

Directors' report

for the year ended 31 December 2022

ABOUT THE DIRECTORS' REPORT

This directors' report provides information on the structure and progress of our business, our 2022 financial performance, our strategies and prospects for the future. It covers AMP Limited and the entities it controlled during the year ended 31 December 2022.

OPERATING AND FINANCIAL REVIEW

Principal activities

AMP is a leading wealth management business in Australia and New Zealand offering customers financial advice and superannuation, retirement income, banking and investment products across a portfolio of businesses. We also provide corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

AMP holds several strategic partnerships including:

- 19.99% of China Life Pension Company (CLPC)
- 14.97% of China Life AMP Asset Management Company Ltd (CLAMP), and
- 23.87% in US real estate investment manager, PCCP.

For the purposes of this report, our business is divided into three main areas: AMP Bank, Australian Wealth Management and New Zealand Wealth Management.

Description of business units

AMP Bank offers residential mortgages, deposits and some limited transactional banking services. The Bank continues to focus on growth through investing in technology to streamline the origination process, improving the experience for both customers and intermediaries.

As at 31 December 2022, AMP Bank helped around 188,000 customers with their banking needs and provided over 9,290 new home loans.

Australian Wealth Management (AWM) comprises three business lines providing advice, superannuation, retirement income and managed investments, with the inclusion of the AMP Investments team supporting investment management and capability:

- **Platforms** includes superannuation, retirement and investment offers through which managed funds, managed portfolios, listed securities, term deposits and guarantee investment options can be accessed to build a personalised investment portfolio. The flagship North platform is an online wrap platform which continues to deliver on its commitment of strengthening and broadening investment choice for clients and providing a contemporary platform for advisers to manage their clients' funds.
- **Master Trust** offers a market competitive super and pension solution across individual and corporate super through one of the largest retail Master Trusts in Australia (SignatureSuper) with around 700,000 customer accounts. The highly rated SignatureSuper offer consists of three products across super and pension. The open investment menu caters to different risk profiles with exposure to a range of professional managers in order to meet the needs and goals of customers. The Master Trust business delivers high quality member services, with strong administration, contact centre and digital capabilities. It also has a proven pedigree in managing corporate super plans with complex and tailored benefit designs, including defined benefits.
- **Advice** provides professional services to a network of aligned and Independent Financial Advisers (IFAs). These advisers provide financial advice and wealth solutions to their clients, including retirement planning, investments and financing. In addition to supporting a network of professional advisers, the Advice business partners with a number of aligned advice businesses via equity ownership to support the growth and development of these businesses.

New Zealand Wealth Management encompasses wealth management, financial advice and general insurance distribution businesses in New Zealand. It provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments, a wrap investment management platform and general insurance.

Sale of AMP Capital businesses

Global Equities and Fixed Income (GEFI)

On 8 July 2021, AMP announced the sale of its GEFI business to Macquarie Asset Management, which completed on 28 March 2022. The remaining AMP Capital public markets business, the Multi-Asset Group, which is responsible for asset allocation on behalf of AMP's Master Trust and Platform clients was transitioned to Australian Wealth Management from 1 January 2022 (now called AMP Investments).

Infrastructure Debt Platform

On 24 December 2021, AMP announced the sale of its Infrastructure Debt platform to Ares Holdings LP (Ares) which completed on 11 February 2022.

International Infrastructure Equity business

On 3 February 2023, AMP announced the completion of the sale and transfer of AMP Capital's international infrastructure equity business to DigitalBridge Group, inc. (DigitalBridge). The completion supports the delivery of AMP's strategic objective to simplify its portfolio and focus on its core businesses of retail banking and wealth management in Australia and New Zealand. Total consideration received was \$521m. AMP also remains eligible for a further cash earn-out of up to \$180m which is contingent on future fund raisings for Global Infrastructure Fund III and Global Infrastructure Fund IV.

