	AMP Life Statutory Funds	AMP Life other <sup>4</sup>	AMP Bank <sup>5</sup>	Total AFS	AMPCI	Group Office
Total capital resources	<b>3,895</b>	1,844	544	282	2,670	303	922
Intangibles <sup>1</sup>	<b>(720)</b>	-	(453)	(24)	(477)	(125)	(118)
Tangible capital resources	<b>3,175</b>	1,844	91	258	2,193	178	804
Non-allowable hybrid instruments <sup>2</sup>	-						-
Senior debt <sup>3</sup>	<b>(910)</b>						(910)
Regulatory capital resources	<b>2,265</b>	1,844	91	258	2,193	178	(106)
<b>Shareholder minimum regulatory capital requirements (MRR)</b>	<b>1,023</b>	719	23	216	958	65	-
<b>Regulatory capital resources above MRR</b>	<b>1,242</b>	1,125	68	42	1,235	113	(106)

31 December 2008

A\$m	Total AMP	AMP Life Statutory Funds	AMP Life other <sup>4</sup>	AMP Bank <sup>5</sup>	Total AFS	AMPCI	Group Office
Total capital resources	<b>3,745</b>	1,527	514	255	2,296	265	1,184
Intangibles <sup>1</sup>	<b>(650)</b>	-	(454)	(31)	(485)	(95)	(70)
Tangible capital resources	<b>3,095</b>	1,527	60	224	1,811	170	1,114
Non-allowable hybrid instruments	<b>(214)</b>						(214)
Senior debt <sup>3</sup>	<b>(1,154)</b>						(1,154)
Regulatory capital resources	<b>1,727</b>	1,527	60	224	1,811	170	(254)
<b>Shareholder minimum regulatory capital requirements (MRR)<sup>4</sup></b>	<b>829</b>	579	10	182	771	58	-
<b>Regulatory capital resources above MRR</b>	<b>898</b>	948	50	42	1,040	112	(254)

1 Refer to page 44 for definition. Intangibles include capitalised costs.

2 Non-allowable hybrid instruments reduced by A\$214m due to repayment of callable subordinated debt.

3 Refer to debt overview page 39.

4 Includes AFS accountable component of the AMP Life shareholders fund and AFS subsidiaries (eg AMPFP, Hillross).

5 The AMP Bank capital resources eliminates the impact of AIFRS cashflow hedge fair value movements.

### Capital management

AMP holds a level of capital above its minimum regulatory requirements (MRR). At 31 December 2009 the regulatory capital resources above MRR were A\$1,242m (A\$898m at 31 December 2008). Regulatory capital resources were 2.2 times MRR (2.1 times at 31 December 2008). The MRR coverage ratio will vary throughout the year due to a range of factors including investment market movements, dividend payments and statutory profits.

During FY 09, AMP's regulatory capital resources above MRR increased by A\$344m despite AMP Life SF1 increasing its allocation to equities.

AMP Bank MRR increased by A\$34m due to growth in on-balance sheet lending during FY 09.

Despite improvements in markets during 2H 09, AMP continues to take a prudent approach to capital management and has a bias towards holding more capital rather than less.

In FY 09, AMP raised A\$296m through the AMP Notes Offer, a retail Lower Tier 2, subordinated debt issue. This helped fund the refinancing of both the AMP Corporate subordinated debt in August 2009 and AMP Bank Lower Tier 2 capital in April 2009.

AMP's final dividend is 16 cents per share franked to 50%. AMP's dividend payout ratio for FY 09 is 78% of underlying profit, with future dividends likely to be in the range of 75% to 85% of underlying profit.

AMP will continue to offer a discount of 2.5% to DRP participants. The DRP will not be underwritten and new shares will be issued.

### MRR

The shareholder minimum regulatory capital requirement (MRR) is the amount of shareholder capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are:

- AMP Life – solvency, capital adequacy and management capital requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Bank – capital requirements as specified under the APRA Banking Prudential Standards
- AMPCI – capital and liquidity requirements under its Australian Financial Services Licence (AFSL).

## Capital management cont'd

### Target surplus

AMP's regulated businesses each target a level of capital equal to MRR plus a target surplus.

The AMP Life Statutory Funds' target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:

- 0.5% probability of breaching solvency over one year
- 10% probability of breaching capital adequacy over one year.

AMP Life's capital position remained above its target level at 31 December 2009. The target surplus is a management guide to the level of excess capital that AMP Life seeks to carry. It is not a point estimate which requires automatic management action. AMP Life's capital position relative to its target surplus can vary significantly throughout the year.

