

Analyst

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AMP (AMP)

Everything is awesome

Recommendation

Buy (unchanged)

Price

\$6.66

Target (12 months)

\$7.50 (previously \$7.00)

Expected Return

| | |
|-----------------------|--------------|
| Capital growth | 12.6% |
| Dividend yield | 4.4% |
| Total expected return | 17.0% |

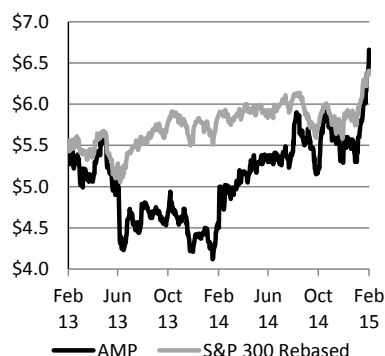
Company Data & Ratios

| | |
|------------------------|-------------------------------|
| Enterprise value | N/A |
| Market cap | \$19,699m |
| Issued capital | 2,958m |
| Free float | 100% |
| Avg. daily val. (52wk) | \$54.7m |
| 12 month price range | \$4.455-6.83 |
| GICS sector | Diversified Financials |

Price Performance

| | (1m) | (3m) | (12m) |
|----------------|-------|-------|-------|
| Price (A\$) | 5.30 | 5.75 | 4.52 |
| Absolute (%) | 25.66 | 15.83 | 47.35 |
| Rel market (%) | 14.31 | 7.59 | 37.44 |

Absolute Price



SOURCE: IRESS

Leverage finally coming through

AMP has delivered the FY14 result it had to have, with underlying profit up 23% vs pcp (within 1% of our estimate), a 2% increase in underlying ROE, a 2cps higher final dividend bringing it to 13.5cps with higher franking at 80% (vs our 70% estimate). This is a good result as there is broad growth across the business, a continued recovery in the Life Company and with robust net-flows and closing FUM and FUA.

Further, the strong result has come ahead of the recent 10%+ market rally, boding well for the current half. We believe the positive re-rating in AMP will continue, supported by meaningful cost-reduction, organic revenue growth and a recovery in the Life business. Maintain our Buy recommendation with a higher Price Target of \$7.50 per share (previously \$7.00 per share).

Result highlights

- Underlying Profit of \$1,045m, 0.8% below our \$1,053m estimate, up 23% vs pcp
- Reported NPAT of \$884m compares to our \$863m estimate and consensus of \$828m
- A 2cps higher final dividend of 13.5cps (80% franked) vs our 14.0cps estimate (70% franked), and compares to 11.5cps pcp
- The all-important net-flows on AMP Platforms closed the year with \$3.4 billion in flows vs our \$3.5 billion estimate

Earnings revisions

Following the FY14 result we have slightly upgraded our underlying EPS in FY15 and FY16 by 0.2% and 0.9% respectively. Our Buy recommendation remains unchanged and our new price target of \$7.50 per share (previously \$7.00) is higher based on our valuation being rolled forward by a year (given year end).

Earnings Forecast

| Year end December 31 | 2014 | 2015e | 2016e | 2017e |
|--------------------------|-------|-------|-------|-------|
| NPAT (reported) (A\$m) | 884 | 1011 | 1174 | 1259 |
| NPAT (underlying) (A\$m) | 1045 | 1164 | 1281 | 1349 |
| EPS (underlying) (cps) | 35.0 | 39.0 | 43.0 | 22.4 |
| EPS growth (%) | 23% | 11% | 10% | 6% |
| PER (x) | 19.0 | 17.1 | 15.5 | 14.9 |
| P/BV (x) | 2.3 | 2.3 | 2.2 | 2.2 |
| Net DPS (cps) | 26.0 | 29.0 | 32.0 | 17.0 |
| Yield (%) | 3.9% | 4.4% | 4.8% | 5.1% |
| Franking (%) | 75% | 80% | 80% | 80% |
| Payout ratio (%) | 74% | 74% | 75% | 75% |
| Coverage ratio (x) | 2.2 | 2.2 | 2.2 | 2.2 |
| ROE (%) | 12.8% | 14.1% | 15.1% | 15.4% |
| ROA (%) | 0.8% | 0.8% | 0.9% | 0.9% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