Domestic Real Estate and Infrastructure Equity businesses

As announced on 9 January 2023, there remains an outstanding condition precedent for the completion of the sale of AMP Capital's domestic real estate and infrastructure equity businesses to Dexus Funds Management Ltd (Dexus) under the current sale agreement. This relates to receiving approval from the applicable regulator in China for the transfer of AMP's interest in China Life AMP Asset Management (CLAMP) out of the sale perimeter. AMP and Dexus have agreed to extend the date for satisfaction or waiver of conditions precedent to 28 February 2023. However, the base purchase price has been reduced by \$25m to \$225m, and the remaining potential funds under management (FUM) based earnout has been forfeited.

Potential revised transaction structure

AMP and Dexus have entered into a non-binding term sheet which contemplates a revised transaction structure with a two-stage completion process. If binding agreements are entered into, the revised transaction structure would allow for most legal entities (holding the majority of the AMP Capital domestic assets and management rights) as well as employees, to transfer to Dexus at first completion, prior to the satisfaction of the remaining condition precedent. The transfer of one remaining entity (which currently holds the interest in CLAMP) would occur at final completion following receipt of the necessary regulatory approval. This alternative transaction approach is being pursued alongside the existing initial transaction structure for maximum flexibility.

Divestment of equity interest in Resolution Life Australasia

On 3 November 2021, AMP Limited announced it had agreed to the divestment of its 19.13% equity interest in Resolution Life Australasia (RLA) for a consideration of \$524m to Resolution Life Group. This transaction completed on 28 June 2022.

Review of operations and results

The profit attributable to shareholders of AMP Limited for the year ended 31 December 2022 was \$387m (2021: loss of \$252m). Basic earnings per share for the year ended 31 December 2022 on a statutory basis was 12.0 cents (2021: (7.6) cents). On an underlying basis, earnings per share was 5.7 cents (2021: 8.4 cents). Key performance measures of the group were as follows:

- 2022 NPAT (underlying) of \$184m decreased 34% from \$280m in 2021. This decrease largely reflects the impact of lower AMP Bank earnings (-33%) relative to 2021 reflecting lower net interest margin, as well as 2021 benefitting from a one-off credit loss provision release. Lower Australian Wealth Management earnings (-44%) reflecting strategic competitive repricing and market volatility, and lower New Zealand Wealth Management earnings (-18%) in a weaker market, also impacted NPAT.
- 2022 NPAT (statutory) profit of \$387m was favourably impacted by a ~\$390m gain on the sale of the Infrastructure Debt platform, partly offset by \$90m of separation costs, \$68m of impairments, \$61m of transformation costs, \$25m of remediation and related costs and other one-off items.
- Total AUM and administration of \$149.1b in 2022 decreased by \$22.8b (-13%) from 2021 due to negative investment market returns and net cash outflows.
- Australian Wealth Management net cash outflows were \$5.3b in 2022, compared to net cash outflows of \$7.2b in 2021. This was largely attributable to lower outflows across both platforms and Master Trust and growth in inflows from Independent Financial Advisers (IFAs). 2022 net cash outflows also included \$2.0b of regular pension payments to members (2021: \$1.9b).
- AMP Bank's residential mortgage book increased by \$2.0b (9%) to \$23.8b driven by competitive pricing, ongoing service improvements and targeted growth in principal and interest loans across both owner-occupied and investment lending. This increase also included ~\$400m of loans acquired from Nano in December 2022. This represents 1.5x system growth or 1.81x system growth including Nano (based on December 2022 APRA data).
- AMP's controllable costs, excluding AMP Capital discontinued operations, of \$791m were 6% lower than 2021 due to cost out benefits partly offset by structural cost increases.
- AMP group cost to income ratio was 72.4% in 2022, up from 67.1% in 2021 due to lower revenues.
- Underlying return on equity was 4.6% in 2022 (2021: 6.9%).
- 2022 total eligible capital resources were \$923m above regulatory and target capital requirements, up from \$383m at 31 December 2021.

Operating results by business area

The operating results of each business area for 2022 were as follows:

AMP Bank – NPAT of \$103m decreased by \$50m (33%) from 2021 predominantly driven by increased loan impairment expense (2021 included \$26m release of credit loss provision related to the impact of COVID-19), reduction in net interest income \$17m (4%) from 2021, largely due to NIM compression in 1H22, and an increase in costs to support ongoing growth.