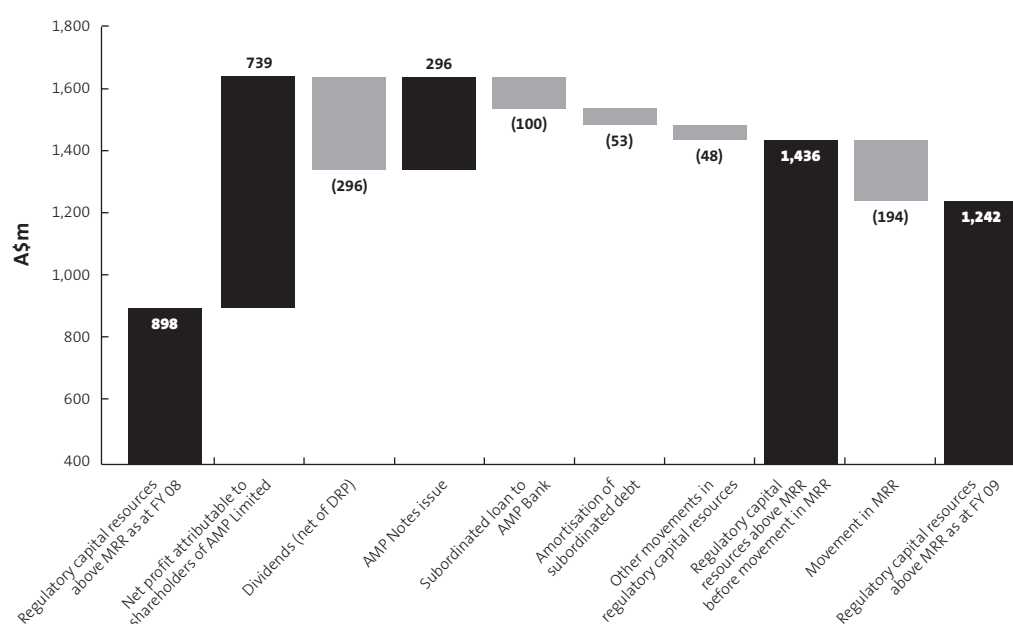
AMP Bank's target surplus reflects an additional 0.75% of risk weighted assets above the APRA minimum requirements.

AMP Capital Investors' target surplus is set to cover the seed pool investment risk and operational risks.

### Capital allocation

AMP regularly reviews business unit capital allocation, taking into account improved control processes and growth or changes in the business unit requirements. The end of period tangible capital resources for each of the AFS divisions has been provided in the respective profit and loss tables provided elsewhere in this Investor Report.

### Movement in FY 09 regulatory capital resources above MRR



Regulatory capital resources (A\$m)	31 December 2009	31 December 2008
AMP shareholder equity	2,706	2,241
Allowable hybrid Tier 1 instruments	-	-
Less: goodwill and other intangibles	(720)	(650)
<b>Tier 1</b>	<b>1,986</b>	<b>1,591</b>
Allowable upper Tier 2 instruments	-	-
Allowable lower Tier 2 instruments	279	136
<b>Tier 2</b>	<b>279</b>	<b>136</b>
<b>Total regulatory capital (Tier 1 + Tier 2)</b>	<b>2,265</b>	<b>1,727</b>

## Capital management cont'd

Total capital resources by equity class (A\$m)	31 December 2009	31 December 2008
Contributed equity	4,814	4,481
Equity contribution reserve	1,019	1,019
Other reserves	3	(32)
Retained earnings <sup>1</sup>	320	154
Demerger loss reserve	(3,585)	(3,585)
<b>Total AMP statutory equity attributable to shareholders</b>	<b>2,571</b>	<b>2,037</b>
Accounting mismatches and cashflow hedge reserve	135	204
<b>Total AMP shareholder equity</b>	<b>2,706</b>	<b>2,241</b>
Corporate debt	1,189	1,504
<b>Total capital resources</b>	<b>3,895</b>	<b>3,745</b>

1 The movement in retained earnings (A\$166m) is comprised of profit after mismatch items (A\$739m) less dividends (A\$601m) and adjusted for AIFRS (A\$28m), eg reversal of dividends related to treasury shares.

Total capital resources by asset class (A\$m)	31 December 2009	31 December 2008
International equities	90	145
Australian equities	144	133
Property	290	298
International fixed interest	329	320
Australian fixed interest	345	215
Cash <sup>1</sup>	1,513	1,478
<b>Total shareholder funds</b>	<b>2,711</b>	<b>2,589</b>
Other <sup>2</sup>	464	506
<b>Tangible capital resources</b>	<b>3,175</b>	<b>3,095</b>
Intangibles	720	650
<b>Total capital resources</b>	<b>3,895</b>	<b>3,745</b>

1 Cash includes cash balances held as bank deposits and short-term fixed interest securities.

2 Other includes A\$127m (FY 08 A\$115m) of cash held backing liabilities, seed pool assets of A\$222m (FY 08 A\$297m) and A\$115m (FY 08 A\$94m) of other assets and liabilities.

### Nominal versus effective exposure

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

### Management of market risks in the shareholder funds

During FY 08, AMP reviewed its approach to the investment of shareholder funds. In view of the equity market risk embedded in the operating businesses (eg through fees on AUM), AMP decided to reduce its equity exposure in shareholder funds. During FY 09, AMP closed out its direct shareholder equity exposure and moved towards a more conservative asset mix for its shareholder funds. The shareholder funds will continue to be exposed to equities through shareholder funds within AMP Life SF1 that are invested in the same asset mix as policyholder funds.

International equity exposures are not hedged for currency. Property exposures relate primarily to a 65% interest in AMP's head office at 33 Alfred Street Sydney.

The shareholder fixed interest portfolio is split approximately 30% sovereign exposures and 70% corporate exposures. Corporate exposures are invested in AAA (28%), AA (28%), A (19%), BBB (14%) and sub-investment grade and unrated (11%).

### Underlying investment income

AMP calculates the underlying investment income that is allocated to the business units and Group Office, for management reporting purposes, by applying an underlying rate of return to BU and Group Office shareholder assets invested in income producing investment assets (as opposed to operating assets). The underlying after tax rate of return used for FY 09 is 4.25% pa (FY 08 5.20% pa) based on the long-term target asset mix. The underlying after tax rate of return applying in FY 10 will remain at 4.25% pa.

