



6 March 2023

Mr Elvis Onyura
Principal Adviser
Listings Compliance
Australian Securities Exchange
20 Bridge Street, Sydney NSW 2000

By email - ListingsComplianceSydney@asx.com.au

Dear Mr Onyura

AMP Limited ('AMP'): General – Aware Query

We refer to your letter of 28 February 2023 and respond as follows using the definitions in your letter and the numbering in your letter under the heading 'Request for Information'.

- 1 AMP does not consider the Information (comprising the 'FY 22 Results Announcements' in paragraph C of your letter), or any part of the Information, to be information that a reasonable person would expect to have a material effect on the price or value of its securities in light of the market's expectations as reflected in AMP's analysis of consensus (explained below). The FY 22 results announcements were nevertheless marked 'market sensitive' in accordance with classification under ASX Guidance Note 14.
- 2 AMP first became aware of the Information in the course of preparing and finalising its annual results which were approved by the Board on 16 February 2023 and then released to the market. As noted in the preceding paragraph, the results did not constitute an "earnings surprise" in the context of AMP's analysis of consensus (explained below).
- 3 The basis for AMP's view in paragraph 1 follows:
 - 3.1 **(Previous disclosure)** AMP provided its outlook for a number of key financial items for FY 22 in its 1H 22 Investor Presentation released on the ASX on 11 August 2022. AMP considers that this information:
 - on top of sell-side analysts' own standard assumptions; and
 - together with subsequent announcements, including the Impairments Announcement, was sufficient for the market (including sell-side analysts' models) to be fully informed of AMP's own expectations of AMP's underlying net profit after tax (NPAT) and statutory NPAT for the Relevant Reporting Period. This was in fact the outcome, where analysts updated their recommendations following AMP's announcements (discussed further below).

AMP has historically not provided express NPAT (either Statutory or Underlying) guidance and did not do so during FY 22 or prior to the release of the FY 22 results.

3.2 **(Measure of earnings – underlying NPAT and statutory NPAT)** Underlying NPAT remains AMP’s, and the market’s, preferred measure of sustainable profitability as it reflects the underlying performance of AMP’s business units. The consensus estimate for FY 22 earnings published by sell-side analysts is profit from ordinary activities after tax attributable to members on an underlying basis.

AMP’s statutory NPAT has shown more variability over recent periods due to:

- the timing of asset realisations, including the accounting for continuing operations and discontinued operations;
- the costs associated with the separation of those businesses; and
- the ongoing strategic transformation of AMP.

3.3 **(Market expectation of earning and consensus)** As set out in section 4 and 5 below, AMP used a consensus estimate of FY 22 earnings based on a sub-set of five mainstream sell-side analysts and only excluded the estimates of sell-side analysts where there was an objectively reasonable and appropriate reason for doing so - see paragraph 5.2 below. As set out in paragraphs 5.3 and 5.4 below, and adopting ASX’s guidance on materiality for this purpose,¹ AMP’s reported FY 22 earnings result was not materially different to the consensus estimate, albeit at the lower end of the range. AMP considers that the reported result was consistent with its understanding of market expectations.

3.4 **(Media)** The media article in the business section of *The Australian* on 17 February 2023 titled “AMP shares dive 13pc on profit miss” was, in AMP’s view, likely quoting a “consensus” produced by a third-party group that seeks to aggregate data and then sell it to investors and companies. It did not adjust for the fact that some analysts were including “discontinued” earnings of \$51m in underlying NPAT.² If this \$51m is added to AMP’s reported \$184m underlying NPAT, the result is \$235m, which is closely aligned with the \$227.8m “consensus” quoted in the article.