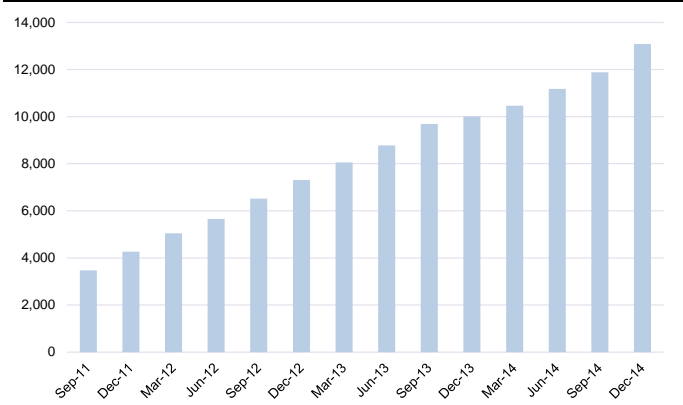
Result Highlights

Broad traction across the business

AMP's FY14 result highlights include:

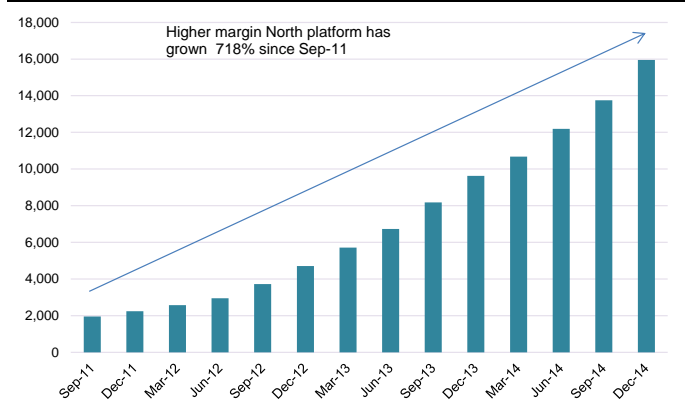
- Underlying Profit of \$1,045m, 0.8% below our \$1,053m estimate, up 23% vs pcp (within 1% of our estimate and slightly ahead of consensus);
- Reported NPAT of \$884m compares to our \$863m estimate and consensus of \$828m;
- Underlying ROE up 2% to 12.7%;
- A 2cps higher final dividend of 13.5cps (80% franked) vs our 14.0cps estimate (70% franked), and compares to 11.5cps pcp;
- Excess capital at \$2 billion;
- The all-important net-flows on AMP Platforms closed the year with \$3.4 billion in flows vs our \$3.5 billion estimate;
- Closing FUM for AMP retail platforms of \$70,525m slightly above our estimate;
- AMP Capital, Wealth Protection and Mature was largely in line with our estimates;
- Australian Wealth Management slightly below; and
- New Zealand and AMP Bank ahead of our estimates.

Figure 1 - AMP Flexible Super FUM (\$m)



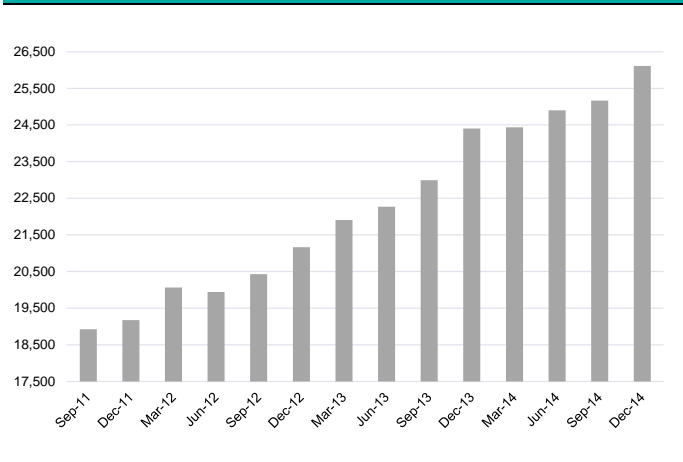
SOURCE: COMPANY DATA

Figure 2 - North FUM (\$m)



