



ASX Announcement

9 November 2009

Manager
Company Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Manager
Market Information Services Section
New Zealand Stock Exchange
Level 2, NZX Centre, 11 Cable Street
Wellington New Zealand

Announcement No: 60/09

AMP Limited (ASX/NZX: AMP)
(also for release to AMP Group Finance Services Limited (ASX: AQNHA & NZX: AQN010))

Part One: AMP proposed merger with AXA's Australian & New Zealand businesses

Part Two: AXA SA - Announcement for information

9 November 2009

AMP proposed merger with AXA's Australian & New Zealand businesses

AMP Limited today announced its proposal to merge with AXA Asia Pacific Holdings' (AXA AP) Australian and New Zealand businesses.

The transaction is part of a joint proposal with AXA SA under which AXA SA would acquire 100 per cent of AXA AP's Asian business.

The proposed transaction would deliver significant value to both AXA AP and AMP shareholders by creating a wealth management company with the scale and capability to offer greater competition in a fast changing and high growth market.

The key points of the proposal are:

- AMP would acquire 100 per cent of AXA AP and merge the Australian and New Zealand businesses with its own operations.
- AXA SA would acquire 100 per cent of AXA AP's Asian businesses and following the proposed transaction would no longer be a shareholder of AXA AP.
- AXA SA has entered into an exclusivity arrangement with AMP in relation to the acquisition of the AXA AP Asian business.
- AXA AP minority shareholders would be offered A\$1.38¹ per share in cash and 0.6896 AMP shares for each AXA AP share. This equates to A\$5.34 based on 5 November 2009 closing price of AMP and represents a 31 per cent premium based on the closing price of both companies on that date (the day before the proposal was finalised) and a 28 per cent and 31 per cent premium on the one month and three month VWAP of shares in both companies respectively, on that day.
- AXA AP minority shareholders would retain an ongoing exposure to the high growth Australian wealth management sector and share in the benefits of the combined group, including the expected realisation of A\$120 million per year of post tax synergies.
- AMP would acquire the Australian and New Zealand businesses, which would be debt free, for A\$4 billion based on the closing price of AMP on 5 November 2009 of A\$5.75. AMP is contributing 657 million shares and A\$215 million in cash towards the overall consideration being offered to AXA AP minority shareholders.

¹ The cash component is subject to movements in the AUD/USD exchange rate. The \$1.38 cash amount is based on an AUD/USD exchange rate of 0.9097, equivalent to a USD/AUD exchange rate of 1.0993 (ie one US dollar acquires 1.0993 Australian dollars). For every 0.01 appreciation in the USD / AUD from 1.0993, AXA AP minority shareholders will receive additional cash per share of \$0.037 per share. For every 0.01 depreciation in the USD/AUD exchange rate from 1.0993, the cash payment will reduce by \$0.037 per share. The cash payment will be subject to a guaranteed minimum, set upon the announcement of a definitive transaction and calculated to protect AXA AP minority shareholders from any adverse movement in FX from announcement beyond 5%. An AUD/USD exchange rate of 0.9097 at announcement would equate to a minimum cash payment of \$1.21 per share.

- The proposed transaction is expected to be marginally EPS accretive² for AMP in the second full year and represents a price to earnings multiple³ of 16.6 times and price to embedded value⁴ of 1.2 times.
- AXA SA would acquire AXA AP's Asian business for A\$7.7 billion plus debt, representing a price to earnings multiple of approximately 19 times for FY 10.
- As part of this proposal AXA SA would fully subscribe to A\$500 million subordinated debt issued by AMP (which would qualify as Tier 2 capital).
- AXA AP shareholders would be entitled to receive a final 2009 dividend, if declared, from AXA AP of up to 9.25 cents per share⁵.
- The proposed acquisition of the minority shares requires AXA AP independent directors' support and would be implemented by a scheme of arrangement to be voted on by AXA AP minority shareholders.
- This proposal has only limited conditions. These include reciprocal due diligence, court and regulatory approvals and shareholder approval. There are no financing or market based conditions.
- AMP would remain soundly capitalised following the proposed merger.
- AMP would maintain its dividend policy of paying out 75-85 per cent of its underlying profit.
- The proposed merger would substantially strengthen AMP's position in its core markets of wealth management and wealth protection to become Australia's leading provider of risk insurance, superannuation and retirement income.
- The proposal remains open but can be withdrawn by AXA SA and/or AMP at any time.

