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AMP Financial Services announces June quarter net cashflows

AMP Financial Services (AFS) has today reported strong cashflows for the second quarter of 2007 off the back of record retail net cashflows.

Total AFS net cashflows rose 110 per cent to \$1.66 billion (excluding one-off corporate superannuation mandate wins of \$1.69 billion in the second quarter of 2006). Including these mandate wins, total net cashflows were down 33 per cent.

AMP Financial Services Managing Director Craig Dunn said that retail net cashflows in AMP's Australian business were particularly pleasing, more than doubling to \$1.63 billion.

"This growth reflects the benefits of the Federal Government's Simpler Super changes which clearly position superannuation as the preferred long term savings vehicle," Mr Dunn said.

"AMP planners were busy in the lead up to 30 June as customers took advantage of the opportunity to make additional contributions. We now expect the focus to shift to the annuities and pension market for the rest of this year."

AMP Financial Planning recorded net cashflows of \$1.2 billion for the quarter, up 99 per cent on the corresponding quarter of 2006.

Net cashflows in retail superannuation and annuities/pensions were up 119 per cent and 89 per cent respectively while external platform net cashflows rose 111 per cent.

Corporate superannuation flows returned to more normal levels following large mandate wins in the second quarter of 2006. SignatureSuper has grown significantly in the last two years, with AUM increasing from \$500 million at June 2005 to \$5.2 billion at June 2007.

Cashflows by line of business – June quarter 2007

Australian contemporary wealth management

The table in Appendix 1 shows details of June quarter cashflows by line of business.

Retail superannuation and annuities/pensions cash inflows rose 76 per cent to \$2.73 billion, while outflows rose 54 per cent to \$1.47 billion. Cash inflows through external platforms rose from \$438 million to \$928 million while outflows were up 113 per cent to \$515 million.

The second quarter saw significantly higher-than-usual levels of inter-product flows, in particular outflows from retail superannuation moving to inflows to annuities/pensions. For the quarter, around 50 per cent of all retail superannuation outflows were retained within the AMP Group.

Corporate superannuation inflows and net cashflows were significantly lower due to a number of large mandate wins included in the 2006 cashflows. Inflows fell 58 per cent to \$992 million and net cashflows fell 83 per cent to \$334 million. Excluding mandate wins in 2006, corporate superannuation net cashflows rose 56 per cent.

The benefits of the recent surge in corporate superannuation AUM are starting to show with around two-thirds of corporate super outflows retained within the AMP Group for the quarter.

Across its retail super, corporate super and external platform businesses, AMP benefited from additional contributions due to the Simpler Super changes.

In the first half of 2007, AMP received around \$480 million in contributions of \$1 million or more from around 380 customers, with most of these flowing through in the final weeks of June. This included almost 150 member contributions from retail and corporate superannuation customers, and around 230 via external platforms.

As expected, most additional contributions from corporate and retail superannuation customers in the first half were received in lower contribution ranges. In the range between \$50,000 and \$250,000, around 4,300 retail and corporate superannuation customers contributed almost \$576 million, with the bulk of these contributions from retail superannuation customers.

Australian contemporary wealth protection

In contemporary wealth protection, cash inflows were up 9 per cent to \$156 million, outflows were up 5 per cent to \$101 million while net cashflows were up 17 per cent to \$55 million. Individual risk annual premium income at June 2007 was \$433 million, up 7 per cent from \$403 million at June 2006.

Sales of risk products by planners were slower in the first half as both clients and planners were focused on superannuation.

Australian mature

The mature book posted higher outflows, up 14 per cent to \$620 million. Net cash outflows were \$51 million higher at \$322 million.

New Zealand

New Zealand cashflows were lower in the quarter, due primarily to a slowdown in new workplace mandates ahead of the introduction of Kiwisaver and planned retail fund closures.

Inflows fell 18 per cent to \$142 million, with net cash outflows of \$38 million for the quarter. Individual risk annual premium income at June 2007 increased by 15 per cent in New Zealand dollar terms on June 2006.

