

AMP announces actions to reset business

27 July 2018



Dear shareholder

It is my privilege to write to you as AMP's new Chairman. For many years, I have held a deep regard for AMP, and the important role it plays in Australia and New Zealand's financial system.

This email is to provide you with an update on actions underway to reset the Australian business and prioritise customers, as well as on the half year results that will be announced on 8 August.

Accelerating client remediation

Earlier this year, AMP outlined that it was undertaking a detailed review of financial advice delivered, and fees charged across its Australian network. This is in response to an industry wide requirement from the Australian regulator. The review was expected to lead to higher remediation costs to pay for advice that customers didn't receive or wasn't appropriate.

We are now moving to accelerate that program. The complexity means that the program may take three years to complete, but we are committed to ensuring affected customers are compensated.

AMP is one of the first companies in the industry to announce a remediation program to cover both employed and aligned advisers. To cover the future cost, we expect to report a post-tax provision of A\$290 million.

We are deeply disappointed by cases where we have let our customers down and are working to ensure affected customers are appropriately compensated. Improvements have also been made to controls across our advice network, where the vast majority of advisers are dedicated professionals committed to meeting the advice needs of their customers.

Delivering better value for super customers through fee reductions

AMP recognises the importance of continuing to deliver a compelling and competitive offering to customers, and today we've announced fee reductions on Australian MySuper products that will benefit approximately 700,000 customers. The fee reductions will be implemented in the next few months and we'll be notifying customers. We believe AMP is well positioned to continue to compete in the growing superannuation sector.

Strengthening risk management and controls

Across the industry, there is a heightened level of regulatory and community expectations on financial services companies. As a business, we are committed to strengthening our systems and procedures, and will be working very actively across the organisation to do so.

Half year financial results expectations

AMP will report its half year financial results on 8 August. We expect to deliver a half year underlying profit in the range of A\$490-500 million. Underlying profit is AMP's preferred measure of profitability as it best reflects the performance of the business and is the basis from which the board determines dividends.

The first half net profit is expected to be reduced by the provision that we will take for advice remediation, as well as other one-offs, including costs related to the Financial Services Royal Commission.

This result demonstrates continued growth across the core businesses – Australian wealth management, AMP Bank and AMP Capital. However, that growth has been offset by the performance of the Australian life insurance business, where we have seen a deterioration in claims experience.

AMP maintains its strong financial position, and at the half year results, we expect to hold approximately A\$1.8 billion more capital than is required by the regulator. We have a dividend policy to pay out between 70% and 90% of underlying profit. We are targeting the full year dividend at the lower end of this range and will announce the half year dividend rate on 8 August.

As your new Chairman, I am committed to delivering improved outcomes for shareholders and today's announcement is an important first step in driving our long-term competitive advantage. I strongly believe that AMP has a promising future.

I will provide further information when we announce our half year financial results on 8 August.

David Murray
Chairman