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1 November 2018

Members of the Board of Directors
AMP Limited
33 Alfred Street
Sydney, NSW 2000

Re: The Board's Approval to Sell Businesses to Resolution Life

Lady and Gentlemen:

Thank you for facilitating Mike Wilkins response to our letter dated 27 October 2018; the release of additional information in relation to the AMP portfolio review; and, having David Murray outline the board's position in relation to some of the issues raised on the ABC's "The Business" program late yesterday. We are disappointed the board chose not to engage with us in relation to our requests or even acknowledge that it was in the process of reviewing our letter until after it was publicised in the media.

The table overleaf updates our assessment of the ***value destruction*** and various valuation multiples contained in our previous correspondence in light of additional AMP disclosures provided to the market. The impact of the additional information is inconsequential within the context of the sums involved. We maintain that the transaction represents approximately 0.6x embedded value and 6.5x historic earnings.

We acknowledge that AMP has responded to our request and provided the information necessary to reconcile the *"0.82x pro forma embedded value"* advertised in the company's various releases with previously disclosed information. The new disclosures confirm our view that the 0.82x figure represented was disingenuous and highly misleading. Further, the new disclosure that the board knowingly forwent $705 million in franking credit value in considering this transaction causes us great concern. As you know, this value only represented 70% of the face value of franking credits under consideration. The value to AMP's Australian shareholders is 100%, or just over $1 billion.

In an act that further undermines our confidence in the Board's understanding of the transaction, you have provided additional disclosures that once again misrepresent its attractiveness. The construct of the *"implied price / earnings multiple"* of 11x on slide 3 of your additional background information release is farcical. In particular, we would note that it is not market practice to calculate price / earnings ratios using "*annualised 6 months*" earnings, and that it is inappropriate to capitalise depressed levels of earnings – for example your *"implied price / earnings multiple"* reflects an annualised profit margin of only $2 million for the wealth protection business. We are encouraged but sceptical that within the space of a week you have committed to extract $40 million of after tax expenses and replace an additional $65 million in after tax earnings lost as a direct result of the transaction. We look forward to hearing more about the various initiatives that will achieve these outcomes.

SHAREHOLDER VALUE IMPLICATIONS: PRE & POST RELEASE OF ADDITIONAL INFORMATION

		A$m		
Recurring Earnings of Businesses Sold (A$m)		**Pre**	**Post**	**Comment**
Wealth Protection Profit Margin		96	96	No change
Wealth Protection Underlying Investment Income		22	22	No change
New Zealand Profit Margin		112	112	No change
New Zealand Underlying Investment Income		14	14	No change
Mature Profit Margin		141	141	No change
Mature Underlying Investment Income		13	13	No change
Australian Wealth Management Earnings Reduction		85	85	No change
Group Office Costs		40	40	No change
Less: NZ Earnings Retained		-40	-55	Higher than initially advertised by AMP
Recurring Earnings of Businesses Sold	**(a)**	**483**	**468**	**Sum of above**
Impact of using 6 months to June annualised			-15	Market practice is to utilise last 12 months
Experience profits			-30	15 year average is negative $4m
Capitalised losses/reversals and other one-off items			-58	Represented as "one-off" by AMP, non-cash
Future cost savings			-40	Should have been achieved in normal course
NZ wealth protection reinsurance impacts			-20	Inconsistent with inclusion of $150 in proceeds
"Underlying Profit" as per AMP definition			**305**	**Sum of above**

		A$m		
Stated embedded value		**Pre**	**Post**	**Comment**
Australian Wealth Protection Embedded Value		1,270	1,270	No change
New Zealand Embedded Value		1,431	1,431	No change
Mature Embedded Value		1,794	1,794	No change
Australian Wealth Management Embedded Value		1,020	885	New disclosure, previously Merlon estimate
Less: NZ Earnings Retained		-480	-420	New disclosure, previously Merlon estimate
Embedded Value of Businesses Sold	**(b)**	**5,035**	**4,960**	