Cashflows by channel – June quarter 2007

The table in Appendix 2 shows details of June quarter cashflows by Australian channel. Cashflows by channel reflect the overall impact of flows across all lines of business in Australia.

AMP Financial Planning (AMPFP) recorded a 60 per cent increase in cash inflows to \$3.3 billion. Net cashflows doubled from \$596 million to almost \$1.2 billion.

An increased focus on the at-retirement market, through improved training and support for planners, resulted in robust growth in the annuities/pensions market.

In **Hillross**, cash inflows rose 84 per cent to \$956 million with net cashflows up 94 per cent to \$360 million.

Corporate Super – direct sales force cash inflows were significantly lower at \$529 million compared with \$1.96 billion previously, due to the inclusion of large SignatureSuper mandate wins in the previous corresponding period. Corporate superannuation flows have now returned to more usual levels.

2007 cashflows outlook

Mr Dunn said the first half of 2007 saw unusually strong flows with the Simpler Super deadline on 30 June.

AMP expects the Simpler Super changes to create an even greater seasonal bias to the second quarter in the future, as well as further strengthening of the links between super and retirement income products.

“In the third quarter of 2007, AMP is expecting to see financial planners continue to focus on helping clients move from the accumulation phase into retirement incomes, to take advantage of favourable asset test exemptions that expire after 20 September,” Mr Dunn said.

“This is likely to result in further increases in internal product flows.”

The long-term outlook for super remains extremely positive due to its favourable taxation treatment. AMP’s modelling has shown that the Simpler Super changes are likely to increase assets under management for the sector by an additional 1-1.5 per cent per annum in the medium to long term.

In New Zealand, AMP expects to see strong cash inflows in the second half of 2007 as the Kiwisaver and Portfolio Investment Entity tax changes to managed funds begin to have a positive effect. These changes also mean that the long-term outlook for the New Zealand market is more attractive.

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Appendix 1

Cashflows by line of business

	Q2 07			Q2 06		
	Inflows A\$m	Outflows A\$m	Net A\$m	Inflows A\$m	Outflows A\$m	Net A\$m
Australian contemporary wealth management						
Retail superannuation ¹	2,231	1,214	1,017	1,264	799	465
Allocated annuities/pensions	503	251	252	288	155	133
Total retail superannuation and annuities/pensions	2,734	1,465	1,269	1,552	954	598
Retail investment	122	159	(37)	113	91	22
Fixed term annuities	41	55	(14)	36	61	(25)
External platforms ²	928	515	413	438	242	196
Total retail	3,825	2,194	1,631	2,139	1,348	791
Corporate superannuation	992	658	334	2,356	446	1,910
Total Australian contemporary wealth management	4,817	2,852	1,965	4,495	1,794	2,701
Australian contemporary wealth protection						
Group risk	43	19	24	37	21	16
Individual risk	110	45	65	100	39	61
Lifetime annuities	3	37	(34)	5	36	(31)
Total Australian contemporary wealth protection	156	101	55	142	96	46
Total Australian contemporary	4,973	2,953	2,020	4,637	1,890	2,747
Australian mature	298	620	(322)	272	543	(271)
Total Australia	5,271	3,573	1,698	4,909	2,433	2,476
New Zealand	142	180	(38)	173	164	9
Total AMP Financial Services	5,413	3,753	1,660	5,082	2,597	2,485

¹ Retail superannuation comprises 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)

Appendix 2

Cashflows by channel

	Q2 07			Q2 06		
	Inflows A\$m	Outflows A\$m	Net A\$m	Inflows A\$m	Outflows A\$m	Net A\$m
AMP Financial Planning	3,250	2,062	1,188	2,026	1,430	596
Hillross (including Arrive & Magnify)	956	596	360	519	333	186
Corporate Super – direct sales force	529	291	238	1,957	185	1,772
Customer care centre and other	264	323	(59)	238	274	(36)
3 rd party	272	301	(29)	169	211	(42)
Total Australia	5,271	3,573	1,698	4,909	2,433	2,476
New Zealand	142	180	(38)	173	164	9
Total Cashflows	5,413	3,753	1,660	5,082	2,597	2,485