Investor Report

Full Year 2002

Online reports

This AMP investor report is available online at www.ampgroup.com along with the AMP annual report and other investor information.

The corporate website also has more information about the AMP Group, including our business operations, our management team, our strategy and the Full Financial Reports.

AMP Limited ABN 49 079 354 519

Information for shareholders

Important dates for shareholders

28 April 2003	Payment date for 2002 final dividend
15 May 2003	Annual General Meeting in Sydney
20 August 2003	Release of 2003 half year results

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Management team

Andrew Mohl	Managing Director and Chief Executive Officer
David Cohen	General Counsel
Marc de Cure	General Manager, Strategy and Development
John Drabble	Managing Director, AMP UK Contemporary Financial Services
Craig Dunn	Managing Director, Australian Financial Services
Peter Hodgett	General Manager, Human Resources
Ian Laughlin	Managing Director, AMP UK Life Services
Paul Leaming	Chief Financial Officer
Christine McLoughlin	General Manager, Office of the CEO
Matthew Percival	General Manager, Corporate Affairs
Roger Yates	Managing Director, Henderson Global Investors

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Important note

This Investor Report provides financial information reflecting 100% shareholder attributable after-tax results from an operational perspective. The principles of Margin on Services are used in reporting the results of AFS and UKFS. Information is provided on an operational basis (rather than statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data, internal management information useful for investors, and some audited data. However, this Investor Report is not audited.

AMP also provides prescribed Statutory Reporting under the Corporations Act 2001. Those accounts are available from our website www.ampgroup.com and reflect policyholder, shareholder and unattributed interests. Significant accounting policies are more fully set out in the 2002 AMP Ltd Full Financial Report which is audited.

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed. AMP makes no representation or warranty as to the accuracy or completeness of any statement in this Investor Report. In particular, information (including forecast financial information) in this Investor Report does not constitute investment advice or a recommendation on any matter.

2002 annual results

2002 was a difficult and disappointing year, culminating in substantial balance sheet write-downs and a significant reported loss

Net loss after tax	-A$896m	Lower business performance and restructuring impact
Investment income again weak but up on FY 01	A$49m	Weak global markets with UK FTSE 100 down 24.5%
Write-downs, asset sales and restructuring costs	-A$1,337m	Provision announced as part of restructuring program
BU operating margins down to	A$730m	UKFS down 36% but AFS and Henderson robust
Dividend reduced - final dividend A$0.20c	A$0.46	Full year dividend - reflects impact of market conditions on supportable earnings
Underlying RoE 9.2% and EPS	A$0.78	Below benchmark levels

2002 year in review

A combination of falling equity markets, UK regulatory capital pressure and weak UK life industry conditions resulted in significant challenges and substantial organisational change

Continuation of globally depressed investment markets impacted AMP's operating businesses

The poor operating environment affected UK and Euro life companies alike and AMP's UK business was very sensitive to rapidly deteriorating market and regulatory solvency conditions in the UK

Management responded to UK regulatory capital issues by undertaking a series of initiatives to ensure regulatory solvency under extreme market conditions

AMP's Australian business and Henderson both held up well in difficult market conditions

The AMP Ltd Board of Directors appointed a new CEO in September

- UK FTSE 100 down 24.5% and S&P 500 down 23% in 2002 as three year bear market continued
- Standard & Poor's credit ratings assessment for AMP Group Holdings Ltd reduced from A to A- (negative outlook)
- Fragile investor confidence resulted in reduced appetite for investment products
- Pearl breached Minimum Regulatory Capital (MRC) levels
- £500m capital support provided to UK life companies, UK equities backing ratio reduced and bonus levels reviewed
- Henderson cost program buffered impact of initial fall in markets
- Capital strengthened with proceeds and profit from Cogent sale in May and successful Reset Preferred Securities (RPS) hybrid equity raising in September
- Andrew Mohl announced as CEO, senior management team reorganised
- Reform program announced in October, strategic review commenced in November

For a full list of ASX company announcements in 2002, turn to page 34

Our response to 2002

AMP has closely reviewed its 2002 performance and business strategy. This is how we are responding:

AMP has undertaken a full review of its strategy, business unit activities, cost structure and business risks

A program of cost reductions, sales of non core assets and restructuring of UK businesses, was announced in November and December as a result of this review

A reform agenda focusing on improving performance in basic areas and 'getting real' has been developed to ensure the lessons and cultural change needed are embedded into the organisation