Underlying investment income is calculated on shareholder funds invested in income producing assets. Shareholder funds invested in income producing assets may be higher or lower than business unit capital due to the working capital requirements of the business unit.

### Australian contemporary wealth management underlying investment income

In the Australian contemporary wealth management business, AMP Bank income producing assets are excluded from the calculation of underlying investment income. The return on AMP Bank income producing assets is included in operating earnings.



## Debt overview

A\$m	31 December 2009			31 December 2008		
	Corporate	AMP Bank	Total	Corporate	AMP Bank	Total
Subordinated bonds/notes	83	-	83	350	100	450
AMP Notes <sup>1</sup>	296	-	296	-	-	-
Subordinated loan from Group Office to AMP Bank	(100)	100	-	-	-	-
<b>Total subordinated debt (Tier 2)</b>	279	100	379	350	100	450
Domestic commercial paper, NCDs and repos	132	1,443	1,575	76	1,641	1,717
Euro medium-term notes	628	-	628	628	-	628
Domestic medium-term notes	350	1,090	1,440	350	42	392
Bank facilities	-	-	-	100	-	100
Loan from Group Office to AMP Bank	(200)	200	-	-	-	-
<b>Total senior debt</b>	910	2,733	3,643	1,154	1,683	2,837
Deposits <sup>2</sup>	-	4,265	4,265	-	3,640	3,640
<b>Total debt</b>	1,189	7,098	8,287	1,504	5,423	6,927
<b>Corporate gearing ratios</b>						
S&P gearing	13%			14%		
Interest cover – underlying (times)	11.9			10.9		
Interest cover – actual (times)	11.4			8.1		

A\$m	Corporate debt by year of repayment					Total
	0-1 years <sup>2</sup>	1-2 years	2-5 years	5-10 years	10+ years	
Corporate debt at 31 December 2009	362	350	694	-	83	1,489
Loan from Group Office to AMP Bank	(200)	-	(100)	-	-	(300)
<b>Total corporate debt at 31 December 2009</b>	162	350	594	-	83	1,189
<b>Total corporate debt at 31 December 2008</b>	443	230	748	-	83	1,504

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

2 Deposits includes AMP Bank retail deposits (A\$2.4b), AMP Super Cash (A\$1.6b) and other AMP Life policyholder deposits (A\$0.3b).

3 FY 09 corporate debt repayable in 0-1 year is A\$230m of euro medium-term notes maturing in November 2010 and A\$132m of domestic commercial paper.

Total corporate debt reduced by A\$315m in FY 09 to A\$1,189m, primarily as a result of the repayment of A\$267m of subordinated debt, a A\$200m loan and A\$100m subordinated loan to AMP Bank and the repayment of A\$100m in bank facilities, partially offset by the A\$296m AMP Notes raising in April and an increase in commercial paper issuance of A\$56m. Currently, the interest expense on total corporate debt is effectively split approximately 60/40 between fixed and floating rate, excluding the short-term A\$200m loan to AMP Bank. AMP has access to significant liquidity through undrawn bank facilities of A\$700m.

### AMP Bank debt

Historically, the securitisation of residential mortgage backed securities (RMBS) has been a significant source of funding and capital relief for AMP Bank. Securitisation funding is non-recourse to AMP Bank and AMP Group. The securitisation market continued to be difficult for new issuance for most of 2009, albeit showing signs of recovery late in the year.

AMP Bank completed an A\$1b RMBS securitisation in January 2010. It is expected that securitisation markets will continue to recover in FY 10. Going forward it is expected securitisation will once again provide a significant source of funding and capital relief for AMP Bank.

AMP Bank deposits include retail deposits, AMP Super Cash and other AMP Life policyholder deposits. Deposits grew strongly in FY 09 due primarily to increased marketing for retail deposits. AMP Bank also issued A\$870m of government guaranteed debt in FY 09 with average maturity of 3 years.

AMP Bank called A\$100m of subordinated bonds in April 2009. This subordinated debt was refinanced through a subordinated loan from AMP Group. AMP Group continues to provide a guarantee covering AMP Bank's liabilities.

### Debt in entities controlled by AMP Life policyholder funds

This represents debt raised in various funds managed by AMPCI where AMP Life policyholders' funds have a controlling interest. As the lenders in relation to this debt have limited recourse to the assets of the borrowing entity or fund and no recourse to AMP, the debt does not form part of the AMP corporate debt and is not included in S&P's definition of debt from an AMP Group perspective.

### Reconciliation of total borrowings per AMP Limited full year financial statements (A\$m)

Total corporate and AMP Bank debt at 31 December 2009	8,287
Plus limited recourse debt in entities controlled by AMP Life policyholder funds	2,277
Plus deposits with AMP Life	154
Plus limited recourse debt in investment entities controlled by AMP Capital Investors	51
Less policyholder deposits with AMP Bank <sup>1</sup>	(1,875)
Value of cross currency interest rate swaps, fair value adjustments on borrowings and net discounts and transaction costs	(100)
Subtotal	8,795
Plus AMP Bank securitisation brought back on balance sheet as a result of AIFRS	3,554
Total borrowings and subordinated debt as per AMP Limited Financial Report for the full year ended 31 December 2009	12,349

