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AMP Financial Services reports Q3 2008 cashflows

AMP Financial Services (AFS) today reported cashflows for the third quarter to 30 September 2008.

Assets under management (AUM) for AMP's key AUM driven businesses, AFS Contemporary Wealth Management and AMP Capital Investors are also included in this release.

Total net AFS cashflows increased \$419 million to \$414 million in Q3 2008 compared to net outflows of \$5 million in Q3 2007.

AMP Financial Services Managing Director Craig Meller said Q3 2008 cashflows reflected a continuation of the trends seen in the first half of 2008. As a result of the volatile investment markets, retail cash inflows were impacted by lower discretionary contributions although the business continued to experience solid flows in Contemporary Wealth Protection and AMP Financial Services New Zealand.

Net cashflows were also positively impacted by lower outflows in Q3 2008 following the higher than normal outflows in Q3 2007 resulting from legislative changes, which saw members delaying retirement until post 1 July 2007.

Mr Meller said Corporate Super also performed well, benefiting from a higher proportion of mandated superannuation contributions as well as a significant mandate win.

Overall persistency for AMP Financial Services, excluding internal product flows, improved to 89.5 per cent, compared to 87.4 per cent in Q3 2007.

Retail superannuation and allocated pensions/annuities

- Total retail super and pensions/annuities inflows fell 43 per cent to \$1.68 billion in Q3 2008 compared to \$2.95 billion in the corresponding 2007 quarter, largely due to a drop in discretionary contributions resulting from poorer consumer and investor sentiment. Q3 2007 inflows also benefited from the abnormally high number of members transitioning to retirement in Q3 2007 as cash flowed out of retail superannuation into pension/annuity products in that quarter.

- The fall in inflows was offset by improved outflows for Q3 2008 which fell 44 per cent to \$1.46 billion compared to \$2.59 billion in the previous corresponding quarter which was impacted primarily by the high transitions to retirement.
- Retail superannuation external persistency (excluding internal product flows) was 90.6 per cent – a slight increase from 89.0 per cent in Q3 2007. External persistency for allocated pensions/annuities in Q3 2008 was 86.7 per cent, up significantly from 79.8 per cent in Q3 2007.

Corporate superannuation

Corporate superannuation net cashflows increased \$149 million to \$17 million for Q3 2008 (excluding mandate wins) mainly due to a reduction in cash outflows.

- Including mandate wins, total corporate super inflows increased 59 per cent to \$1.03 billion for the quarter, compared with \$647 million for Q3 2007.
- Corporate super outflows improved 16 per cent with \$652 million in outflows in Q3 2008 compared to \$779 million in Q3 2007.
- External persistency in the quarter was 93.6 per cent, compared with 92.1 per cent in Q3 2007.

Mature products

- Net cash outflows for Q3 2008 were \$276 million, a 38 per cent improvement on the previous corresponding quarter.
- This was mainly due to a 30 per cent improvement in cash outflows for the quarter reflecting lower volumes compared to Q3 2007 and depressed market conditions, which reduced outflows from capital guaranteed products.

New Zealand

- Net cashflows increased by \$80 million to \$41 million in Q3 2008 reflecting the ongoing positive impact on the New Zealand business of the Kiwisaver scheme.
- Cash inflows for the quarter were \$214 million, a \$67 million or 46 per cent increase on Q3 2007. Cash outflows fell slightly to \$173 million compared to \$186 million in the previous corresponding quarter.

Channel flows

AMP Financial Planning net cashflows were \$76 million for Q3 2008 compared to \$217 million for the previous corresponding quarter.

- Inflows for the quarter were \$2.08 billion, a 41 per cent reduction to Q3 2007, which had inflows of \$3.5 billion. This reflects a significant fall in discretionary superannuation contributions and Q3 2007 flows impacted by legislative driven transitions to retirement.
- Cash outflows improved 39 per cent to \$2.0 billion in Q3 2008 compared to \$3.3 billion for the previous corresponding quarter. Q3 2007 outflows were unusually high because of the large number of transitions to retirement. The improvement also reflects AMP planner focus on both customer retention and advice, which has limited outflows in the current volatile environment.

Hillross netflows for the quarter were \$39 million compared to \$89 million for the corresponding quarter, reflecting lower discretionary contributions due to ongoing market volatility.

Assets under management

AMP AFS Contemporary Wealth Management (CWM) average AUM was \$51.3 billion in Q3 2008 compared to \$55.8 billion in the previous corresponding quarter.

