



# ASX Announcement

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Manager  
Company Announcements Office  
Australian Stock Exchange  
Level 4, 20 Bridge Street  
Sydney NSW 2000

Manager  
Market Information Services Section  
New Zealand Stock Exchange  
Level 2, NZX Centre, 11 Cable Street  
Wellington New Zealand

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## **AMP Financial Services reports third quarter cashflows**

The introduction of Simpler Super regulations has continued to influence AMP Financial Services cashflows in the third quarter of 2007, with strong flows into retirement products.

AMP Financial Services Managing Director Craig Meller said many customers had brought forward superannuation contributions to the second quarter, transferring into retirement income products in the third quarter when pensions became tax-free. The trends were amplified by asset test changes that came into effect towards the end of the quarter, driving inflows into complying annuity products.

The attached tables contain cashflows for the September quarter and year to date by business line and distribution channel. Overall for the quarter a total net outflow of \$5 million was recorded, compared with a net inflow of \$244 million in the previous corresponding period. Key points were:

### **Retail superannuation and pensions/annuities**

- The quarter saw strong retail activity with inflows up 143 per cent and net flows up 37 per cent.
- Retail super experienced a 77 per cent increase in inflows to \$1,601 million, while flows rose to \$2,196 million for the quarter. Almost 90 per cent of these outflows were made by customers aged 55 and over. The Super Consolidation Account – a product introduced earlier this year and designed to assist customers aggregate their funds before moving to retirement – accounted for just over \$700 million of transfers from superannuation to pensions.
- Around 70 per cent of retail super outflows were retained by AMP.
- Allocated pensions/annuities experienced record inflows for the quarter of \$1,350 million, with net flows of \$952 million. Of the outflows in allocated pensions/annuities, just over 40 per cent came from a closed product in runoff.

### **Corporate Super**

- Discretionary super contributions fell sharply following unusually strong inflows in the second quarter ahead of the 30 June deadline. Corporate Super inflows were flat for the quarter at \$647 million.

- Higher quarterly outflows were also experienced, with around half by customers aged 55 or older and strong inflows into retirement products.
- Around two-thirds of all Corporate Super outflows were retained within the AMP Group.

### **Mature products**

- Inflows for the quarter were flat at \$205 million. The Mature business also experienced a shift into retirement products, with outflows up \$138 million to \$647 million.

### **New Zealand**

- New Zealand experienced net outflows of \$39 million for the quarter, partially reflecting the fact that Kiwisaver funds for the quarter will not be received until October.

### **Channels**

- AMP Financial Planning had a strong quarter, with \$3.5 billion of inflows and net cashflows of \$217 million, demonstrating the benefits of the increased training and support for planners in the at-retirement market. Net flows were up 55 per cent for the quarter and are up 65 per cent year to date.

### **Outlook**

Mr Meller said that regulatory changes have continued to drive strong industry-wide cashflows, with deadline-driven flows ahead of 30 June and 20 September demonstrating the impact of the changes.

“We expect the rest of the year to be strong, with flows into retirement income products continuing at very high levels,” he said.

“The impact of recent regulatory changes to superannuation, particularly the move to make payouts tax free for people over the age of 60, means that superannuation will remain the preferred long term savings vehicle for Australians.”

A strong finish to 2007 is expected for corporate super, with new mandate wins worth around \$80 million expected to transition in the fourth quarter. Around \$170 million in mandate wins are expected to transition in the first half of 2008, primarily in the second quarter.

Flows in New Zealand are also expected to be positive with the initial impacts of Kiwisaver and Corporate Super mandate wins.