- Exit low return channel and product lines
- Focus short term growth ambitions on core businesses
- Increase transparency and quality of disclosure
- Tackle embedded behaviours
- Role model strong leadership
- Closure of AMP International business unit and the realignment of its former operating businesses
- Split UKFS businesses into Life Services and Contemporary, acknowledging structural changes in the UK financial services market
- Closure of the UKFS Direct Sales Force and household advisor channels
- Further cost savings initiatives in Henderson
- Reduction of 10% in AFS cost base in FY 03
- Streamlining Corporate Office - A$40m cost savings in FY 03
- Asset value realisation planned - Japan, Virgin Money and Cobalt/Gordian
- AMP Banking refocused - goal is to release A$500m capital by end 2003
- Focus on clear communication with employees, shareholders and customers

Outlook

What our future holds and how we will get there

AMP will stay true to its wealth management strategy and will act quickly to take advantage of opportunities to improve its position and restore shareholder wealth

Our business is underpinned by the long term trends driving savings and retirement incomes around the world. Asset management, retirement savings products and advice will be key to delivering returns for shareholders

We expect the outlook to remain difficult, especially in the UK where business conditions remain harsh and operating margins are sensitive to weaker FTSE levels and lower bonus rates paid to policyholders

In Australia, the outlook for AMP's business is sound, in spite of the downturn in the wealth management sector

Henderson remains a strongly performing and highly regarded asset management business

- Grow AMP's leading position in the Australian wealth management market
- Reduce AMP's capital commitment in the UK in the medium to longer term by releasing capital from UK Life Services while simultaneously taking other action to increase its RoIC
- Develop a wealth management business in the UK, focused on investment and pension products distributed primarily through advisers
- Build a global asset management business in partnership with AMP's wealth management businesses, with a focus on the UK and selective expansion in Europe, North America and Asia
- Improve standards of performance across all dimensions of the business

Results overview

Financial results summary

AMP reported a loss after tax of A$896m for FY 02 after write-downs, asset sales and transformation costs. This includes a write-down of A$1,227m as a result of updated directors' valuations of AMP's businesses. Before these items and amortisation of goodwill, profit after income tax was A$495m. Underlying contribution at A$883m, is down 26% on FY 01, as a result of margin reductions in all BU's and a tough market for wealth management companies.

AMP continues to be well capitalised with total shareholders' capital resources exceeding A$13b and a Standard & Poor's long term credit rating for AMP Group Holdings of A⁻ (negative outlook).

Global investment markets continue to have a negative impact on business unit operating margins and investment income

The UK FTSE 100 was down 24.5% over the year and 43% since December 1999, bond yields in Australia and the UK fell 85bps and 67bps respectively during 2002 in what is now the longest bear market since 1972.

Weak markets not only impacted margins directly, but also indirectly through poor investor sentiment which led to lower new business volumes and net cashflow.

Business unit operating margins

- AFS operating margins were down 9%, mainly due to investment markets, lower new business and reduced margins from the closure of certain capital inefficient products. This was partly offset by expense savings, with the cost to income ratio remaining steady at 44%. RoIC fell slightly to 13.8%. Refer to page 24 for results.
- UKFS operating margins were down 36% to A$211m (£76m). Negative factors impacting included lower profit margins released due to the cumulative effect of three years of weak equity markets, lower new business volumes in Pearl reducing the service company profits, increased provisions and some capitalised losses (also as a result of equity market falls). Costs were down by 15% while the cost to income ratio was stable at 64% due to lower revenue and profitability. Various initiatives (covered in this document under capital management, cost management and the UKFS section) are underway to address the high capital exposure and low RoIC in UKFS. Refer to page 26 for results.
- Henderson operating margins were down only 8%, a robust result given the prolonged stock market downturn and the impact on the investment management industry and competitors. AUM declined only 13%, significantly less than most major equity indices. Vigilant cost management meant that the cost to income ratio increased only slightly to 69% despite the lower profit. Similarly, good capital management meant that the RoIC declined marginally to 10.7%. Refer to page 28 for results.

Investment income

As in FY 01, investment income was again affected by poor UK equity returns. Investment performance on shareholder funds was in line with major external benchmarks.

Tight control of Corporate Office led to a 23% reduction in expenses while interest paid reflects lower debt levels during the year

- Role of Corporate Office was redefined during 2H 02, with the focus being on value-added activities. As a result, 97 staff have been retrenched as at the end of December, which includes some staff previously involved with AMP International business.
- Interest on corporate debt fell to A$230m as a result of lower Corporate borrowings throughout FY 02 and a reduction in the weighted average cost of debt.
- As previously communicated, payment of the Reset Preferred Securities distribution will not be effected by the write-downs.