AMP Capital Investors (AMPCI) average AUM was \$101.5 billion¹ in Q3 2008, compared to \$111.8 billion in the previous corresponding quarter. This decline is mainly attributable to the investment market downturn since Q3 2007.

AMPCI closing AUM includes \$2.2 billion of CWM funds reallocated from direct external fund managers to the managers within AMPCI's multi-manager – Future Direction Funds.

There was no material change in the asset mix in Q3 2008 from that disclosed at 30 June 2008.

Outlook

Mr Meller said market volatility, which is impacting consumer and investor sentiment, is likely to continue to have an impact on the AFS business.

While current market conditions mean that delivering growth in the short term would be more challenging, Mr Meller said that AMP Financial Services is well placed and remains confident about the medium to long term outlook for the business.

Mr Meller added that the next two quarters are likely to benefit from a number of tender wins by the corporate superannuation business, totalling approximately \$200 million.

The attached tables contain AFS cashflows for the September 2008 quarter and assets under management for AMP's key AUM driven businesses.

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¹ AMPCI AUM consists of external and internally sourced AUM including a component of the AFS CWM AUM.

AMP Financial Services - Q3 08 cashflows

Cashflows by product (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	Q3 08	Q3 07	%Q3/Q3	Q3 08	Q3 07	%Q3/Q3	Q3 08	Q3 07	%Q3/Q3
Australian contemporary wealth management									
Retail superannuation ¹	1,117	1,601	(30.2)	1,154	2,196	47.4	(37)	(595)	93.8
Allocated pensions/annuities	562	1,350	(58.4)	303	398	23.9	259	952	(72.8)
Total retail superannuation and pensions/annuities	1,679	2,951	(43.1)	1,457	2,594	43.8	222	357	(37.8)
Retail investment	58	127	(54.3)	97	129	24.8	(39)	(2)	>100
Fixed term annuities	47	72	(34.7)	73	75	2.7	(26)	(3)	>100
External platforms ²	464	939	(50.6)	416	733	43.2	48	206	(76.7)
Total retail	2,248	4,089	(45.0)	2,043	3,531	42.1	205	558	(63.3)
Corporate superannuation	669	647	3.4	652	779	16.3	17	(132)	n/a
Corporate superannuation mandate wins ³	362	-	n/a	-	-	-	362	-	n/a
Total Australian contemporary wealth management	3,279	4,736	(30.8)	2,695	4,310	37.5	584	426	37.1
Total Australian contemporary wealth protection	159	144	10.4	94	94	-	65	50	30.0
Total Australian contemporary	3,438	4,880	(29.5)	2,789	4,404	36.7	649	476	36.3
Australian mature	175	205	(14.6)	451	647	30.3	(276)	(442)	37.6
Total Australia	3,613	5,085	(28.9)	3,240	5,051	35.9	373	34	>100
New Zealand	214	147	45.6	173	186	7.0	41	(39)	n/a
Total AFS cashflows	3,827	5,232	(26.9)	3,413	5,237	34.8	414	(5)	n/a
Cashflows by distribution channel									
AMP Financial Planning	2,082	3,519	(40.8)	2,006	3,302	39.2	76	217	(65.0)
Hillross (including Arrive and Magnify)	482	836	(42.3)	443	747	40.7	39	89	(56.2)
Corporate Superannuation - direct sales force	694	331	>100	281	319	11.9	413	12	>100
Centrally managed clients and other	162	186	(12.9)	267	340	21.5	(105)	(154)	31.8
3rd party distributors	193	213	(9.4)	243	343	29.2	(50)	(130)	61.5
Total Australia	3,613	5,085	(28.9)	3,240	5,051	35.9	373	34	>100
New Zealand	214	147	45.6	173	186	7.0	41	(39)	n/a
Total AFS cashflows	3,827	5,232	(26.9)	3,413	5,237	34.8	414	(5)	n/a

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

Australian contemporary wealth management and AMPCI - Q3 08 AUM

AUM (A\$b)	Q3 08	Q3 07	%Q3/Q3
Australian contemporary wealth management			
Q3 08 Closing AUM (including capital)	50.1	57.3	(12.5)
Q3 08 Average AUM (including capital)	51.3	55.8	(8.1)
AMPCI			
Q3 08 Closing AUM	101.6	113.4	(10.4)
Q3 08 Average AUM	101.5	111.8	(9.2)