1 Includes AMP Super Cash (A\$1.6b) and other AMP Life policyholder deposits (A\$0.3b).

## Group Office

A\$m	FY 09	2H 09	1H 09	FY 08	% FY	% H/H
Group Office costs not recovered from business units	(37)	(19)	(18)	(36)	(2.8)	(5.6)
Underlying investment income on Group Office capital	45	22	23	49	(8.2)	(4.3)
Interest expense on corporate debt	(71)	(34)	(37)	(82)	13.4	8.1
AMP Limited tax loss recognition	16	8	8	15	6.7	-
Market adjustment – investment income	(13)	13	(26)	(266)	95.1	n/a
Other items	10	(43)	53	73	(86.3)	n/a
Seed pool valuation adjustments	(30)	5	(35)	(42)	28.6	n/a
<b>Timing differences</b>						
Market adjustment – annuity fair value	20	29	(9)	(117)	n/a	n/a
Market adjustment – risk products	(14)	2	(16)	6	n/a	n/a
Loan hedge revaluations	(5)	(1)	(4)	(41)	87.8	75.0
Accounting mismatches	(1)	(33)	32	157	n/a	n/a
<b>Interest expense summary</b>						
Average volume of corporate debt	1,423	1,244	1,602	1,409		
Weighted average cost of corporate debt <sup>1</sup>	7.27%	7.90%	6.78%	8.36%		
Tax rate	30%	30%	30%	30%		
Interest expense on corporate debt	71	34	37	82		
<b>Franking credits</b>						
AMP dividend franking credits at face value at end of period <sup>2</sup>	86			133		

1 Weighted average cost of corporate debt as at 31 December 2009 is 8.11% pa (post tax 5.68%).

2 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the interim dividend (50%), the balance of franking credits will be A\$16m.

Underlying investment income on Group Office capital decreased from A\$49m in FY 08 to A\$45m in FY 09. Underlying investment income was lower due to a lower assumed underlying rate of return (reduced from 5.20% pa to 4.25% pa), partially offset by higher shareholder investment assets.

FY 09 interest expense fell from A\$82m in FY 08 to A\$71m in FY 09. Interest expense benefited from a lower weighted average cost of debt.

The weighted average cost of corporate debt in FY 09 was 7.27%, compared to 8.36% in FY 08.

### AMP Limited tax loss recognition

AMP Limited tax loss recognition relates to the gradual recoupment of carried forward tax losses. Recognition of the tax benefit is linked to overall AMP Group taxable earnings (both ordinary policyholder and shareholder) and the amount recognised is expected to move in line with the growth in taxable earnings.

The amount recognised in FY 09 was A\$16m. AMP expects to recognise a benefit from recouping these tax benefits over a number of years. At 31 December 2009, the amount of carried forward tax losses to be recouped (in line with the growth in taxable earnings) is approximately A\$142m.

### Market adjustment – investment income

Market adjustment – investment income represents the excess (or shortfall) between the underlying investment income and actual return on shareholder assets invested in income producing assets. The investment income market adjustment was -A\$13m in FY 09 and was impacted by the cash rate being lower than AMP's assumed long-term cash rate (5.5% pa) and lower property valuations. The increase in equity markets in 2H 09 reduced the FY 09 loss.

The market adjustment – investment income has previously included a timing difference in respect of the impact of changes in market economic variables (bond yields and CPI) on the valuation of risk insurance liabilities. In FY 09, this item has been reported separately as part of timing differences, refer to page 41 for more details. Comparatives have been restated.

### Other items

FY 09 other items principally comprise the release of prior year tax provisions offset by one-off and non-recurring costs.

The material one-off and non-recurring costs include:

- Restructure and redundancy costs (A\$22m).
- M&A related costs (A\$10m).
- Unit pricing compensation provision (A\$10m) – may be recoverable from insurance or other third parties.

The release of tax provisions mainly relate to benefits of entering the tax consolidations regime in 2003 not recognised at that time.

## Group Office cont'd

### Seed pool valuation adjustment

The seed pool assists with AMPCI business growth by funding the acquisition of assets to "seed" new funds or opportunities. The disclosure of the net seed pool result is discussed in the AMPCI section (see page 30 for details). As a result of the investment market and economic conditions in FY 08 and FY 09, there have been large, abnormal writedowns in the value of seed pool assets during FY 08 and FY 09. As a result, the seed pool valuation adjustment has been disclosed as part of the Group result.

### Timing differences

#### Market adjustment – annuity fair value

The market adjustment on annuities relates to the net impact of investment markets on AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A\$0.7b and Australian lifetime annuity liabilities of A\$1.5b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its Australian annuity book.

The assets that support AMP's Australian annuity book comprise a mixture of government bonds, semi-government bonds and corporate bonds. These assets are principally exposed to Australian credit markets. This mix is required to achieve the matching of assets to expected cash annuity outflows. Ultimately, the matching should remove any interest rate or reinvestment risk, but credit risk remains.

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

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

The assets that support AMP's annuity book comprise a mixture of government bonds (1%), semi government bonds (34%) and corporate bonds (65%). The average duration of the portfolio is 5 years.

As the assets are held to maturity, gains/losses due to changes in credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults.

Losses can also occur from defaults on individual assets. There were no asset defaults in FY 09.

#### Market adjustment – risk products

The market adjustment - risk products relates to the net impact of changes in market economic variables (bond yields and CPI) on the valuation of risk insurance liabilities.