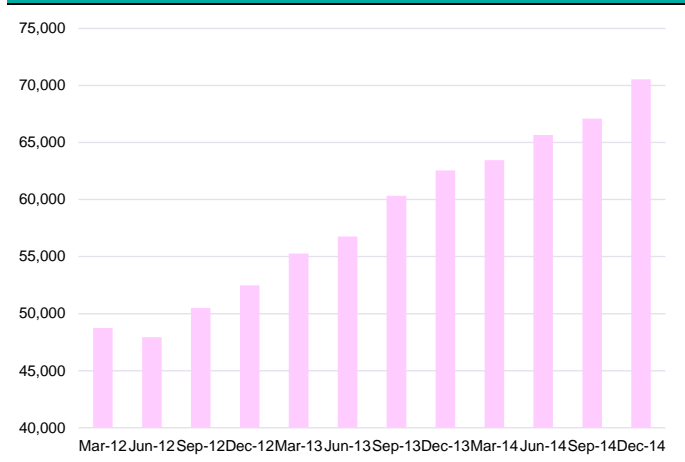
SOURCE: COMPANY DATA

Figure 3 - Total Corporate Super FUM (\$m)



SOURCE: COMPANY DATA

Figure 4 - Total AMP Retail FUM (\$m)



SOURCE: COMPANY DATA

Valuation and earnings revisions

Sum-of-parts and DCF valuation

We value AMP using a sum-of-parts and a DCF methodology. We reiterate our Buy recommendation with a new price target of \$7.50 per share (previously \$7.00) based on our valuation below. The increase in Price Target is attributed to rolling our valuation forward by one year, and from a slight earnings upgrade as noted below.

Figure 5 - Valuation

| | Method | (\$m) |
|------------------------------|-------------------------------------|---------------|
| AFS Mature | AV | 2,168 |
| AFS Wealth Protection | AV | 5,342 |
| AFS NZ | AV | 1,466 |
| AMP Bank | PE multiple - 15.0x | 1,365 |
| AFS Wealth Management | AV | 8,235 |
| AMP Capital Investors | PE multiple - 15.0x | 1,718 |
| Group Debt | | -1,458 |
| Group Other Capital | | 1,215 |
| Outstanding tax loss benefit | | 110 |
| Efficiency project | Based on remaining | 721 |
| Cost of efficiency project | Based on remaining | -77 |
| Group office | | -496 |
| | | 20,309 |
| | Share count (No.): | 2,958 |
| | S.O.P. value (\$): | 6.87 |
| | DCF value (\$): | 8.05 |
| | Simple average S.O.P. and DCF (\$): | 7.46 |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Earnings changes accounting for mark-to-markets

Following the FY14 result we have slightly upgraded our underlying EPS in FY15 and FY16 by 0.2% and 0.9% respectively. Higher earnings in

Figure 6 - Earnings revisions

| Earnings Revisions | FY14 (actual) | FY14 (previous) | % Change | FY15e (new) | FY15e (previous) | % Change | FY16e (new) | FY16e (previous) | % Change |
|------------------------|------------------|--------------------|----------|----------------|---------------------|----------|----------------|---------------------|----------|
| EPS (underlying) (cps) | 35.3 | 35.3 | 0.1% | 39.0 | 39.0 | 0.2% | 43.0 | 42.6 | 0.9% |
| Dividend (cps) | 26.0 | 26.5 | -1.9% | 29.0 | 30.0 | -3.3% | 32.0 | 32.0 | 0.0% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Other assumptions and interim numbers