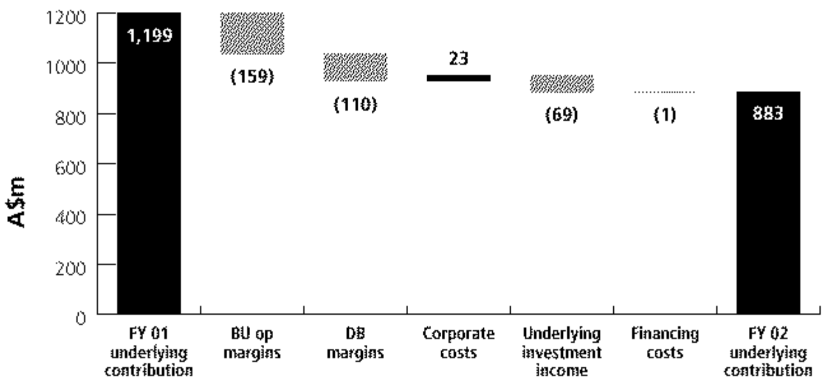
Write-downs and transformation costs total A$1,571m (partly offset by profit realised on the sale of non-core businesses)

- A review of the valuation of our UK and former AMP International subsidiaries has led to a write-off totalling A$1,227m, most of which is intangible assets. The valuations reflect the lower levels of investment markets and the changes in strategic direction announced during November and December 2002.
- Provision has been made for the cost of implementing the strategic initiatives (A$344m) which commenced during 2H 02 and will continue in FY 03.
- The completion during FY 02 of the sale of certain non-core businesses has resulted in a profit of A$234m, mainly attributable to the Cogent sale.
- More information can be found on page 33.

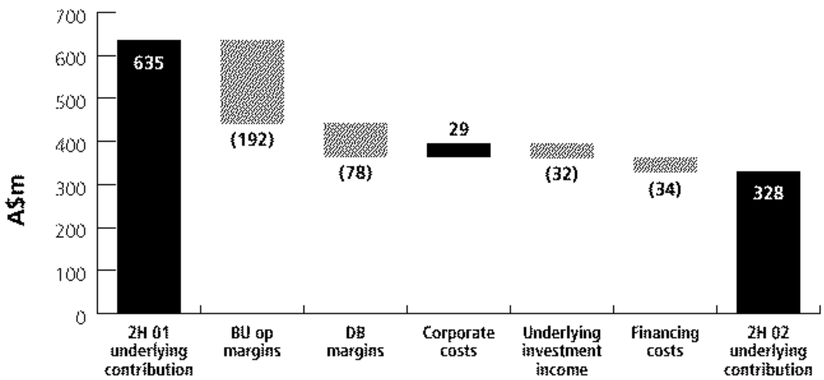
Results overview

A$m	FY 02	2H 02	1H 02	FY 01	% FY	% H/H	2H 01	1H 01
Australian Financial Services	**334**	140	194	366	-8.7	-27.8	192	174
UK Financial Services	**211**	37	174	328	-35.7	-78.7	162	166
Henderson Global Investors	**192**	90	102	208	-7.7	-11.8	108	100
AMP Banking	**(7)**	(4)	(3)	(13)	-46.2	33.3	(7)	(6)
Total BU operating margins	**730**	263	467	889	-17.9	-43.7	455	434
Discontinuing businesses	**38**	17	21	148	-74.3	-19.0	95	53
Corporate Office costs	**(79)**	(35)	(44)	(102)	-22.5	-20.5	(64)	(38)
Total operating margins	**689**	245	444	935	-26.3	-44.8	486	449
Underlying investment income	**437**	229	208	506	-13.6	10.1	261	245
Interest expense on corporate debt	**(230)**	(133)	(97)	(242)	-5.0	37.1	(112)	(130)
Distribution on reset preferred securities	**(13)**	(13)		-	n/a	n/a		
Underlying contribution	**883**	328	555	1,199	-26.3	-40.9	635	564
Investment income market adjustment	**(388)**	(174)	(214)	(532)	-27.1	-18.7	(312)	(220)
Profit after income tax before other items	**495**	154	341	667	-25.7	-54.8	323	344
Transformation costs	**(344)**	(333)	(11)	(8)	n/a	n/a	(8)	
Asset sales	**234**	234		86	n/a	n/a		86
Valuation adjustments	**(1,227)**	(1,227)		-	n/a	n/a		
Goodwill amortisation	**(54)**	(27)	(27)	(55)	-1.8	0.0	(28)	(27)
Net profit after income tax	**(896)**	(1,199)	303	690	-229.8	-495.7	287	403