### **Media enquiries**

Karyn Munsie  
Tel: +61 2 9257 9870  
Mobile: +61 421 050 430

Amanda Wallace  
Tel: +61 2 9257 2700  
Mobile: +61 2 422 379 964

### **Investor enquiries**

Jill Craig  
Tel: +61 2 9257 7053  
Mobile: +61 412 047 448

Howard Marks  
Tel: +61 2 9257 7109  
Mobile: +61 402 438 019

**Table 1: Cashflows by business line**

|   | Q3 07          |                 |            | Q3 06          |                 |            | % Change - Q3 07 vs Q3 06 |              |             | YTD Sep 07     |                 |              | YTD Sep 06     |                 |              | % Change - YTD Sep 07 vs YTD Sep 06 |              |             |
|---|----------------|-----------------|------------|----------------|-----------------|------------|---------------------------|--------------|-------------|----------------|-----------------|--------------|----------------|-----------------|--------------|-------------------------------------|--------------|-------------|
|   | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m) | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m) | Inflows (%)               | Outflows (%) | Net (%)     | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m)   | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m)   | Inflows (%)                         | Outflows (%) | Net (%)     |
| Retail superannuation                                     | 1,601          | 2,196           | (595)      | 904            | 816             | 88         | 77                        | 169          | n/a         | 4,804          | 4,151           | 653          | 3,043          | 2,280           | 763          | 58                                  | 82           | (14)        |
| Allocated pensions/annuities                              | 1,350          | 398             | 952        | 309            | 137             | 172        | 337                       | 191          | 453         | 2,137          | 801             | 1,336        | 839            | 408             | 431          | 155                                 | 96           | 210         |
| <b>Total retail superannuation and pensions/annuities</b> | <b>2,951</b>   | <b>2,594</b>    | <b>357</b> | <b>1,213</b>   | <b>953</b>      | <b>260</b> | <b>143</b>                | <b>172</b>   | <b>37</b>   | <b>6,941</b>   | <b>4,952</b>    | <b>1,989</b> | <b>3,882</b>   | <b>2,688</b>    | <b>1,194</b> | <b>79</b>                           | <b>84</b>    | <b>67</b>   |
| Retail investment   | 127            | 129             | (2)        | 102            | 91              | 11         | 25                        | 42           | n/a         | 335            | 389             | (54)         | 297            | 257             | 40           | 13                                  | 51           | n/a         |
| Fixed term annuities                                      | 72             | 75              | (3)        | 41             | 69              | (28)       | 76                        | 9            | 89          | 153            | 191             | (38)         | 116            | 200             | (84)         | 32                                  | (4)          | 55          |
| External platforms  | 939            | 733             | 206        | 421            | 267             | 154        | 123                       | 175          | 34          | 2,287          | 1,525           | 762          | 1,258          | 719             | 539          | 82                                  | 112          | 41          |
| <b>Total retail</b>                                       | <b>4,089</b>   | <b>3,531</b>    | <b>558</b> | <b>1,777</b>   | <b>1,380</b>    | <b>397</b> | <b>130</b>                | <b>156</b>   | <b>41</b>   | <b>9,716</b>   | <b>7,057</b>    | <b>2,659</b> | <b>5,553</b>   | <b>3,864</b>    | <b>1,689</b> | <b>75</b>                           | <b>83</b>    | <b>57</b>   |
| Corporate superannuation                                  | 647            | 779             | (132)      | 665            | 578             | 87         | (3)                       | 35           | n/a         | 2,340          | 2,020           | 320          | 1,860          | 1,458           | 402          | 26                                  | 39           | (20)        |
| Corporate superannuation mandate wins                     | -              | -               | -          | -              | -               | -          | n/a                       | n/a          | n/a         | 412            | -               | 412          | 1,701          | -               | 1,701        | (76)                                | -            | (76)        |
| <b>Total Australian contemporary wealth management</b>    | <b>4,736</b>   | <b>4,310</b>    | <b>426</b> | <b>2,442</b>   | <b>1,958</b>    | <b>484</b> | <b>94</b>                 | <b>120</b>   | <b>(12)</b> | <b>12,468</b>  | <b>9,077</b>    | <b>3,391</b> | <b>9,114</b>   | <b>5,322</b>    | <b>3,792</b> | <b>37</b>                           | <b>71</b>    | <b>(11)</b> |
| <b>Total Australian contemporary wealth protection</b>    | <b>144</b>     | <b>94</b>       | <b>50</b>  | <b>133</b>     | <b>86</b>       | <b>47</b>  | <b>8</b>                  | <b>9</b>     | <b>6</b>    | <b>436</b>     | <b>292</b>      | <b>144</b>   | <b>399</b>     | <b>263</b>      | <b>136</b>   | <b>9</b>                            | <b>11</b>    | <b>6</b>    |
| Australian mature   | 205            | 647             | (442)      | 207            | 509             | (302)      | (1)                       | 27           | (46)        | 689            | 1,746           | (1,057)      | 687            | 1,553           | (866)        | -                                   | 12           | (22)        |
| New Zealand   | 147            | 186             | (39)       | 166            | 151             | 15         | (11)                      | 23           | n/a         | 451            | 521             | (70)         | 478            | 453             | 25           | (6)                                 | 15           | n/a         |
| <b>Total AMP Financial Services</b>                       | <b>5,232</b>   | <b>5,237</b>    | <b>(5)</b> | <b>2,948</b>   | <b>2,704</b>    | <b>244</b> | <b>77</b>                 | <b>94</b>    | <b>n/a</b>  | <b>14,044</b>  | <b>11,636</b>   | <b>2,408</b> | <b>10,678</b>  | <b>7,591</b>    | <b>3,087</b> | <b>32</b>                           | <b>53</b>    | <b>(22)</b> |