3.5 **(Other factors)** Feedback from the market, including some larger shareholders, would indicate that the 13.36% decline in AMP’s share price following AMP’s FY 22 results announcements was most likely driven by a combination of factors. These include:

- disappointment with the forward-looking commentary in the FY 22 results announcements around cost base improvements, the speed and extent of AMP’s capital return program, and the outlook for the Advice business (despite AMP having informed the market on most of these matters in previous announcements);
- a broader market view of headwinds for the banking market in particular, including a highly competitive mortgage market likely impacting future margins, inflation and economic stress in the housing market. Bank stocks fell between 3% and 7% over 15 and 16 February 2023 and the ASX200 Financials Index declined 3.4% following the release of CBA’s HY 23 results on 15 February 2023; and
- reported earnings being at the lower end of AMP’s view of consensus.

In addition, AMP notes that programmatic trading can also exacerbate trade volumes and sharp price movements.

In relation to the combination of factors outlined above, AMP explained in its FY 22 results briefings that:

¹ Per ASX Guidance Note 8 at paragraph 7.3(4)(b).

² Contrary to the disclosure in AMP’s 1H 22 Investor Report and 1H 22 Investor Presentation released on 11 August 2022.

- the speed of execution of, and any ability to increase, the already committed \$1.1b capital management program over and above what had already been indicated is currently constrained by a range of factors, including regulatory and shareholder approvals, the ability to deliver tax-effective returns to shareholders to the extent possible, and the need to maintain appropriate capital and liquidity (while recognising that they differ) in line with the prudential regulator's requirements; and
 - delivering a flat controllable cost outcome for FY 23 represents a material reduction in costs in the current inflationary environment. AMP notes it is not alone in providing such guidance and other companies, especially in financial services, have similarly guided.
- 4 AMP does not consider that its reported underlying NPAT or statutory NPAT differed materially from the market's expectations for AMP's FY 22 earnings for the Relevant Reporting Period, having regard to the earnings forecasts of the sub-set of sell-side analysts covering AMP that had factored into their models all information disclosed by AMP to the market.

5 The basis for AMP's view in paragraph 4 follows:

- 5.1 **(Market expectation of earnings – sell side analyst forecast)** AMP does not provide underlying or statutory earnings guidance. Accordingly, the most appropriate indicator of market expectations for AMP's FY 22 earnings was the earnings forecasts for the Relevant Reporting Period of sell-side analysts covering AMP.

Further, AMP is of the view that earnings in the prior corresponding period cannot be used as a guide as past performance was not considered a reliable indicator of likely earnings in FY 22.³ This is particularly so given the substantial transformation (including multiple asset sales) AMP has been executing over recent years and continues to execute.

- 5.2 **(Consensus estimate)** AMP reviewed a consensus estimate of FY 22 earnings based on a subset of five mainstream sell-side analysts that published estimated FY 22 underlying earnings ranging from \$186m to \$219m. It should be noted that AMP is covered by 9 mainstream sell-side analysts in total. However, AMP excluded from its consensus estimate of underlying NPAT and statutory NPAT the published estimated earnings of:
- one sell-side analyst covering AMP that was 'restricted' due to its investment banking relationship on a current AMP transaction and, consequently, had not kept its numbers updated since April 2022;
 - two sell-side analysts that were including in their estimated underlying earnings "discontinued" earnings from sold Collimate Capital (formerly known as AMP Capital) businesses. Those discontinued earnings were reported as \$51m in items below the line for FY 22; and
 - one sell-side analyst that had only recently initiated coverage – but was nonetheless within the range of the consensus estimate.

³ Per ASX Guidance Note 8 at paragraph 7.3(1).

5.3 **(Size of variance)** The reported and consensus estimates of FY 22 underlying NPAT and statutory NPAT (following the Impairment Announcement on 25 January 2023) were as follows.

	Consensus (\$m) ⁴	Reported (\$m)	Variance (\$m)	Variance (%)
Underlying NPAT	198	184	-14m	-7%
Statutory NPAT	448	387	-61m	-14%

5.4 **(Materiality)** Adopting ASX's guidance on materiality in ASX Guidance Note 8,⁵ the reported underlying NPAT result was not materially different to the consensus estimate and the statutory NPAT result was below 15% variance. AMP considers that there was a reasonable basis to believe that the reported result was within market expectations.