		A$m		
Net Value Received		**Pre**	**Post**	**Comment**
Transaction Proceeds		3,450	3,450	No change
After tax Separation Costs		-320	-320	No change
Franking Credits Associated with Separation Costs		-96	-96	**No change**
Net Value Received	**(c)**	**3,034**	**3,034**	
- Multiple of Earnings		*6.3x*	*6.5x*	(c) / (b)
- Multiple of Embedded Value		*0.6x*	*0.6x*	(c) / (a)

		A$m		
Net Value Destruction		**Pre**	**Post**	**Comment**
Embedded Value of Businesses Sold		5,035	4,960	(b)
Net Value Received		3,034	3,034	(c)
Net Value Destruction	**(d)**	**2,001**	**1,926**	(b) - (c)
- Value Destruction per Share	*(e)*	*0.69*	*0.66*	(d) / 2,918m shares
- Amount as % of Pre-announcement Market Value		*21%*	*20%*	(e) / 3.31

There are a number of areas where we continue to seek a response from the board. The table below outlines the status of the various items outlined in our letter dated 27 October 2018.

Item from letter dated 27 October 2018	Current Status
1. That the directors disclose to the market the embedded value of the assets to be sold reconciled with and presented on a consistent basis to the embedded value disclosures as presented in the company's most recent investor report.	***Resolved***
2. That the directors disclose to the market the cash flow and franking credit projections (presented on an annual basis) that give rise to the embedded value calculation referred to in point 1 above.	***Outstanding***
3. That the directors disclose to the market pro-forma adjustments to the table of eligible and surplus capital on page 24 of AMP's most recent investor report showing the impact of the transaction both initially and under a scenario where the "income generating equity investments" and preference shares are liquidated into cash.	***Partially resolved.*** Please provide the company's pro-forma net tangible asset backing ($3,440m as at June 2018) , its pro-forma regulatory capital requirements ($1,428m as at June 2018), and the residual surplus.
4. That the directors disclose to the market the recurring earnings and franking credits for the divested businesses on a debt-free basis and before any earnings on the proceeds from sale.	***Resolved***
5. That the directors disclose to the market all legal avenues under which the proposed sale may not proceed and associated costs.	***Resolved pending formal statement*** David Murray stated that *"The only two conditions on this are regulatory approvals in Australia and elsewhere and they are the only conditions"*. Please confirm there are no other conditions such as material adverse change conditions.
6. That the directors disclose to the market any independent advice assessing the shareholder value implications of the transaction as well as minutes of any meetings of the board of directors where such advice was discussed.	***Outstanding*** David Murray stated that *"We had our advisers and we looked at their opinion and we formed our own opinion"*. Please provide advisers' opinion and your own opinions.
7. That the directors provide to the market a firm commitment that the proceeds of the sale will be returned to shareholders as soon as funds become available and that such funds will not be redeployed into ***growth investments*** that exceed AMP's normal accumulation of retained earnings.	***Partially resolved.*** The board have indicated it is committed to returning the "majority of the net cash proceeds received on settlement of sale, subject to unforeseen circumstances". We seek commitment to return the residual surplus referred to in point 3 above and assurance that "unforeseen circumstances" do not include acquisitions.

We are extremely concerned that a representative of AMP commented to the Australian Financial Review that "We believe there are a number of areas where Merlon have misunderstood or misinterpreted the company's data. This has led to inaccuracies in their analysis." This statement is demonstrably false in light of your subsequent release of information and could harm our reputations. We reserve all of our rights in relation to these false allegations.

We continue to be approached by other investors encouraging us to convene an Extraordinary General Meeting calling for change if the unresolved matters are not adequately addressed.

We take our responsibilities seriously and expect the AMP board to have the same regard for its shareholders as we do to our own investors.

Sincerely

Hamish Carlisle	Neil Margolis
Director	Director