Under Australian accounting standards, life insurance business is accounted for using Margin on Services (MoS). Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. MoS involves projecting future cashflows (premiums, benefits and costs after allowing for inflation), and discounting future cashflows to their present value using the appropriate risk-free discount rate. Changes to market related economic assumptions affect policy liabilities and current year

profit. For information on changes in market economic variables in FY 09, refer to page 26 and for MoS, refer to the Life Insurance Accounting note on AMP's website.

In FY 09, the significant increase in market economic variables in both Australia and New Zealand led to a loss of A\$14m. This impact was previously included in market adjustment - investment income. In FY 09 this item has been reported separately as part of timing differences and comparatives have been restated.

### Loan hedge revaluations

A portion of AMP's corporate debt is denominated in foreign currency, predominantly Euro and Sterling. After taking into account hedging, AMP maintains a policy of holding 100% of its corporate debt as AUD denominated and between 40% and 60% at floating interest rates. AMP uses cross currency swaps and interest rate swaps to maintain these policy guidelines.

Under AIFRS, AMP is required to recognise the movements in fair value of debt, to the extent it is an effective fair value hedge relationship, and associated derivatives. This gives rise to an accounting gain or loss which will reverse over time.

### Accounting mismatches

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

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

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- owner-occupied properties
- life company statutory funds' investments in controlled entities
- AMP Life statutory funds' superannuation products invested with AMP Bank.

## Sensitivities – profit and capital

### FY 09 profit sensitivities (A\$m)

	Operating earnings									
	CWM	CWP	Mature	NZ	Total AFS	AMPCI	Group Office	Total	Investment income	Total
Investment market variables										
10% increase in Australian equities	9	-	4	-	13	2		15	10	25
10% decrease in Australian equities	(9)	-	(4)	-	(13)	(2)		(15)	(10)	(25)
10% increase in international equities	4	-	-	2	6	1		7	8	15
10% decrease in international equities	(4)	-	-	(2)	(6)	(1)		(7)	(8)	(15)
10% increase in property	3	-	1	-	4	3		7	21	28
10% decrease in property	(3)	-	(1)	-	(4)	(3)		(7)	(21)	(28)
1% (100 bps) increase in 10 year Australian bond yields	1	-	7	1	9	(1)		8	(23)	(15)
1% (100 bps) decrease in 10 year Australian bond yields	(1)	-	(7)	(1)	(9)	1		(8)	23	15
Business variables										
AMP Financial Services										
5% increase in AUM	12	-	4	2	18					
5% increase in sales volumes	2	2	-	1	5					
1% increase in persistency	2	4	(1)	-	5					
AMP Capital Investors										
5% increase in average external AUM						3				
5% increase in average internal AUM						3				
AMP Limited										
5% reduction in controllable costs	12	3	2	2	19	4	2	25		

These sensitivities are only indicative, because:

- they are not always linear or symmetrical, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the particular variable moves independently of all others
- they are based on the FY 09 position, ie not “forward looking”, and make no allowances for events subsequent to 31 December 2009
- in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 31 December 2009.

Other assumptions include:

- parent company shareholders' equity is fully invested and there are no adjustments for investments which are outside index weightings
- currency movements in investments in self-sustaining operations do not impact profit
- sales sensitivity assumes the same product mix as that in underlying sales during FY 09
- investment income sensitivity is based on the amount of investments held as at 31 December 2009
- all profit sensitivities shown are a full year impact
- property sensitivities relate to unlisted property; listed property trusts are included in equities
- profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.

### Important considerations when using these sensitivities

#### Profit sensitivities

The sensitivities set out above apply to FY 09 operating earnings (post tax), assuming the changes in a range of hypothetical economic or business variables.

#### Operating earnings – investment linked business

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

For changes in economic variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable half way through the year. For large movements that do not occur half way through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/decrease in equity markets at the start of the year would have double the impact on FY 09 operating earnings than set out in the table above.

The sensitivities are based on the FY 09 position and are not forward looking. If using the sensitivities as forward looking (eg applying FY 09 profit sensitivities for FY 10), an allowance for changes in AUM levels should be made.

See page 10 (CWM) and page 28 (AMPCI) for average AUM levels that applied in FY 09.

The AMPCI operating earning sensitivities assume no change to performance and transaction fees.

## Sensitivities – profit and capital cont'd

### Operating earnings – risk insurance and annuity business

For risk insurance and annuity business, movements in economic variables (bond yields, CPI) impact to the extent that the valuation of assets and liabilities are mismatched. These impacts are included in timing differences and have no effect on BU operating earnings.

### Operating earnings – participating business

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

### Investment income

The analysis is point in time and indicates the impact a change in variable would have on AMP's FY 09 total investment income (ie underlying investment income plus investment income market adjustment).

The investment income sensitivities do not include any allowance for investment gains/losses on assets that back AMP's annuity book (refer to page 41 for details) or the impact of changes in economic variables (bond yields, CPI) on the valuation of risk insurance liabilities.