Importantly, three of the sub-set of five sell-side analysts on which AMP based its consensus estimate of FY 22 earnings had not updated the statutory NPAT number to take account of the impairment charges announced by AMP on 25 January 2023 in the Impairments Announcement, given proximity to AMP's FY results. Had those sell-side analysts updated their statutory NPAT estimates for the impairment charges, AMP's reported statutory NPAT would have been approximately 5% lower than the consensus estimate and well within ASX guidance.

6 AMP notes the following in relation to the Sale Announcement and Impairments Announcement and AMP's estimate of the market expectations:

6.1 **(Sale Announcement)** The Sale Announcement was confirmation of a previous announcement in April 2022. Namely, confirmation of the completion of the sale and transfer of the Collimate Capital international infrastructure equity business to DigitalBridge Group, Inc. This announcement was not marked 'market sensitive' by AMP.

The announcement of completion of this transaction had no impact on the results for FY 22 and will only be accounted for in FY 23. There was no expectation by AMP that there would be any inclusion of profit (or loss) on this transaction in the FY 22 reported results.

6.2 **(Impairments Announcement)** The Impairments Announcement disclosed that the impairment charges would result in a reduction of AMP's FY 22 statutory NPAT by \$68m but would not impact FY 22 underlying NPAT. Following the Impairments Announcement, and as outlined in paragraph 5.4 above, some but not all sell-side analysts covering AMP updated their estimates to include the announced impairment charges. Had all sell-side analysts updated their models, AMP's reported statutory NPAT would have been approximately 5% lower than the consensus estimate.

7 AMP does not consider that, at any point in time in the period between the release of the Impairments Announcement and the release of the FY 22 Results Announcements, the difference between AMP's expected FY 22 underlying NPAT or expected FY 22 statutory NPAT and market consensus (Variance) was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of AMP's securities.

8 The basis for AMP's answer in paragraph 7 is as set out in paragraphs 5.4 and 6.2 above.

⁴ As available, following the Impairments Announcement. Covers the five sell-side analysts referred to in paragraph 5.2 above.

⁵ Per ASX Guidance Note 8 at paragraph 7.3(4)(b).

9 Not applicable.

10 Not applicable.

11 AMP confirms that it is in compliance with the ASX Listing Rules, in particular, ASX Listing Rule 3.1.

12 AMP's responses to ASX's questions have been authorised and approved in accordance with its Market Disclosure Policy. AMP's Market Disclosure Committee has authorised this document to be given to ASX.

Yours sincerely

A handwritten signature in black ink, consisting of several fluid, overlapping loops and a long horizontal tail stroke extending to the right.

David Cullen

Group General Counsel & Company Secretary



28 February 2023

Reference: 68713

Mr David Cullen
Group General Counsel & Company Secretary
AMP Limited
Level 28
Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

By email

Dear Mr Cullen

AMP Limited ('AMP'): General – Aware Query

ASX refers to the following:

- A. The announcement entitled “AMP announces impairments to be recognised in FY 22” released on the ASX Market Announcements Platform ('MAP') at 8:57 AM AEDT on 25 January 2023 (the 'Impairments Announcement'), marked “market sensitive”.
- B. The announcement entitled “Sale of international infrastructure equity business completes” released on MAP at 8:34 AM AEDT on 3 February 2023 (the 'Sale Announcement'), marked “market sensitive”.
- C. The following announcements of AMP, all marked “market sensitive”:
 - the announcement entitled “Appendix 4E & 2022 Annual Report” released on MAP at 8:49 AM AEDT on 16 February 2023;
 - the announcement entitled “AMP FY22 Results” released on MAP at 8:54 AM AEDT on 16 February 2023;
 - the announcement entitled “FY22 Investor Report” released on MAP at 8:55 AM AEDT on 16 February 2023; and
 - the announcement entitled “Investor Briefing on FY22 Results” released on MAP at 8:56 AM AEDT on 16 February 2023,(collectively, the 'FY 22 Results Announcements'), in which AMP disclosed (amongst other things) that its net profit after tax ('NPAT') (underlying) for the financial year ended 31 December 2022 (the 'Relevant Reporting Period') was \$184 million and its NPAT (statutory) for the Relevant Reporting Period was \$387 million (collectively, the 'Information').
- D. The decline in the price of AMP's shares by 13.36% on 16 February 2023, from a closing price of \$1.31 on 15 February 2023 to a closing price of \$1.135 on 16 February 2023.
- E. The media article which appeared in the business section of The Australian on 17 February 2023 entitled “AMP shares dive 13pc on profit miss” which stated (amongst other things) that:

“ ... underlying profit fell to \$184m across the 12 months, down from \$280m the year prior, on the back of investment market volatility, repricing in wealth management businesses and net interest margin compression in AMP Bank. Analysts had expected statutory net profit to come in at \$480m and underlying net profit to print at \$227.8m.”

F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

I. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note (relevantly) states that:

"An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities". . .

"Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings". . .

Request for Information

Having regard to the above, ASX asks AMP to respond separately to each of the following questions and requests for information:

1. Does AMP consider the Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

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2. When did AMP first become aware of the Information?
 3. If the answer to question 1 is “no”, please advise the basis for that view.
 4. Does AMP consider that its NPAT (underlying) or NPAT (statutory) for the Relevant Reporting Period (or both), as disclosed in the FY 22 Results Announcements, differed materially from the market’s expectations of the relevant measure of AMP’s earnings for the Relevant Reporting Period, having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):
 - 4.1 If AMP had published earnings guidance for the Relevant Reporting Period, that guidance.
 - 4.2 If AMP is covered by sell-side analysts, the earnings forecasts of those analysts for the Relevant Reporting Period.
 - 4.3 If paragraphs 4.1 and 4.2 are not applicable, AMP’s earnings for the prior corresponding period, being the financial year ended 31 December 2021.
 5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how AMP determined market expectations of each relevant measure of its earnings for the Relevant Report Period, including:
 - 5.1 If AMP had published earnings guidance for the Relevant Reporting Period, details of that guidance and when it was released to the market.
 - 5.2 If AMP used sell-side analyst forecasts to estimate the market’s expectations of the relevant measure of its earnings for the Relevant Reporting Period, details of
 - 5.2.1 the method that AMP used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not AMP used a “consensus estimate” or an “adjusted consensus estimate” or a different specified approach for determining this estimate.
 6. For each of the following announcements:
 - 6.1 the Sale Announcement; and
 - 6.2 the Impairments Announcement,did AMP update its estimate of the market’s expectations of each relevant measure of its earnings for the Relevant Reporting Period following the release of the relevant announcement? If so, in relation to each announcement, what was AMP’s revised estimate of such market expectations and when did AMP first become aware of the relevant revised estimate?
 7. Does AMP consider that, at any point in time in the period between the release of the Impairments Announcement and the release of the FY 22 Results Announcements, the difference between:
 - 7.1 AMP’s expected NPAT (underlying) or expected NPAT (statutory) (or both of these measures) for the Relevant Reporting Period; and
 - 7.2 market expectations of the relevant measure of its earnings for the Relevant Reporting Period,(the ‘Variance’) was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of AMP’s securities?
 8. If the answer to question 7 is “no”, please provide the basis of that view.
 9. If the answer to question 7 is “yes”, when did AMP first become aware of the Variance?
 10. If the answer to questions 4 and 7 is “yes” and AMP first became aware of the Variance before 16 February 2023, did AMP make any announcement prior to that date which disclosed information in relation to the

Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AMP was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AMP took to ensure that the information was released promptly and without delay.

11. Please confirm that AMP is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. Please confirm that AMP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AMP with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Monday, 6 March 2023** you should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AMP's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require AMP to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AMP's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in AMP's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AMP's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AMP's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Elvis Onyura
Principal Adviser, Listings Compliance

CC: Kate Gordon, AMP