Figure 8 - AMP Capital AUM and net-flows

| | 2013a | 1H14a | 2H14a | 2014a | 1H15e | 2H15e | 2015e | 1H16f | 2H16f | 2016f |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Dec-13 | Jun-14 | Dec-14 | Dec-14 | Jun-15 | Dec-15 | Dec-15 | Jun-16 | Dec-16 | Dec-16 |
| AMP Capital Investors Key Assumptions | | | | | | | | | | |
| Closing AUM (\$Ab) | 140.2 | 144.4 | 151.5 | 151.5 | 158.9 | 162.6 | 162.6 | 166.5 | 170.4 | 170.4 |
| Average AUM - Internal (A\$b) | 95.5 | 100.7 | 102.4 | 101.6 | 107.1 | 110.7 | 108.9 | 112.8 | 114.9 | 113.8 |
| Average AUM - External (A\$b) | 38.3 | 41.7 | 44.5 | 43.1 | 48.1 | 50.1 | 49.1 | 51.8 | 53.5 | 52.7 |
| AUM based management fees to AUM - internal (bps) | 21.0 | 21.3 | 22.2 | 21.8 | 21.5 | 22.2 | 21.9 | 21.5 | 22.2 | 21.9 |
| AUM based management fees to AUM - external (bps) | 48.0 | 45.5 | 45.0 | 45.2 | 45.5 | 45.0 | 45.2 | 45.5 | 45.0 | 45.2 |
| Total external (\$m) | | | | | | | | | | |
| Opening balance | 38,071 | 40,348 | 43,635 | 40,348 | 46,884 | 49,253 | 46,884 | 50,932 | 52,644 | 50,932 |
| Net-flows | -1,039 | 1,642 | 2,081 | 3,723 | 872 | 872 | 1,744 | 872 | 872 | 1,744 |
| Market performance/other | 3,316 | 1,645 | 1,168 | 2,813 | 1,497 | 807 | 2,304 | 841 | 876 | 1,716 |
| Closing balance | 40,348 | 43,635 | 46,884 | 46,884 | 49,253 | 50,932 | 50,932 | 52,644 | 54,392 | 54,392 |
| Total Internal (\$m) | | | | | | | | | | |
| Opening balance | 90,516 | 99,870 | 100,799 | 99,870 | 104,588 | 109,658 | 104,588 | 111,689 | 113,822 | 111,689 |
| Net-flows | -3,136 | -1,598 | -2,261 | -3,859 | -410 | -429 | -839 | -410 | -429 | -839 |
| Market performance/other | 12,490 | 2,527 | 6,050 | 8,577 | 5,480 | 2,459 | 7,940 | 2,544 | 2,632 | 5,176 |
| Closing balance | 99,870 | 100,799 | 104,588 | 104,588 | 109,658 | 111,689 | 111,689 | 113,822 | 116,026 | 116,026 |
| Total AMPCI (\$m) | | | | | | | | | | |
| Opening balance | 128,587 | 140,218 | 144,434 | 140,218 | 151,472 | 158,911 | 151,472 | 162,620 | 166,467 | 162,620 |
| Net-flows | -4,175 | 44 | -180 | -136 | 462 | 443 | 905 | 462 | 443 | 905 |
| Market performance/other | 15,806 | 4,172 | 7,218 | 11,390 | 6,977 | 3,266 | 10,243 | 3,384 | 3,508 | 6,892 |
| Closing balance | 140,218 | 144,434 | 151,472 | 151,472 | 158,911 | 162,620 | 162,620 | 166,467 | 170,418 | 170,418 |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 9 - Contemporary Protection key statistics

| | 2013a | 1H14a | 2H14a | 2014a | 1H15e | 2H15e | 2015e | 1H16f | 2H16f | 2016f |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-13 | Jun-14 | Dec-14 | Dec-14 | Jun-15 | Dec-15 | Dec-15 | Jun-16 | Dec-16 | Dec-16 |
| Contemporary Wealth Protection | | | | | | | | | | |
| Australia | | | | | | | | | | |
| Individual risk AFI (A\$m) | 1,448 | 1,453 | 1,498 | 1,498 | 1,520 | 1,596 | 1,596 | 1,620 | 1,701 | 1,701 |
| Group risk AFI (A\$m) | 366 | 368 | 438 | 438 | 445 | 498 | 498 | 505 | 526 | 526 |
| New Zealand | | | | | | | | | | |
| Individual risk AFI (A\$m) | 277 | 279 | 285 | 285 | 284 | 287 | 287 | 279 | 293 | 293 |
| Individual risk AFI (NZ\$m) | 301 | 301 | 298 | 298 | 301 | 310 | 310 | 301 | 322 | 322 |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 10 - Interim earnings

