Media release

8 August 2019

AMP announces revised agreement for sale of AMP Life

AMP Limited today announces a revised agreement with Resolution Life, with updated terms, for the sale of AMP Life (the Australian and New Zealand wealth protection and mature businesses).

Revised agreement key terms

The revised agreement delivers a consideration of A$3.0 billion comprising:

- A$2.5 billion cash; and
- A$500 million equity interest (expected to be around 20 per cent) in Resolution Life Australia[1], a new Australian-domiciled, Resolution Life-controlled holding company that will become the owner of AMP Life.

Resolution Life will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all AMP Life net earnings during that period.

The sale is now expected to complete in 1H 20. AMP will continue to report the results of AMP Life through to completion of the transaction.

AMP and Resolution Life relationship

Resolution Life Australia represents a platform for continued growth and consolidation in the Australian and New Zealand in-force life insurance market. From completion, AMP's 20 per cent interest will provide an ongoing entitlement to an equivalent share of the new company's earnings and distributions (including franking credits as appropriate). AMP has the right, but not the obligation, to subscribe additional capital in future to maintain its 20 per cent holding.

Resolution Life Australia will benefit from AMP's history and experience in the Australian and New Zealand life insurance market.

Policyholder interests have been paramount throughout the transaction. All customers terms and conditions will remain unchanged.

Regulatory approvals

The agreement remains subject to regulatory approvals in Australia, New Zealand and China.

AMP and Resolution Life are engaging constructively with regulators in New Zealand and Australia and are continuing to work productively with the Reserve Bank of New Zealand to address their requirements for change in control.

[1] Resolution Life NOHC Pty Ltd

Public Affairs
T 02 9257 6127
E media@amp.com.au
W AMP.com.au/media
AMP_AU

AMP Limited
33 Alfred Street, Sydney NSW 2000 Australia
ABN 49 079 354 519

Given the strategic importance of AMP's partnership with China Life, AMP is seeking to transfer its holding in China Life Pension Company from AMP Life to AMP Limited. AMP will continue to work with China Life to achieve the necessary regulatory approvals for this transfer within the timeframes required by the sale agreement.

Assessment of alternative options

The AMP Limited Board assessed the revised transaction terms from Resolution Life against a range of alternative options including: retention, demerger of AMP Life and the separation and sale of individual AMP Life business units.

The Board considers that the sale of AMP Life delivers the best outcome for policyholders, the company and its shareholders. The Board believes the agreement represents a fair valuation, given the significant impact of the Protecting Your Super legislation, the impact of best estimate assumptions since 1 July 2018 and the current legislative and regulatory environment. The sale also delivers a significantly higher cash consideration.

The ASX has reconfirmed that shareholder approval is not required for the transaction (see Annexure A).

Financial and capital implications to AMP Limited

The cash proceeds of A$2.5 billion from the sale will be used to fund separation costs (which remain unchanged at A$320 million post tax), repay debt (A$800 million) and fund capital dis-synergies (A$160 million).

Following these actions, and the expected reduction in capital requirements that flow from the sale of a regulated life insurance company, AMP's proforma capital in excess of target surplus on completion will be approximately A$1.15 billion.

As a result of this transaction, AMP anticipates that the excess above target surplus will first be used to fund delivery of the new AMP strategy. Beyond this, AMP will assess all capital management options with the intent to return capital above target to shareholders, subject to unforeseen circumstances.

AMP reaffirms its commitment to remove stranded costs of A$40 million per annum and fully offset the financial impact of the unwinding of distribution arrangements of A$65 million per annum through actions from its new strategy.

Further details of the transaction are provided in the Investor Pack (Section two: AMP Life Update: pages 18 – 25).

Media enquiries

Lachlan Johnston: +61 466 026 702
Catherine Woods: +61 477 320 333

Investor enquiries

Howard Marks: +61 2 9257 7109
Michael Vercoe: +61 2 9257 4244

Annexure A

The ASX assesses if a company has disposed of its main undertaking by reference to whether the divested business accounts for more than 50 per cent of the group having regard to four metrics. The ASX assesses these metrics on a 'rule of thumb' basis.

Prior to the announcement of the revised transaction, AMP provided information to the ASX on the four metrics based on the statutory accounts for the year to 31 December 2018, which showed the majority of the ASX metrics for the divested businesses represent less than 50 per cent on the basis of this rule of thumb test. The table below shows these percentages.

ASX Metrics	Divested Businesses as a percentage of AMP[2]		
	Based on statutory accounts year to 31 December 2017	Based on statutory accounts half year to 30 June 2018	Based on statutory accounts year to 31 December 2018
Consolidated revenue	34%	33%	51%[3]
Consolidated EBITDA	32%	26%[4]	(16%)
Segment profit after income tax	31%	20%	0%
Consolidated total assets	25%	23%	22%

The underlying profit of the divested businesses, as a percentage of the group, is also set out below:

	Divested Businesses as a percentage of AMP[2]		
	Based on year to 31 December 2017	Based on half year to 30 June 2018	Based on full year to 31 December 2018
Underlying profit	37%	24%	6%

[2] The Divested Businesses comprise the Australian and NZ wealth protection and mature businesses of AMP.
[3] The accounting for life insurance-backed superannuation funds requires the movements in member balances to be consolidated onto the AMP Group balance sheet and income statement. The large movement in investment markets between FY17 and FY18 (where investment markets grew strongly in FY17 compared to only modest growth in FY18), results in a large reduction in total revenue for the AMP Group in FY18 when compared to FY17. Hence the portion of revenue for the disposed businesses (which remained reasonably stable across this time period) is higher in FY18.
[4] Excludes the impact of below the line one-off provisions (including advice remediation and related costs, Royal Commission costs, and portfolio review and related costs) not allocated to any of the businesses.