31 December 2009 capital sensitivities – regulatory capital resources above MRR (A\$m) <sup>1</sup>		AMP Life Statutory Funds	AMP Group <sup>2</sup>
Actual 31 December 2009 (ASX 200 @ 4,871; Australian bond yields @ 5.7%)		1,125	1,242
Equity sensitivity	– ASX 200 @ 5,500	220	230
	– ASX 200 @ 5,000	50	50
	– ASX 200 @ 4,500	(140)	(150)
	– ASX 200 @ 4,000	(310)	(330)
Australian bond yields sensitivity	– Australian bond yields @ 6.5%	20	40
	– Australian bond yields @ 6.0%	-	10
	– Australian bond yields @ 5.5%	(20)	(30)
	– Australian bond yields @ 5.0%	(110)	(130)
Property sensitivity	– 10% increase in unlisted property values	140	150
	– 10% decrease in unlisted property values	(160)	(170)

1 These sensitivities are a point in time view and do not make any allowance for management actions.

2 AMP Group sensitivities are AMP Life statutory funds sensitivities plus the movement in Group shareholder capital held outside of the life statutory funds. This includes the effect on capital from AMP's defined benefit fund and investment gains/losses on shareholder funds.

### AMP capital sensitivities – regulatory capital resources above MRR

The analysis is a point in time view of the capital impact of movements in equity markets, bond yields and property values on the 31 December 2009 capital position. The regulatory capital resources above MRR based on 31 December 2009 equity markets, bond yields and property values correspond to the disclosure in the capital management section (refer page 36).

Regulatory capital requirements are met by a combination of both policyholder and shareholder assets.

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

The capital sensitivities for AMP Life relate to the business within the AMP Life Statutory Funds. This includes guaranteed products (the majority of which are contained within the AFS mature business), risk insurance products and unit linked products.

The property sensitivities relate to unlisted property. The impacts from movements in the value of listed property trusts is included in the equity sensitivities.

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

As flagged at the half year, AMP increased its allocation to equities within AMP Life SF1 during 2H 09 as markets stabilised. This resulted in an increase in the sensitivity to equity markets.

AMP's capital management framework includes market related trigger points at which management will take action to reduce the impact of market movements on AMP's capital position. The sensitivities contained in the table above do not make any allowance for these management actions which can have a significant impact on MRR.



## Accounting treatment and definitions

**Accounting mismatches** – Refer to page 41.

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

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

**Corporate debt** – Borrowings used to fund shareholder activities of the AMP Group including the impact of any cross-currency swaps entered into to convert the debt into A\$, but excluding limited recourse debt in investment entities controlled by AMPCI and debt used to fund AMP Bank activities. Refer to page 39 for more detail.

**Cost to income ratio** – Calculated as controllable costs divided by gross margin. Gross margin is calculated as total operating earnings and underlying investment income before income tax plus controllable costs. An income tax rate of 30% has been used to gross up the AFS numbers.

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

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

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

**Employee defined benefit scheme** – A scheme that provides a retirement benefit, usually based on salary and/or a pre-determined formula for calculating that benefit. Unlike an accumulation scheme, the retirement benefit and method of calculation is known to the member at all times.

**EPS (actual)** – Calculated as net profit attributable to shareholders of AMP Limited divided by the basic weighted average number of ordinary shares. The weighted average number of ordinary shares has been adjusted to remove treasury shares.

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

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

**Full-time equivalent (FTE)** – A measure of the total level of staff resources used. The FTE of a full-time staff member is equal to 1.0. The calculation of FTE for part-time staff is based on the proportion of time worked compared to that worked by full-time staff.

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

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

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

**Intangibles** – Represents acquired goodwill, acquired asset management mandates and capitalised costs.

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

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

**Internal AUM (AMPCI)** – Assets managed by AMPCI sourced from AFS (excluding external platforms) and Group Office.

**Investment performance** – The percentage of AUM meeting or exceeding their benchmarks.

**Loan hedge revaluations** – Refer to page 41.

**Market adjustment – annuity fair value** – Refer to page 41.

**Market adjustment – investment income** – The excess (or shortfall) between the underlying investment income and actual return on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets).

**Market adjustment – risk products** – Refer to page 41.

**Net seed pool income (AMPCI)** – Income on seed pool assets, including normal valuation movements and net profit/loss on sales, offset by funding costs.

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

**Persistency** – Calculated as opening AUM less outflows during the period divided by opening AUM. AFS AUM numbers are adjusted to exclude shareholder amounts so as to reflect product AUM levels. AFS and CWM outflows are adjusted to exclude major internal flows so as to reflect external outflows only.

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

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

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

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

**Shareholder minimum regulatory requirements** – Refer to page 36.

## Accounting treatment and definitions cont'd

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

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

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

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

- (a) Upper Tier 2 capital – Comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument, and
- (b) Lower Tier 2 capital – Comprising components of capital that are not permanent, ie dated or limited life instruments.

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

**Underlying investment income** – The investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) attributed to the BUs (including Group Office) has been normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. The excess (or shortfall) between the underlying return and the actual return is disclosed separately. Underlying returns are set based on long-term expected returns for each asset class. The return on AMP Bank income producing investment assets is included in contemporary wealth management operating earnings.

**Underlying profit** – AMP's key measure of business profitability, as it smooths investment market volatility and aims to reflect the trends in the underlying business performance of the AMP Group. The components of underlying profit are listed on page 3.

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

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

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



## Definitions of business units (BUs) and exchange rates

### AMP

AMP Financial Services, AMP Capital Investors and Group Office.

#### AMP Financial Services

AMP Financial Services provides a range of products and services to customers in Australia and New Zealand. These products and services are primarily distributed through self employed financial planners and advisers aligned with AMP Financial Services.

AMP Financial Services is reported as four separate divisions:

- Contemporary wealth management (CWM) – Unit linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans. Financial planning and advice services are disclosed within CWM.  
  