| INTERIM EARNINGS | 2013 | 1H14 | 2H14 | 2014 | 1H15e | 2H15e | 2015e | 1H16e | 2H16e | 2016e | 1H17e | 2H17e | 2017e |
|---------------------------------|------------|------------|------------|--------------|------------|------------|--------------|------------|------------|--------------|------------|------------|--------------|
| Ye December 31 (\$m) | | | | | | | | | | | | | |
| AMP AFS | | | | | | | | | | | | | |
| - Wealth Management | 330 | 183 | 191 | 374 | 186 | 190 | 376 | 190 | 192 | 382 | 191 | 195 | 386 |
| - AMP Bank | 83 | 42 | 49 | 91 | 52 | 54 | 106 | 58 | 60 | 118 | 64 | 66 | 130 |
| - Wealth Protection | 64 | 91 | 97 | 188 | 104 | 113 | 217 | 119 | 125 | 244 | 126 | 132 | 259 |
| - Mature | 178 | 87 | 87 | 174 | 80 | 78 | 158 | 78 | 77 | 155 | 76 | 75 | 151 |
| - New Zealand | 97 | 55 | 55 | 110 | 60 | 53 | 105 | 53 | 55 | 108 | 51 | 56 | 107 |
| AMP Financial Services | 752 | 458 | 479 | 937 | 482 | 489 | 962 | 498 | 509 | 1,008 | 509 | 524 | 1,032 |
| AMP Capital Investors | 99 | 57 | 58 | 115 | 64 | 71 | 135 | 68 | 76 | 143 | 72 | 80 | 152 |
| Total AMP BU earnings | 851 | 515 | 537 | 1,052 | 546 | 560 | 1,097 | 566 | 585 | 1,151 | 580 | 604 | 1,184 |
| AMP Group Office Cost | 62 | 32 | 30 | 62 | 31 | 30 | 61 | 32 | 30 | 62 | 32 | 30 | 62 |
| Total Group Office Cost | 62 | 32 | 30 | 62 | 31 | 30 | 61 | 32 | 30 | 62 | 32 | 30 | 62 |
| Remaining efficiency proj.** | 0 | 0 | 0 | 0 | 23 | 23 | 46 | 49 | 49 | 98 | 65 | 49 | 114 |
| Total Operating Earnings | 789 | 483 | 507 | 990 | 538 | 553 | 1,091 | 583 | 604 | 1,187 | 613 | 623 | 1,236 |
| Total Investment Earnings | 135 | 69 | 63 | 132 | 67 | 72 | 139 | 77 | 82 | 159 | 87 | 92 | 179 |
| AMP Interest expense | 75 | 42 | 35 | 77 | 33 | 33 | 66 | 33 | 33 | 66 | 33 | 33 | 66 |
| AMP tax loss recognition | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Underlying profit | 849 | 510 | 535 | 1,045 | 572 | 592 | 1,164 | 628 | 653 | 1,281 | 667 | 682 | 1,349 |
| Total adj ext timing diff | 10 | -24 | 72 | 48 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Integration costs | -96 | -60 | -60 | -120 | -35 | -28 | -63 | -11 | -7 | -18 | 0 | 0 | 0 |
| Acquisition amortisation | -91 | -44 | -45 | -89 | -45 | -45 | -90 | -45 | -45 | -90 | -45 | -45 | -90 |
| Total timing diff adj | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported profit | 672 | 382 | 502 | 884 | 492 | 519 | 1,011 | 573 | 601 | 1,174 | 622 | 637 | 1,259 |
| DPS (cps) | 23.0 | 12.5 | 13.5 | 26.0 | 14.0 | 15.0 | 29.0 | 16.0 | 16.0 | 32.0 | 17.0 | 17.0 | 34.0 |
| Franking | 70% | 70% | 80% | 75% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | 80% | 80% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

AMP overview

Company description

AMP is a leading wealth management company in Australia and New Zealand. The company specialises in superannuation, investments, financial planning, life insurance as well as banking. The group was demutualised and listed on the ASX and NZX in 1998, and the demerger of what is now known as the Henderson Group followed in 2003. The last major transaction includes the acquisition of AXA Asia Pacific's Australia and New Zealand Operations at the end of March 2011.

AMP has three core businesses, AMP Contemporary Wealth Management (CWM), AMP Capital Investors (the investment management arm) and AMP SMSF.

Investment Strategy

We believe in the wealth management theme as revenue drivers turn positive, specifically higher levels of FUM through higher market levels, improving asset mix and a return of net flows. In addition, we believe there are significant synergies on offer following the AXA transaction.

Risks

We see the main risks for AMP as:

- **Regulatory risk** – There have been three recent reviews in Australia tackling the superannuation landscape with a focus on financial planners' remuneration structures.
- **Key people risk** – Similar to other wealth management business, the loss of any key investment personnel may result in the loss of investment mandates;
- **Performance risk** – Investors are wary of investment managers that charge active management fees and that have underperformed the index over a prolonged period of time. It is important for AMP to maintain reputable performance metrics across its product offering; and
- **Financial Advice risk** – On the back of Storm Financial, Managed Investment Schemes and other well-known collapses in the industry, there is an added focus on any unsavoury practices and AMP will do well to steer clear of any negative headlines.