Movement in underlying contribution FY 01 to FY 02

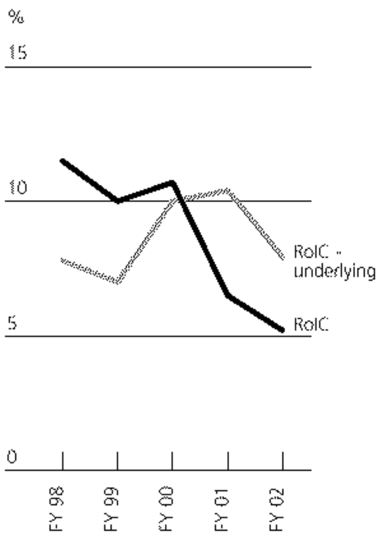


Movement in underlying contribution 2H 01 to 2H 02



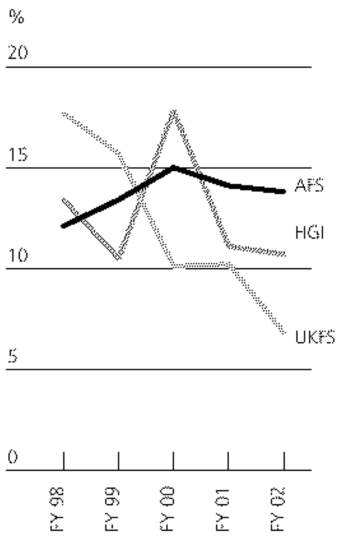
Performance measures

Return on invested capital



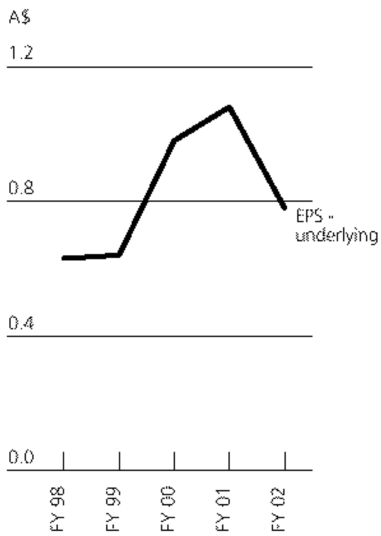
- RoIC down to 5.2% on lower profitability and higher capital.
- RoIC - underlying fell to 7.9% on lower margins across the group.

Return on invested capital (BU)



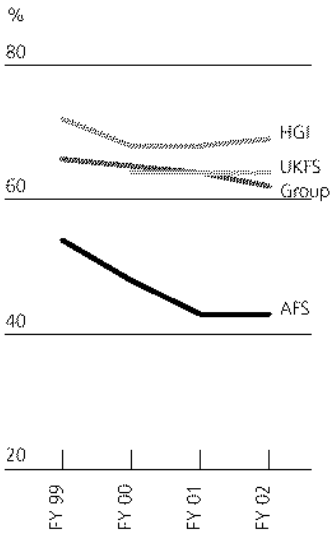
- AFS RoIC only marginally down due to lower profit being offset by capital initiatives.
- UKFS RoIC shows impact of reduced profitability and additional capital invested.
- HGI slightly down due to good capital management.

Earnings per share



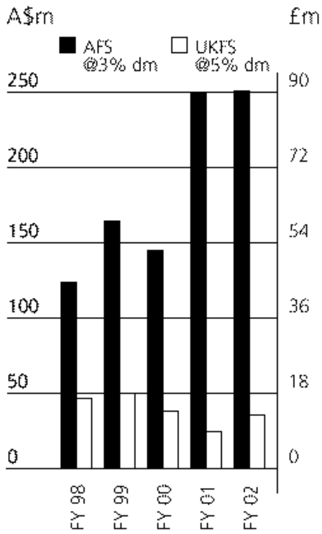
- EPS - underlying fell to A$0.78 as result of lower profitability and weak investment markets.

Cost to income ratio



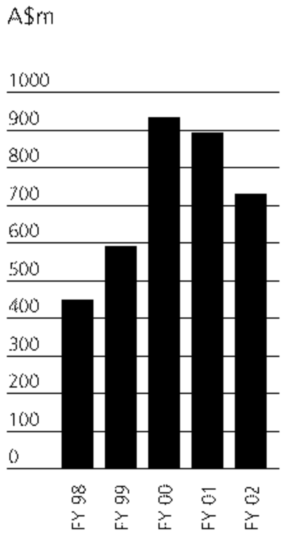
- Group cost to income ratio down 2% reflecting impact of sale of Cogent and 11% reduction in cost.