CWM includes AMP Bank which is a direct Australian bank offering residential mortgages, deposits, transactional banking and white-labelled credit cards.
- Contemporary wealth protection (CWP) – Includes personal and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independent of a superannuation contract.
- Mature – A closed business comprising over 40 closed products which are in run-off and two open products (RSA and ERF). Closed products include whole of life, endowment, investment linked, investment account and annuities.
- New Zealand – A risk insurance business and mature book with a growing unit linked superannuation and investment business.

### AMP Capital Investors

AMP Capital Investors is AMP's wholly-owned diversified investment manager. It manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital Investors also provides commercial, industrial and retail property management services. It provides its investment management services through in-house investment professionals and a carefully selected global network of investment partners.

In addition to its well established reputation in Australia and New Zealand, AMP Capital Investors has a strong and growing international presence with offices in Beijing, London, Mumbai, Singapore and Tokyo, allowing it to source competitive offshore opportunities.

#### Group Office

Group Office comprises:

- Group Office operations
- Corporate debt.

Exchange rates			AUD/NZD
2009	FY 09	– closing	1.2360
		– average	1.2467
	2H 09	– closing	1.2360
		– average	1.2465
	1H 09	– closing	1.2480
		– average	1.2471
2008	FY 08	– closing	1.1930
		– average	1.1922

## Five year summary

	FY 09	FY 08	FY 07	FY 06	FY 05
<b>Earnings</b>					
Total operating earnings (A\$m)	701	737	770	685	573
Underlying investment income as a percentage of underlying profit	16%	17%	16%	21%	24%
Underlying profit (A\$m)	772	810	882	806	727
Net profit attributable to shareholders of AMP Limited (A\$m)	739	580	985	915	790
EPS – underlying (cps)	38.3	42.9	51.2	46.6	43.0
EPS – actual (cps) <sup>1</sup>	37.1	31.1	56.3	52.1	47.0
RoE – underlying	31.6%	38.9%	37.9%	30.3%	25.0%
RoE – actual <sup>1</sup>	30.3%	27.9%	38.7%	33.0%	26.2%
<b>Dividend</b>					
Dividend per share (cps)	30	38	44	40	32
Dividend per share – sale of Cobalt/Gordian business (cps)		2	2		
Dividend payout ratio – underlying	78%	89%	86%	86%	75%
Capital returns per share (cps)	-	-	40	40	40
Ordinary shares on issue (m) <sup>2</sup>	2,049	1,993	1,875	1,875	1,870
Weighted average number of shares on issue (m) <sup>2</sup> – basic	2,016	1,890	1,875	1,873	1,864
– fully diluted	2,025	1,899	1,883	1,884	1,871
Share price for the period (A\$) – low <sup>3</sup>	3.59	5.05	9.19	7.08	5.59
– high <sup>3</sup>	6.95	9.98	10.94	9.73	7.26
<b>EV and VNB</b>					
VNB – AFS (3% dm) (A\$m)	319	360	376	348	310
VNB – risk insurance (3% dm) (A\$m)	102	114	81	81	76
Return on EV – AFS (3% dm)	11.3%	3.4%	17.2%	26.5%	29.5%
<b>Financial position</b>					
AMP shareholder equity (A\$m)	2,706	2,241	2,236	2,728	3,129
Corporate debt (excluding AMP Bank debt) (A\$m)	1,189	1,504	1,169	961	1,291
S&P gearing	13%	14%	10%	12%	24%
Interest cover – underlying (times)	11.9	10.9	17.3	14.9	13.0
Interest cover – actual (times) <sup>1</sup>	11.4	8.1	17.6	16.1	13.5
<b>Cashflows and AUM</b>					
AMPCI net cashflows – external (A\$m)	(1,077)	(804)	1,705	2,690	2,213
AFS net cashflows (A\$m)	1,661	1,426	2,932	3,518	2,303
Persistency – AFS <sup>4</sup>	90.1%	90.3%	88.6%	90.0%	84.2%
AUM – AMPCI managed (A\$b)	97	92	111	106	91
AUM – externally managed (A\$b)	17	13	18	16	13
Total AUM (A\$b)	114	105	129	122	104
<b>Investment performance – AMPCI</b>					
Percentage of funds meeting or exceeding benchmark – Australian AUM <sup>5</sup>					79%
Percentage of funds meeting or exceeding benchmark – total AUM <sup>5</sup>	67%	17%	68%	78%	
<b>Costs and cost ratios</b>					
Controllable costs – AMP (A\$m)	837	879	871	812	780
Cost to income ratio – AMP	41.7%	41.3%	39.7%	39.6%	41.7%
Controllable costs to AUM (bps)	79	75	68	72	81
<b>Staff numbers</b>					
AFS <sup>6</sup>	1,734	1,974	2,173	2,350	2,333
AMPCI <sup>7</sup>	888	993	872	770	737
Group Office	888	841	925	437	389
Total staff numbers <sup>8</sup>	3,510	3,808	3,970	3,557	3,459

1 FY 08 comparatives restated to reflect change in methodology. Refer to accounting definitions on page 44 for more details.

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

3 In each of June 05, 06 and 07, A\$0.40 per share was returned to shareholders. High and low share price has been adjusted accordingly.

4 FY 09, FY 08 and FY 07 persistency exclude major internal flows. Other comparatives have not been restated (see page 44 for details).