The AXA AP independent directors have advised this proposal is inadequate. AMP and AXA SA believe this proposal reflects a fair and compelling value for the AXA AP business.

The proposed merger is attractive to both AMP and AXA AP shareholders given the significant benefits and opportunities able to be derived from combining the two businesses.

AMP Ltd Chairman, Peter Mason said: "The proposed merger would deliver value through an initial attractive 31 per cent premium⁶ paid to AXA AP minority shareholders, who will then have the opportunity to participate in the ongoing earnings of a stronger and more competitive AMP.

"AMP shareholders would also benefit from the merged operations of the two businesses as greater scale and efficiency will deliver a stronger platform for growth.

AMP Chief Executive Officer, Craig Dunn said the proposed transaction would see AMP become the leading independent wealth management business in its core markets of Australia and New Zealand.

Mr Dunn said: "We would use the strengths of both companies to create a new force in Australian and New Zealand financial services, with financial advice at its heart."

² Assuming net post tax synergies of A\$120 million per year and integration costs of \$285 million post tax.

³ Based on purchase price of A\$4 billion and FY 2010 analysts' consensus for operating earnings and investment income with estimated A\$24 million in corporate office overlay assumed to relate to the Australian and New Zealand businesses.

⁴ Based on AXA AP's disclosed traditional EV for the Australian and New Zealand businesses at 30 June 2009 using a 10 per cent equity return rate and including estimated net worth to be assumed by AMP of approximately A\$635 million before corporate costs.

⁵ Based on the expected timetable of the acquisition, it is not envisaged that AXA AP shareholders would be entitled to receive AMP's final dividend for the year ending 31 December 2009.

⁶ Based on an AMP closing price on 5 November of \$5.75 and an AXA AP closing price of A\$4.08, and A\$1.38 in cash for each AXA AP minority share.

The proposed acquisition would create significant benefits for the shareholders of both companies. The scale of the merged business will see AMP hold number one market rankings in risk insurance, retail superannuation and retirement income in Australia. In New Zealand, AMP will have an improved market position and hold the number one market ranking in the important retail and corporate superannuation growth market. The acquisition would also add further significant scale to the assets under management of AMP Capital Investors.

The proposed acquisition makes strategic and economic sense and has a risk profile AMP understands and is well placed to manage.

Mr Dunn said: “The proposed acquisition would provide AMP with significant scale and cost efficiencies in its core markets, and also accelerate our strategic drive to broaden and diversify our distribution capability. In addition to doubling the number of aligned AMP planners to more than 4,000 across Australia and New Zealand, this proposed transaction would substantially increase the number of relationships with non-aligned financial advisers.”

The broader and more diverse distribution capability along with the increased efficiencies of the merged businesses would see AMP’s growth potential significantly enhanced.

Mr Dunn said: “The proposed transaction would strengthen AMP’s competitive capability in a consolidating market and create the fifth pillar in a new financial services landscape. We’ll offer Australians an even stronger competitive wealth management alternative to the big four banks.

“As a combined business we would be in a stronger position to respond to evolving consumer preferences and regulatory change – with simpler, more affordable, contemporary advice and products.

“The Australian wealth management market remains highly attractive. Ageing demographics and bipartisan support for mandatory superannuation, along with expected strong economic growth, would see AMP shareholders and AXA AP minority shareholders participate in the earnings of a highly efficient company operating in a high growth market projected to more than double over the next decade,” Mr Dunn said.

AMP notes the position of the AXA AP independent directors, who have stated that the proposal is inadequate. AMP believes the joint proposal offers compelling value for AXA AP minority shareholders and fairly reflects the upside potential of the AXA AP business. Further, AXA AP minority shareholders will have the opportunity to benefit from the recovery in global financial markets and from the substantial synergies available from the combination via the inclusion of a substantial component of AMP shares in the total offer consideration. AMP and AXA SA look forward to discussing the merits of the proposal with relevant stakeholders and the market more broadly and will reflect on next steps following these discussions.

Media enquiries

Jane Anderson
+61 2 9257 9870
+61 402 967 791

Sarah Hudson
+61 2 9257 2700
+61 424 034 059

Investor enquiries

Howard Marks
+61 2 9257 7109
+61 402 438 019

Stuart Kingham
+61 9257 5207
+61 401 139 067

AMP shareholder enquiries

Computershare

Australia 1300 654 442

New Zealand 0800 448 062