Table 1 - Financial summary

| AMP* | | | | | | Price Target (A\$) | 7.50 | Share Price (A\$) | 6.66 | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|--|--------------|-------------------|--------------|--------------|--------------|
| | | | | | | Recommendation: | Buy | Market Cap (A\$M) | 19,517 | | |
| INCOME STATEMENT | | | | | | VALUATION DATA | | | | | |
| Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e | Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e |
| AMP AFS | | | | | | Underlying NPAT (\$m) | 849 | 1,045 | 1,164 | 1,281 | 1,349 |
| - Wealth Management | 330 | 374 | 376 | 382 | 386 | EPS - underlying (cps) | 28.6 | 35.0 | 39.0 | 43.0 | 22.4 |
| - AMP Bank | 83 | 91 | 106 | 118 | 130 | - Growth (%) | -13.3 | 23.3 | 11.1 | 10% | 6% |
| - Wealth Protection | 64 | 188 | 217 | 244 | 259 | P/E ratio (times) | 23.3 | 19.0 | 17.1 | 15.5 | 14.9 |
| - Mature | 178 | 174 | 158 | 155 | 151 | Reported profit after tax (\$m) | 672 | 884 | 1011 | 1174 | 1259 |
| - New Zealand | 97 | 110 | 105 | 108 | 107 | EPS - reported (cps) | 22.6 | 29.6 | 33.9 | 39.3 | 20.8 |
| AMP Financial Services | 752 | 937 | 962 | 1,008 | 1,032 | - Growth (%) | -6% | 31% | 14% | 16% | 9% |
| AMP Capital Investors | 99 | 115 | 135 | 143 | 152 | P/Book ratio (times) | 2.4 | 2.3 | 2.3 | 2.2 | 2.2 |
| Total AMP BU earnings | 851 | 1,052 | 1,097 | 1,151 | 1,184 | Net DPS (cps) | 23.0 | 26.0 | 29.0 | 32.0 | 17.0 |
| Total Group Office Cost | 62 | 62 | 61 | 62 | 62 | Yield (%) | 3.5% | 3.9% | 4.4% | 4.8% | 5.1% |
| Remaining efficiency project ** | | 0 | 46 | 98 | 114 | Franking (%) | 70% | 75% | 80% | 80% | 80% |
| Total Operating Earnings | 789 | 990 | 1,091 | 1,187 | 1,236 | Payout (%) | 81% | 74% | 74% | 75% | 75% |
| Total Investment Earnings | 135 | 132 | 139 | 159 | 179 | PROFITABILITY RATIOS | | | | | |
| AMP Interest expense | 75 | 77 | 66 | 66 | 66 | Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e |
| AMP tax loss recognition | 0 | 0 | 0 | 0 | 0 | Return on assets (%) | 0.7% | 0.8% | 0.8% | 0.9% | 0.9% |
| Underlying profit | 849 | 1,045 | 1,164 | 1,281 | 1,349 | Return on equity (%) | 10.9% | 12.8% | 14.1% | 15.1% | 15.4% |
| Total mkt adj, mismatch, other | 10 | 48 | 0 | 0 | 0 | DIVISIONAL | | | | | |
| Integration costs | -96 | -120 | -63 | -18 | 0 | Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e |
| Acquisition amortisation | -91 | -89 | -90 | -90 | -90 | AMP AFS | | | | | |
| M&A transaction costs | 0 | 0 | 0 | 0 | 0 | - Wealth Management (including AMP Bank) | | | | | |
| Reported profit | 672 | 884 | 1,011 | 1,174 | 1,259 | Investment related | 1,127 | 1,212 | 1,328 | 1,421 | 1,515 |
| BALANCE SHEET | | | | | | Bank related | 219 | 246 | 269 | 287 | 305 |
| Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e | Other (product & platform fees) | 106 | 102 | 114 | 129 | 137 |
| Cash & cash equivalents | 2,938 | 3,581 | 3,360 | 3,304 | 3,288 | Total revenue | 1,452 | 1,560 | 1,711 | 1,837 | 1,957 |
| Investment assets | 121,781 | 123,292 | 130,336 | 136,182 | 142,255 | Total variable costs | 303 | 330 | 371 | 407 | 444 |
| Intangibles | 4,136 | 4,042 | 4,042 | 4,042 | 4,042 | Controllable costs | 560 | 568 | 654 | 718 | 778 |
| Other | 4,369 | 3,940 | 3,940 | 3,940 | 3,940 | Operating earnings | 413 | 465 | 482 | 500 | 516 |