5 Performance figures are on a 12 month rolling basis.

6 Excludes planners.

7 FY 09 includes 209 shopping centre FTEs (273 in FY 08); however, the costs of these FTEs are recharged to shopping centres.

8 Total staff numbers exclude Cobalt/Gordian.

## FY 09 financial results

Analysis of operating results (A\$m)	AMP Financial Services	AMP Capital Investors	Group Office	Total
<b>BU operating earnings</b>	647	91	-	<b>738</b>
Group Office costs not recovered from business units	-	-	(37)	<b>(37)</b>
<b>Total operating earnings</b>	647	91	(37)	<b>701</b>
Underlying investment income	71	10	45	<b>126</b>
Interest expense on corporate debt	-	-	(71)	<b>(71)</b>
AMP Limited tax loss recognition	-	-	16	<b>16</b>
<b>Underlying profit</b>	718	101	(47)	<b>772</b>
Market adjustment – investment income	-	-	(13)	<b>(13)</b>
Other items	-	-	10	<b>10</b>
Seed pool valuation adjustments	-	(30)	-	<b>(30)</b>
<b>Profit after income tax before timing differences</b>	718	71	(50)	<b>739</b>
Market adjustment – annuity fair value	-	-	20	<b>20</b>
Market adjustment – risk products	-	-	(14)	<b>(14)</b>
Loan hedge revaluations	-	-	(5)	<b>(5)</b>
Accounting mismatches	-	-	(1)	<b>(1)</b>
<b>Net profit attributable to shareholders of AMP Limited</b>	718	71	(50)	<b>739</b>

Total capital resources by equity class (A\$m)	31 December 2009	31 December 2008
Contributed equity	<b>4,814</b>	4,481
Equity contribution reserve	<b>1,019</b>	1,019
Other reserves	<b>3</b>	(32)
Retained earnings	<b>320</b>	154
Demerger loss reserve	<b>(3,585)</b>	(3,585)
<b>Total AMP statutory equity attributable to shareholders</b>	<b>2,571</b>	2,037
Accounting mismatches and cashflow hedge reserve	<b>135</b>	204
<b>Total AMP shareholder equity</b>	<b>2,706</b>	2,241
Corporate debt	<b>1,189</b>	1,504
<b>Total capital resources</b>	<b>3,895</b>	3,745

# Independent review statement

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## Independent review report of selected information contained in the AMP Limited Investor Report for the full year ended 31 December 2009

To management of AMP Limited

### *The Investor Report and management's responsibility*

The management of AMP Limited is responsible for the Investor Report including pages 26 and 48.

### *Embedded value*

#### **Scope**

We have conducted an independent review of the embedded value assumptions set out on page 26 of the Investor Report of AMP Limited ("the Investor Report") for the full year ended 31 December 2009 in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the embedded value assumptions as stated on page 26 are not reasonable for their intended purpose.

We disclaim any assumption of responsibility for any reliance on this review report to any person other than management of AMP Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to review of AMP Limited's documentation to support the embedded value assumptions, inquiries of AMP Limited's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Statement**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the embedded value assumptions as stated on page 26 of the Investor Report for the full year ended 31 December 2009 are not reasonable for their intended purpose.

### *Analysis of operating results*

#### **Scope**

We have conducted an independent review of the results ("financial information") set out on page 48 of the Investor Report of AMP Limited for the full year ended 31 December 2009. We have performed the review of the financial information set out on page 48 of the Investor Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial results on page 48 of the Investor Report are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources set out on pages 44 and 45. We disclaim any assumption of responsibility for any reliance on this review report to any person other than management of AMP Limited.

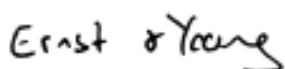
Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to review of the reconciliation of financial information to the Financial Report of AMP Limited, review of the determination of the operating earnings, underlying investment income and total capital resources in accordance with the definitions set out on pages 44 and 45, inquiries of AMP Limited's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Statement**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial results set out on page 48 of the Investor Report for the full year ended 31 December 2009 are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources as set out on pages 44 and 45.

### *Independence*

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



Ernst & Young  
Sydney  
18 February 2010

## Information for shareholders

<b>23 February 2010</b>	Ex-dividend date for final 2009 dividend (Australia)
<b>1 March 2010</b>	Record date for final 2009 dividend
<b>2 March 2010</b>	Ex-dividend date for final 2009 dividend (New Zealand)
<b>8 - 12 March 2010</b>	Pricing period for DRP
<b>14 April 2010</b>	2009 final dividend payment date
<b>6 May 2010</b>	First quarter 2010 cashflow release
<b>13 May 2010</b>	Annual General Meeting
<b>19 August 2010</b>	1H 10 interim results announced
<b>6 September 2010</b>	Ex-dividend date for interim 2010 dividend (Australia)
<b>10 September 2010</b>	Record date for interim 2010 dividend
<b>13 September 2010</b>	Ex-dividend date for interim 2010 dividend (New Zealand)
<b>15 October 2010</b>	2010 interim dividend payment date
<b>28 October 2010</b>	Third quarter 2010 cashflow release

# 2009 FY

## Website

For additional 2009 full year results information, visit AMP's website at [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre)

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### **You will find:**

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



Registered Office  
Level 24  
33 Alfred St  
SYDNEY NSW 2000  
**Australia**

[www.amp.com.au](http://www.amp.com.au)

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