**Table 2: Cashflows by channel**

|                                     | Q3 07          |                 |             | Q3 06          |                |                | % Change - Q3 07 vs Q3 06 |              |             | YTD Sep 07     |                 |              | YTD Sep 06     |                 |              | % Change - YTD Sep 07 vs YTD Sep 06 |              |             |
|-------------------------------------|----------------|-----------------|-------------|----------------|----------------|----------------|---------------------------|--------------|-------------|----------------|-----------------|--------------|----------------|-----------------|--------------|-------------------------------------|--------------|-------------|
|                                     | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m)  | Inflows (A\$m) | Inflows (A\$m) | Inflows (A\$m) | Inflows (%)               | Outflows (%) | Net (%)     | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m)   | Inflows (A\$m) | Outflows (A\$m) | Net (A\$m)   | Inflows (%)                         | Outflows (%) | Net (%)     |
| AMP Financial Planning              | 3,519          | 3,302           | 217         | 1,603          | 1,463          | 140            | 120                       | 126          | 55          | 8,459          | 6,789           | 1,670        | 5,127          | 4,114           | 1,013        | 65                                  | 65           | 65          |
| Hillross                            | 836            | 747             | 89          | 486            | 355            | 131            | 72                        | 110          | (32)        | 2,251          | 1,676           | 575          | 1,453          | 968             | 485          | 55                                  | 73           | 19          |
| Corporate Super direct sales force  | 331            | 319             | 12          | 401            | 224            | 177            | (17)                      | 42           | (93)        | 1,627          | 872             | 755          | 2,596          | 554             | 2,042        | (37)                                | 57           | (63)        |
| Centrally managed clients and other | 186            | 340             | (154)       | 163            | 293            | (130)          | 14                        | 16           | (18)        | 614            | 922             | (308)        | 589            | 867             | (278)        | 4                                   | 6            | (11)        |
| 3rd Party Distributors              | 213            | 343             | (130)       | 129            | 218            | (89)           | 65                        | 57           | (46)        | 642            | 856             | (214)        | 435            | 635             | (200)        | 48                                  | 35           | (7)         |
| <b>Total Australian</b>             | <b>5,085</b>   | <b>5,051</b>    | <b>34</b>   | <b>2,782</b>   | <b>2,553</b>   | <b>229</b>     | <b>83</b>                 | <b>98</b>    | <b>(85)</b> | <b>13,593</b>  | <b>11,115</b>   | <b>2,478</b> | <b>10,200</b>  | <b>7,138</b>    | <b>3,062</b> | <b>33</b>                           | <b>56</b>    | <b>(19)</b> |
| <b>New Zealand</b>                  | <b>147</b>     | <b>186</b>      | <b>(39)</b> | <b>166</b>     | <b>151</b>     | <b>15</b>      | <b>(11)</b>               | <b>23</b>    | <b>n/a</b>  | <b>451</b>     | <b>521</b>      | <b>(70)</b>  | <b>478</b>     | <b>453</b>      | <b>25</b>    | <b>(6)</b>                          | <b>15</b>    | <b>n/a</b>  |
| <b>Total AMP Financial Services</b> | <b>5,232</b>   | <b>5,237</b>    | <b>(5)</b>  | <b>2,948</b>   | <b>2,704</b>   | <b>244</b>     | <b>77</b>                 | <b>94</b>    | <b>n/a</b>  | <b>14,044</b>  | <b>11,636</b>   | <b>2,408</b> | <b>10,678</b>  | <b>7,591</b>    | <b>3,087</b> | <b>32</b>                           | <b>53</b>    | <b>(22)</b> |