Value of new business



- AFS VNB increases to A$251m on lower acquisition costs and lower anticipated unit maintenance costs.
- UKFS VNB not a good guide to future profitability as result of strategic changes

Total BU operating margins



- Weak investment markets impact margins both directly and indirectly.
- Strong vigilance on costs mitigated impact to some extent.

Five year summary

	FY 02	FY 01	FY 00	FY 99	FY 98
Shareholder summary					
EPS - Underlying (A$)	**0.78**	1.08	0.98	0.64	0.63
- Net profit after tax (A$)	**-0.79**	0.62	1.05	-0.39	0.97
RoIC - Underlying	**7.9%**	10.4%	10.0%	7.0%	7.8%
- Actual	**5.2%**	6.5%	10.7%	10.0%	11.5%
RoE - Underlying	**9.2%**	13.1%	13.0%	8.5%	8.5%
- Actual	**5.1%**	7.3%	14.3%	13.1%	13.2%
Dividends per share (A$)	**0.46**	0.51	0.47	0.41	0.18
Dividend payout ratio - Underlying	**59%**	47%	48%	64%	29%
Ordinary shares in issue (m)	**1,159.5**	1,128.5	1,104.6	1,089.2	1,076.6
Weighted average number of ordinary shares (m) - Basic	**1,137.6**	1,113.7	1,094.8	1,082.7	1,061.0
- Fully diluted	**1,137.9**	1,121.9	1,138.4	1,113.8	1,061.4
Share price for the period (A$) - Low	**11.18**	16.56	13.69	14.13	18.46
- High	**19.63**	21.99	20.22	20.91	23.00
Return on embedded value - AFS (3% dm)	**1.4%**	9.9%	7.1%	18.0%	15.2%
- UKFS (5% dm)	**-30.6%**	-13.1%	2.6%	18.1%	13.0%
Value of new business - AFS (3% dm) A$m - as reported	**251**	249	145	165	124
- UKFS (5% dm) £m - as reported	**13**	9	14	18	17
Financial position					
Ordinary shareholders' equity (A$m)	**8,533**	9,520	8,785	7,632	8,675
Corporate debt (ex operational debt) (A$m)	**3,788**	3,687	4,511	4,730	2,069
Debt to shareholders' equity plus debt	**13%**	16%	23%	26%	24%
Interest cover (times) - Underlying	**5.2**	6.3	5.2	6.1	6.7
- Actual	**3.5**	4.1	5.5	8.7	9.8
Assets under management (AUM) A$b					
Assets under management - HGI managed	**256**	292	291	259	177
Assets under management - externally managed	**9**	9	6	3	2
Total assets under management	**265**	301	297	262	179
Persistency - AFS	**84%**	84%	82%	84%	83%
- UKFS	**88%**	89%	89%	92%	89%
Cost to income ratio[1]	**62%**	64%	65%	66%	n/a
Staff numbers					
Australian Financial Services[2,6]	**3,194**	3,316	3,812	3,920	4,330
UK Financial Services[3]	**5,592**	7,173	7,062	8,816	6,857
Henderson Global Investors	**1,612**	1,624	1,877	1,796	1,693
AMP Banking[4]	**502**	475	511	632	-
Cobalt RunOff Services	**195**	202	115	150	150
Corporate Office	**258**	330	337	493	257
AMP International[5]	**50**	1,100	917	832	563
IT@AMP[6]	**-**	489	1,141	808	412
Services@AMP[6]	**-**	159	137	-	-
AMP General Insurance	**-**	-	3,355	3,752	1,228
Total staff numbers	**11,403**	14,868	19,264	21,199	15,490

1. Earlier years include businesses owned by AMP at the time.
2. Excludes non-salaried planners.
3. FY 02 includes Towry Law and Interactive Investor.
4. AMP Banking was previously reported in AMP International. All historical data has been excluded from AMP International.
5. Part of the reduction relates to the sale of Cogent as well as the decision to divest or transfer AMP International initiatives back to the business.
6. For FY 02, IT@AMP & Services@AMP are included in AFS.

Product cashflows

Australian Financial Services

- AFS total net cashflow declined from A$2,602m FY 01 to A$1,168m in FY 02. This result should be considered in the context of the record performance reported last year and the market environment this year.
  - AFS's strong comparative performance this year is reflected in industry data (AFS maintained 1st position in Australian retail superannuation net cashflows and 3rd for total retail managed funds (excl CMT) net cashflows[1])
  - Net cashflow for Australian contemporary retail products of A$2,656m declined 35% on FY 01, partly reflecting the closure of capital guaranteed investment options as well as the record performance reported last year
  - Outflows of A$1,895m from mature products improved 13% on the FY 01 levels as a result of planner focus, several retention initiatives implemented during the year and effective customer communication.

