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AMP update

AMP Limited today provided a market update on its expected 2008 profit, dividend, capital position and cashflows, ahead of the release of its full year results next Thursday, 19 February.

AMP expects its 2008 underlying profit to be around A\$800 million (FY 07 A\$882 million), which is in line with market expectations. Underlying profit is AMP's key measure of business profitability as it removes investment market volatility and is the earnings base from which the Board's decisions relating to dividends are derived.

"This is a solid result in a tough market," Mr Dunn said.

The AMP Board is likely to declare a final dividend of around 16c a share when it meets to review and approve the audited full year results for 2008 next week.

A final dividend of 16c would bring AMP's total dividend for 2008 to 38c a share, plus an additional 2c a share distributed in the first half of the year from the proceeds of the Cobalt/Gordian sale. Excluding the special Cobalt/Gordian dividend, this would mean a dividend payout ratio of around 90% of underlying profit.

Mr Dunn said AMP was providing early guidance on the likely dividend declaration because current market expectations were tracking higher than the expected outcome.

"When setting the dividend, as well as considering our dividend payout policy and expected future underlying profits, in these markets the Board also takes into account current cash earnings and the need to preserve capital and maintain AMP's balance sheet strength.

"We understand the impact a lower than expected dividend has on our large shareholder base, particularly when times are tough. But as a Board we recognise the need to make some tough calls in the short term to ensure the best long term outcomes for the company and our shareholders.

“In the current challenging environment, maintaining our balance sheet strength is a key priority and is in the best long term interests of our shareholders.”

Franking for the final dividend payment is expected to remain at 85%.

AMP remains strongly capitalised, with excess capital above minimum regulatory requirements at 31 December expected to be higher than both the pro forma guidance provided at the time of AMP's capital raising in November and the position at 30 June 2008.

“AMP remains a financially strong company, with a robust balance sheet, low gearing and high interest cover,” Mr Dunn said.

AMP's statutory profit is expected to be around A\$580 million (FY 07 A\$985 million including A\$171 million from Cobalt/Gordian, sold in 2007). This includes an expected investment income market adjustment loss of around A\$260 million. The estimated statutory profit also includes an annuity fair value loss which is offset by accounting mismatches and other adjustments.

The profit estimates in this statement are based on preliminary results for the full year to 31 December 2008. They are still subject to finalisation of the full year review process, including completion of the audit.

AMP also reported on its fourth quarter cashflows today. Total net cashflows in AMP Financial Services (AFS) for the three months to 31 December 2008 were A\$252 million, compared with A\$524 million in the fourth quarter of 2007. The fall reflected much lower discretionary superannuation contributions, in the wake of volatile investment markets and subdued investor sentiment. Employer superannuation contributions, however, remained steady, reflecting AMP's strong position in mandated superannuation.

“Our Contemporary Wealth Management business generated more than A\$2 billion in net cashflows in 2008, which is a strong result in a difficult market. These positive flows have seen our market share continue to grow over the year,” Mr Dunn said.

AMP will report its full year audited financial results on 19 February 2009.

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Analyst / media briefing

AMP CEO Craig Dunn and CFO Paul Leaming will host an analyst / media teleconference this morning at 9.30am.

Teleconference Details

To access the AMP analyst/media briefing via teleconference, please dial the number listed below before 9.30am (AEDT):

AUSTRALIA Tollfree 1800 730 020

International number for all other countries + 61 2 9696 0777

Helpline + 61 2 9696 0777 (all countries)

Playback facility: Available for seven days until COB 20 February 2009

Dial in number: Australian 1800 702 811 or International +61 2 8016 4509

Pin: 125008# - The replay will be available an hour after the briefing has finished.