Australian Wealth Management – NPAT fell from \$89m in 2021 to \$50m in 2022 primarily due to the impact of strategic competitive repricing in Master Trust and Platforms, lower revenue predominantly from investment market volatility and the impact of stressed and volatile markets on the North guarantee, partly offset by lower variable and controllable costs from cost reduction initiatives.

New Zealand Wealth Management – NPAT of \$32m in 2022 decreased \$7m (2021: \$39m) primarily due to a significant drop in global investment markets.

AMP Capital – Continuing operations NPAT of \$41m was up 11% from \$37m in 2021 due to higher contributions from joint venture investments.

Capital management and dividend

Equity and reserves of the AMP Group attributable to shareholders of AMP Limited was \$4.2b at 31 December 2022 (\$4.0b as at 31 December 2021). AMP's Group Surplus Capital as at 31 December 2022 is \$923m (\$383m at 31 December 2021). The board has resolved to declare a 2022 final dividend of ~\$75m (2.5cps) franked to 20%. The board continues to maintain a conservative approach to capital management to support the transformation of the business and maintain balance sheet strength. As announced in the half yearly results in August 2022, AMP intends to return a total of \$1.1b of capital to shareholders as a result of previously announced business sales. Further capital returns beyond the \$350m current on-market buyback are subject to regulatory and shareholder approval.



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for the year ended 31 December 2022

Strategy and prospects

AMP set out its strategic growth plans for 2022–2024 on 30 November 2021. This outlined a clear path to create a new AMP. Since then, AMP has made strong progress to reposition its core capabilities in wealth management and banking with investment in new, innovative products and services during 2022. A continued focus on simplification is driving further efficiency and re-shaping AMP's business portfolio. The business has built early momentum in exploring new opportunities for growth, including establishing partnerships to grow AMP's direct to consumer channel.

Reposition

AMP's strategy is to reposition its core capabilities to drive growth in banking and wealth platforms, investing in key areas to differentiate AMP's offering, and transforming its business model.

Simplify

AMP is focused on simplifying the business to drive efficiency and agility.

Explore

AMP will continue to explore organic and inorganic growth opportunities, including strategic partnerships with fintechs.

Strategic priorities for 2023

AMP is delivering on its transformation strategy to a path to the new AMP and has defined its priorities for the year ahead. AMP will be focused on returning capital to shareholders; growing IFA flows in our platforms business; controlling costs; supporting new growth opportunities, particularly through strategic partnerships; growing AMP Bank; and continuing the revitalisation of its culture and brand.

🕒 **Further detail on strategy and prospects is included in the *Strategy* section of this report on pages 12–13.**

THE ENVIRONMENT

In the normal course of its business operations, AMP is subject to a range of environmental regulations of which there have been no material breaches during the year. You can find a review of AMP's 2022 sustainability performance in AMP's 2022 Sustainability report at corporate.amp.com.au/about-amp/corporate-sustainability, as well as further information on AMP's environmental policy and activities.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report and except as otherwise disclosed, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the group's operations; the results of those operations; or the group's state of affairs in future periods.

THE AMP LIMITED BOARD OF DIRECTORS

The directors of AMP Limited during the year ended 31 December 2022 and up to the date of this report are listed below. Directors were in office for this entire period except where stated otherwise:

Current Non-executive Directors:

Debra Hazelton (Chair)
Andrew Best (appointed as a director on 1 July 2022)
Rahoul Chowdry
Mike Hirst
Kate McKenzie
Michael Sammells
Andrea Slattery

Executive Director:

Alexis George (Chief Executive Officer and Managing Director)

Former Non-executive Director:

John O'Sullivan (resigned as a director on 8 April 2022)

Attendance at board and committee meetings

The AMP Limited Board met 21 times during the year ended 31 December 2022. The Chair and directors also attended other meetings, including board committee meetings, special purpose committees, strategy sessions and working groups. The Chair and directors also frequently attended meetings of subsidiary boards and committees, special purpose committees, and working groups of which they were not a director or member during the year. The table below shows details of attendance by directors of AMP Limited at meetings of boards, committees and working groups of which they were members during the year ended 31 December 2022. Any voluntary attendances by directors in the capacity as observers are not included in the following table below:

