

# AMP provides update ahead of FY 18 results announcement

25 January 2018



Dear shareholders

I wanted to provide you with an update on our expected earnings and final dividend for 2018, ahead of our full year results.

2018 was a challenging year for our business.

This will be reflected in our full year results, where we expect to report an underlying profit of around A\$680 million, and profit attributable to shareholders of approximately A\$30 million.

In considering the full year dividend, the Board took a number of factors into account, including the performance of the business, the related capital impacts and the uncertainties in the operating environment. As such, the Board anticipates that it will declare a final dividend of 4 cents per share.

## **2H 18 operating earnings**

For the second half of 2018, we expect to report total business unit operating earnings of approximately A\$220 million.

This includes a net operating loss of around A\$105 million in our Australian and New Zealand wealth protection and mature businesses, that we are selling to Resolution Life (as announced in October 2018). As recommended by our Appointed Actuary, we have adjusted our future assumptions for claims in these businesses, as well as set aside further capital.

Under the agreement of sale, Resolution Life assumed the risks and profits from 1 July 2018 but these must be included in our accounts until final settlement.

We firmly believe that this sale is the right outcome for our shareholders and customers and we expect the transaction to be completed in the second half of this year.

## **Advice remediation provision**

Last year, we announced that we were accelerating our advice remediation program to compensate customers in instances where they paid for advice that wasn't delivered or was inappropriate.

We are committed to prioritising this program to ensure that all impacted customers are appropriately compensated. To cover the program cost and lost earnings, we have

increased our pre-tax provision by A\$200 million. We previously disclosed an estimate, but it is now sufficiently reliable to include as a provision under the accounting standards.

### **Capital position**

The Board has been consistent in ensuring that AMP maintains its strong capital position. At the full year results, we expect to hold approximately A\$1.6 billion more capital than required by the regulator.

We have also reaffirmed our commitment to return the majority of the net cash proceeds received on settlement of the transaction with Resolution Life to shareholders, subject to unforeseen circumstances.

On 14 February 2019, I will provide further information on our business performance as well as our priorities to reset our business for the future.

We are committed to taking decisive action to transform our business and I look forward to sharing further detail on these initiatives with you.

David Murray