UK Financial Services

- The cashflow statement has been restated to reflect the split of the UKFS business into Contemporary and Life Services.
- The contemporary cashflows represent only the products deemed contemporary under the new business unit. Therefore, collective investment vehicles and Life business written to NPI Limited have been included under mature and closed business as the UK Contemporary Financial Services business has no specific focus on these products going forward.
- Contemporary net cashflow increased by A$52m (£19m), a 6% improvement in FY 02 compared to FY 01.
- The announcement to close the Pearl Direct Sales Force channel was made in December and therefore did not in itself materially impact cash inflow in 2002 although the reduction in salesforce numbers through 2002 contributed to lower new business volumes.
- Cash outflow within the National Provident Life Limited closed fund increased by 16% which reflects maturities of income bonds, accounting for circa £130m, and surrenders of with-profit bonds which have reached the end of their penalty period.
- Since the closure of the Pearl Direct Sales Force in early December, increased focus is being placed on the retention of existing business and, in particular, higher value customers and contracts. Increased training and information is being provided to front line call centres to ensure customers are aware of options to retain products rather than surrendering contracts during these low value market conditions.

Henderson Global Investors

- UK Retail experienced minimal net outflows of A$45m, excluding the A$2,242m divestment of the Private Client business. Net inflows on open ended products of A$245m were offset by net Investment Trust redemptions of A$290m. This is a robust performance given the industry wide flight from UK Retail products during the year.
- Rest of World (ROW) Retail experienced net cash inflows of A$851m, comprising mainly net inflows of A$576m for Absolute Return Funds and A$197m for Horizon Funds.
- Institutional net outflows were A$3,801m during the year including the A$3,945m short term cash mandate withdrawn in Q1 02. The remaining net cash inflow of A$144m comprised:
  - A$1,339m UK institution net inflows
  - A$1,073m ROW property net inflows
  - A$2,268m Asia Pacific net outflows including A$1,195m short term New Zealand public sector mandate and A$358m relating to the sale of GIO.
- The figures exclude a A$1,457m Australian SRI overlay mandate which was awarded during the year but not taken on until 2003.

1. September 2002 market share data sourced from Plan For Life Pty Ltd.

Product cashflows

Business units	FY 02 Inflow (A$m)	FY 02 Outflow (A$m)	FY 02 Net (A$m)	FY 01 Inflow (A$m)	FY 01 Outflow (A$m)	FY 01 Net (A$m)
Australian Financial Services						
Australian contemporary retail						
Superannuation	5,895	3,537	2,358	5,902	3,137	2,765
Managed investments	1,255	1,093	162	1,616	933	683
Income stream	1,009	991	18	1,321	846	475
Risk	217	99	118	221	82	139
	8,376	5,720	2,656	9,060	4,998	4,062
Matured/closed retail	454	1,895	(1,441)	528	2,171	(1,643)
Total Australian retail	8,830	7,615	1,215	9,588	7,169	2,419
NZ contemporary retail (incl. corporate)	470	517	(47)	692	509	183
Total AFS	9,300	8,132	1,168	10,280	7,678	2,602
UK Financial Services						
UK contemporary retail						
Pensions	1,460	525	935	1,477	594	883
UK Life Services						
Matured/closed retail	4,483	5,532	(1,049)	5,064	5,867	(803)
National Provident Life Limited	499	3,396	(2,897)	669	2,937	(2,268)
Total UKFS	6,442	9,453	(3,011)	7,210	9,398	(2,188)
Henderson Global Investors						
Contemporary retail						
UK Collective investment vehicles	1,922	1,967	(45)	3,702	2,432	1,270
ROW contemporary retail	2,081	1,230	851	3,232	2,228	1,004
	4,003	3,197	806	6,934	4,660	2,274
Closed retail			-		2,169	(2,169)
Total retail	4,003	3,197	806	6,934	6,829	105
ROW subadvisory	1,556	2,792	(1,236)	1,701	2,325	(624)
Institutional	15,596	19,397	(3,801)	28,756	11,057	17,699
Total Henderson Global Investors	21,155	25,386	(4,231)	37,391	20,211	17,180

