



8 August 2019

New strategy to reset AMP as simpler, higher growth and higher return business focused on clients

AMP Limited today releases several significant announcements to reposition AMP as a simpler, client-led, higher growth and higher return business.

AMP strategy: New strategy to reinvent AMP as a contemporary wealth manager. Three-year investment program to fund growth, cost reductions and fix legacy issues. Strategy to build on core strengths and market positions with whole-of-wealth solutions. Cost reduction program to achieve A\$300 million annual run-rate savings by FY 22.

Portfolio update (AMP Life, New Zealand wealth management): Revised agreement to sell AMP Life to Resolution Life to help fund new strategy, simplify AMP and shift capital towards higher-growth businesses. Consideration of A\$3.0 billion (including A\$2.5 billion in cash and A\$500 million equity interest in Resolution Life Australia¹). Sale expected to complete in 1H 20. AMP to further localise New Zealand wealth management and explore options to divest.

1H 19 Results: Underlying profit of A\$309 million demonstrates strength of AMP Capital, resilient performance from AMP Bank. Client remediation on track for delivery on time and in line with initial estimate.

Impairment: AMP recognised a predominantly non-cash impairment of A\$2.35 billion (post tax) to reset the business, particularly Australian wealth management, and clean up the balance sheet; goodwill writedowns reflect new strategy with an approximate capital impact of A\$139 million (post tax).

Capital raising: A\$650 million capital raising via fully underwritten placement to institutional investors and additional share purchase plan for eligible retail investors. Proceeds used to commence the immediate implementation of new strategy, fund ongoing growth in core businesses, provide balance sheet strength ahead of AMP Life sale.

Capital position: Level 3 eligible capital above minimum regulatory requirements (MRR) A\$1.7 billion at 30 June 2019. Post the sale of AMP Life and the capital raising, the proforma eligible capital above MRR is expected to be A\$2.6 billion. AMP anticipates the excess above target surplus will first be used to fund delivery of new AMP strategy. Beyond this, AMP will assess all capital management options with the intent of returning the excess above target surplus to shareholders, subject to unforeseen circumstances.

¹ Resolution Life NOHC Pty Ltd

Dividend: The AMP Board has resolved not to declare a first half 2019 dividend, maintaining a consistent approach to capital management until the completion of the sale of AMP Life. Following completion, the Board intends to target a dividend payout ratio of 40-60 per cent of net profit after tax adjusted for non-cash items. The payment of any dividend will remain subject to the performance of the group and progress against the new strategy.

Full details of each initiative are provided in separate ASX releases with the investor pack supplied.

AMP Chief Executive Francesco De Ferrari said:

“2019 is a year of transition for AMP as we fundamentally reset and de-risk the business.

“The 1H 19 result reflects the challenges we’ve faced and our actions to address them including taking a predominantly non-cash impairment. The impairment doesn’t materially impact AMP’s financial stability and shouldn’t overshadow a resilient underlying performance, particularly from AMP Capital and AMP Bank, during the half.

“AMP Life’s result demonstrates the ongoing and structural volatility of life insurance and the impact of the Protecting Your Super legislation in Australia on both the wealth protection and mature businesses. Policyholders’ interests have been paramount through the sale process and they will continue to retain the terms and conditions of their existing policies. The transaction we’ve announced today also provides an increased cash component and increased certainty of execution.

“The capital raising and the AMP Life sale will provide the funds to implement immediately our new transformational strategy, which creates a simpler, higher-growth and higher-return AMP that’s focused on clients and ensures that our balance sheet will be unquestionably strong.

“We are reinventing our Australian business to deliver a proposition that fulfils client needs with whole-of-wealth solutions including banking. We will continue to grow AMP Capital through differentiated capabilities and international growth opportunities.

“Our businesses will be supported by a A\$1.0 billion – A\$1.3 billion program to invest in this transformation, which is focused on growth, cost reduction and tackling legacy issues. The business will be underpinned by a client-led, entrepreneurial and accountable culture.

“This strategy will put AMP on the path to sustainable, long-term value creation.”

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Important information

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