Board/committee	AMP Limited Board Meetings ¹		Audit Committee		Risk Committee		Nomination Committee		Remuneration Committee		AMP Ltd ESG & Sustainability Advisory Group ²		AMP Ltd Technology Transformation Advisory Group ³		Subsidiary board and committee meetings ⁴		Additional Committees ⁵
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
Debra Hazelton	21	21	3	3	4	4	4	4	9	9	2	2	–	–	1	1	2
Andrew Best ⁶	8	8	1	1	3	3	2	2	3	3	–	–	2	2	–	–	–
Rahoul Chowdry	21	21	4	4	6	6	4	4	6	6	–	–	–	–	–	–	–
Mike Hirst	21	21	3	3	6	6	4	4	9	9	–	–	2	2	–	–	–
Kate McKenzie	21	20	3	3	4	3	4	4	6	6	–	–	2	2	–	–	–
Michael Sammells	21	21	3	3	4	4	4	4	9	9	2	2	–	–	1	1	4
Andrea Slattery	21	21	4	4	6	6	4	4	6	6	2	2	–	–	–	–	6
Alexis George	21	21	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
John O'Sullivan ⁷	6	6	1	1	2	2	1	1	3	3	–	–	–	–	–	–	4

Column A – indicates the number of meetings held while the director was a member of the board/committee. Directors may, and frequently do, attend meetings as observers if they are not a member of the board/committee.

Column B – indicates the number of those meetings attended.

- 1 Where board and committee meetings of AMP Limited and AMP Bank Limited were held concurrently, only one meeting has been recorded.
- 2 AMP Ltd ESG & Sustainability Advisory Group established 1 October 2022.
- 3 AMP Ltd Technology Transformation Advisory Group established 1 October 2022.
- 4 Subsidiary board and committee meetings refer to the board and committee meetings of Collimate Capital Limited.
- 5 Additional committees were convened during the year on matters including due diligence and financial results.
- 6 Andrew Best was appointed as a director of AMP Limited effective 1 July 2022.
- 7 John O'Sullivan resigned as director of AMP Limited effective 8 April 2022.

COMPANY SECRETARY DETAILS

Details of each company secretary of AMP Limited as at the date of this report, including their qualifications and experience, are set out below.

David Cullen, Group General Counsel

BCom, LLB, LLM

David was appointed as the Company Secretary for AMP Limited on 4 March 2022. David joined AMP in September 2004 and was appointed Group General Counsel in May 2018. David has group-wide responsibility for AMP's legal and governance functions. Prior to his appointment as Group Counsel, David was the Group Company Secretary and General Counsel, Governance at AMP, which included acting as Company Secretary for AMP Limited.

Kate Gordon, Head of Corporate Governance

BA (Juris), LLB, LLM

Kate was appointed as the Company Secretary for AMP Limited on 4 March 2022 and is also secretary of several other AMP group companies. Kate joined AMP as a Senior Company Secretary & Senior Legal Counsel in June 2020. Kate has significant experience in the legal profession with expertise in corporate governance, mergers & acquisitions, corporate and commercial law. Before joining AMP, Kate worked at Henry Davis York (now Norton Rose Fulbright) and HWL Ebsworth Lawyers.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Under its constitution, the company indemnifies, to the extent permitted by law, all current and former officers of the company (including the non-executive directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2022, the company maintained, and paid premiums for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, the company and each of the current and former directors, and a subsidiary of the company and each of the company secretaries, are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- these officers will have access to board papers and specified records of the company (and of certain other companies) for their period of office and for at least 10 (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- the company indemnifies the directors, and a subsidiary of the company indemnifies the secretaries, to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary of the company, or as a director or secretary of any AMP group company or an AMP representative to an external company; and
- the company will maintain directors' and officers' insurance cover for the directors, to the extent permitted by law, for the period of their office and for at least 10 years after they cease to hold office.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2022.

REMUNERATION DISCLOSURES

The remuneration arrangements for AMP directors and senior executives are outlined in the remuneration report which forms part of the directors' report for the year ended 31 December 2022. Directors' and senior executives' interests in AMP Limited shares, performance rights and options are also set out in the remuneration report on the following pages.