AMP	FY 02 Inflow (A$m)	FY 02 Outflow (A$m)	FY 02 Net (A$m)	FY 01 Inflow (A$m)	FY 01 Outflow (A$m)	FY 01 Net (A$m)
Contemporary retail - AFS, UKFS & Henderson	14,309	9,959	4,350	18,163	10,761	7,402
Institutional - Henderson	15,596	19,397	(3,801)	28,756	11,057	17,699
ROW subadvisory - Henderson	1,556	2,792	(1,236)	1,701	2,325	(624)
Total contemporary	31,461	32,148	(687)	48,620	24,143	24,477
Mature/closed - AFS, UKFS & Henderson	5,436	10,823	(5,387)	6,261	13,144	(6,883)
Total AMP[1]	36,897	42,971	(6,074)	54,881	37,287	17,594
Other cashflows						
AMP Bank - net increase in mortgages			1,665			950

1. Cashflows for businesses in India, Japan and the joint venture with Virgin are not included.

Capital management - total shareholder capital resources

A$m	FY 02	1H 02	FY 01
Equity			
Share capital	**5,001**	4,720	4,613
Capital reserve	**510**	510	510
Foreign currency translation reserve	**361**	141	313
Retained profits	**2,661**	4,092	4,084
Total equity attributable to ordinary shareholders	**8,533**	9,463	9,520
Hybrid equity (Reset Preferred Securities)	**1,141**	-	-
Total equity attributable to ordinary shareholders plus hybrid equity	**9,674**	9,463	9,520
External corporate debt	**3,788**	3,577	3,687
Borrowings from Pearl 90:10 fund	**-**	595	623
Total shareholder capital resources	**13,462**	13,635	13,830
Other interests			
Life funds not specifically attributed to shareholders' or policyholders' interests	**5,494**	5,437	6,232
Other outside equity interests in controlled entities	**2,755**	1,871	1,565

Equity attributable to shareholders plus hybrid

Total equity attributable to ordinary shareholders plus hybrid equity has increased by A$154m during FY 02. This increase was driven by:

- A$1,141m of hybrid equity (total proceeds of A$1,122m being amount raised of A$1,150m less issue costs of A$28m, plus A$19m retained profits of the AMP Reset Preferred Securities Trust)
- A$432m of new share capital raised through share plans, dividend reinvestment plans and underwriting of the interim 2002 dividend, offset by A$44m of shares bought back in 1H 02
- A$48m increase in foreign currency translation reserve due to the strengthening of the £ against the A$

but partially offset by:

- A$896m full year loss
- A$295m interim 2002 dividend paid and A$232m final dividend declared. The final dividend has been fully underwritten in terms of the dividend reinvestment plan.

Total shareholder capital resources decreased despite the hybrid equity raising due to the full year loss and repayment of borrowings from the Pearl 90:10 fund.

Unattributed life funds

Life funds not specifically attributable to shareholders' or policyholders' interests decreased from FY 01 to FY 02 due to:

- a fall in investment markets which resulted in a loss of A$541m from investment earnings on the unattributed life funds
- utilisation of a further A$208m to support bonus distributions in respect of UK policyholders
- offset by A$11m due to the strengthening of the £ against the A$.

In recent years, bonus distributions to UK with-profit policyholders have exceeded the level supported by actual experience, because of the need to support bonuses in a way that is consistent with the reasonable expectations of policyholders. The balance of the cost of bonus distributions has been met from the unattributed life funds. The need to support bonus levels is expected to continue in the medium term, consistent with accepted UK industry practice. In the absence of a significant recovery in equity markets, it is now likely that a significant proportion of the unattributed life funds will be utilised in this way.

Refer also to note 20 of the 2002 AMP Ltd Full Financial Report.

Capital management - shareholder capital invested

Notional allocation at[1]	31 December 2002			
A$m	Minimum regulatory requirements[7]	Tangible net assets[7]	Intangibles[8]	Total capital
Australian Financial Services	1,635	**3,140**	**495**	**3,635**
AMP Life Statutory funds		3,010		3,010
AMP Life other[2]		130	495	625
UK Financial Services[3]	5,752	**6,878**	**1,060**	**7,938**
Pearl[4]		5,021	62	5,083
LL		1,196		1,196
UKFS other[5]		661	998	1,659
Henderson Global Investors	326	**432**	**1,199**	**1,631**
AMP Banking	431	**584**		**584**
Virgin Money	-	**370**		**370**
Discontinuing business	455	**896**		**896**
Corporate Office	34	**400**		**400**
Inter business unit holdings[6]		**(1,992)**		**(1,992)**
Total shareholder capital resources	8,633	**10,708**	**2,754**	**13,462**