| Total assets | 133,224 | 134,855 | 141,679 | 147,468 | 153,525 | Underlying Investment Income | 21 | 19 | 20 | 25 | 29 |
| Borrowings | 16,243 | 16,502 | 16,502 | 16,502 | 16,502 | - Wealth Protection | | | | | |
| Policy liabilities | 101,780 | 102,908 | 109,534 | 115,066 | 120,840 | Profit margins | 199 | 187 | 215 | 238 | 255 |
| Other | 7,001 | 7,060 | 7,060 | 7,060 | 7,060 | Experience profits/(losses) | -87 | -1 | 2 | 6 | 4 |
| Total liabilities | 125,024 | 126,470 | 133,096 | 138,628 | 144,402 | Operating earnings | 64 | 188 | 217 | 244 | 259 |
| Shareholders equity | 8,090 | 8,186 | 8,384 | 8,641 | 8,924 | Underlying investment income | 47 | 50 | 58 | 66 | 76 |
| Minority interests | 110 | 199 | 199 | 199 | 199 | - Mature | | | | | |
| Total Equity | 8,200 | 8,385 | 8,583 | 8,840 | 9,123 | Profit margins (\$m) | 177 | 168 | 158 | 153 | 149 |
| CAPITAL CALCULATIONS | | | | | | Experience profits/(losses) | 1 | 6 | 0 | 2 | 2 |
| Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e | Operating earnings \$m | 178 | 174 | 158 | 155 | 151 |
| Shareholders equity | 8,090 | 8,186 | 8,384 | 8,641 | 8,924 | Underlying investment income | 20 | 18 | 18 | 18 | 18 |
| Accounting mismatch | 110 | 160 | 160 | 160 | 160 | - New Zealand | | | | | |
| Total AMP shareholders eq. | 8,200 | 8,346 | 8,544 | 8,801 | 9,084 | Profit margins (A\$m) | 79 | 88 | 103 | 106 | 106 |
| Corporate debt | 1,928 | 1,458 | 1,458 | 1,458 | 1,458 | Experience profits/(losses) A\$m | -1 | 3 | 2 | 2 | 1 |
| Total Capital resources | 10,128 | 9,804 | 10,002 | 10,259 | 10,542 | Operating earnings A\$m | 97 | 110 | 105 | 108 | 107 |
| Intangibles deducted | 3,857 | 3,844 | 3,844 | 3,844 | 3,844 | Underlying investment income | 14 | 19 | 20 | 21 | 22 |
| Tangible capital resource | 6,271 | 5,960 | 6,158 | 6,415 | 6,698 | AMP Capital Investors | | | | | |
| Senior debt and other deductions | -2,573 | -2,310 | -2,310 | -2,310 | -2,310 | Internal AUM based fees | 200 | 221 | 238 | 249 | 259 |
| Regulatory capital | 3,698 | 3,650 | 3,848 | 4,105 | 4,388 | External AUM based fees | 184 | 195 | 222 | 238 | 254 |
| Min. Regulatory Capital (MRR) | 1,618 | 1,663 | 1,782 | 1,882 | 1,987 | Non-AUM based fees | 56 | 60 | 65 | 68 | 71 |
| Excess capital above MRR | 2,080 | 1,987 | 2,066 | 2,223 | 2,400 | Performance and transaction fees | 33 | 36 | 56 | 59 | 62 |
| Coverage ratio (x) | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | Total fee income | 473 | 512 | 581 | 614 | 646 |
| Closing shares (m) | 2,958 | 2,958 | 2,958 | 2,958 | 2,958 | Operating earnings | 99 | 115 | 135 | 143 | 152 |
| Fully diluted weighted average | 2,973 | 2,983 | 2,983 | 2,983 | 2,983 | Underlying investment income | 5 | 4 | 5 | 5 | 6 |
| ASSUMPTIONS | | | | | | ASSUMPTIONS | | | | | |
| | | | | | | Ye December 31 (\$m) | 2013 | 2014 | 2015e | 2016e | 2017e |
| | | | | | | AUD/NZD | 1.16 | 1.08 | 1.07 | 1.09 | 1.14 |
| | | | | | | Closing AFS AUM (\$b) | 101.9 | 110.9 | 126.5 | 139.8 | 155.0 |
| | | | | | | Closing ACI AUM (\$b) | 140.2 | 151.5 | 162.6 | 170.4 | 178.7 |

** Synergy expectations are for the forecast period only, actual achieved synergies are captured in relevant business unit, as is the case for the efficiency project and AXA synergies

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

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