1. The notional allocation takes account of admissible assets supporting the business for regulatory purposes. As a result of the impact of restructuring on admissible assets and regulatory waivers, the level of inter BU holdings included, has increased compared to prior years.
2. AMP Life other represents the operating subsidiaries of AFS including AMP's investment in India.
3. Minimum regulatory capital requirements for UKFS are based on our best estimates of UK statutory reserves, as these are still being calculated.
4. Pearl includes shareholder net assets invested in the NPLL overcoat.
5. Includes NPIL, UKFS business support operations, Towry Law and other.
6. For a detailed breakdown please refer to the glossary on page 39.
7. For a definition please refer to the glossary on page 37.
8. These are intangibles as defined on page 36. There are a further A$16m of intangibles in the 2002 AMP Ltd Full Financial Report (refer notes 10 and 11) which are primarily attributable to policyholder interests.

Movements

The reduction in intangibles since FY 01 is primarily due to the EMVONA/goodwill component of the asset write-downs - see page 33.

Total capital allocated to UKFS increased by A$1,870m, due to:

- A$1,393m (£500m) of capital supplied by the group
- A$1,211m from the impact of restructuring on admissible assets and regulatory waivers
- -A$523m from asset write-downs - see page 33
- -A$211m from other items (UKFS profit before normalisation, payment of UK dividends, currency movements and reallocation of the balance of shareholder attributable assets in Pearl's 0:100 fund (Pacific) from Corporate Office to UKFS).

Capital initiatives

The UK stock market suffered substantial losses in 2002 with the main FTSE 100 Index falling by 24.5% during the year. This created pressures for the entire UK life industry.

In July, AMP notified the Financial Services Authority (FSA) that Pearl Assurance had breached UK minimum regulatory capital requirements. This means that, although realistic policyholder liabilities were fully covered and the fund assets were well in excess of economic solvency requirements, the fund had insufficient admissible assets available to cover the FSA's conservative Required Minimum Margin (RMM).

Management undertook a series of capital actions to improve the regulatory assets and liabilities within the funds including shareholder capital support of A$1,393m (£500m), the swapping and restructuring of inadmissible assets, reducing the Equity Backing Ratio (EBR) and improving management of policyholder benefits.

For the UK Life with-profits funds, the effective exposures (allowing for derivatives) at the year end were:

Assets backing	Pearl	NP Life Ltd	London Life
UK Equity	22%	30%	26%
International Equity	9%	6%	4%
Property	14%	12%	14%
Non Traditional Assets	3%	0%	1%
Equity Backing Ratio	48%	48%	45%
Fixed Interest	38%	45%	55%
Cash	14%	7%	0%
Total	100%	100%	100%

In light of significant market falls in early 2003 (of FTSE to 3480 - a seven year low) and continued global market volatility, management has taken further protective action for the assets in the UK funds through equity sales, derivative protection and dynamic hedging strategies. Calculation of EBR following these actions can only be early estimates, therefore the following ratios (for with-profit funds only) on 21 February are an indicative guide: Pearl 42%, NPLL 37% and London Life 31%. The situation is dynamic and effective FTSE exposures can change strongly as the market moves. These positions will be actively managed throughout the year.

Capital management - regulatory

Capital employed by regulatory class[1]	31 December 2002			31 December 2001		
A$m	Net assets	Intangibles[2]	Total capital	Net assets	Intangibles[2]	Total capital
Equity attributable to ordinary shareholders	5,779	2,754	**8,533**	5,879	3,641	9,520
Hybrid equity (Reset Preferred Securities)	1,141		**1,141**			-
Tier 1	6,920	2,754	**9,674**	5,879	3,641	9,520
Income securities	1,240		**1,240**	1,240		1,240
Subordinated debt	840		**840**	834		834
Tier 2	2,080	-	**2,080**	2,074	-	2,074
Total regulatory capital (Tier 1 + Tier 2)	9,000	2,754	**11,754**	7,953	3,641	11,594
Senior debt	1,708		**1,708**	1,613		1,613
Borrowings from Pearl 90:10 fund			**-**	623		623
Total shareholder capital resources	10,708	2,754	**13,462**	10,189	3,641	13,830

1. As described by APRA regulations.
2. The difference between intangibles in the table above and that in the 2002 AMP Ltd Full Financial Report (notes 10 and 11) is primarily attributable to policyholder interests.

The capital employed by regulatory class has improved due to the successful issue of the reset preferred securities.

The reset preferred securities issue was voted Asian equity-linked issue of the year by International Financing Review Asia (IFR).

UK minimum regulatory requirements

All AMP UK life companies met their RMM requirements as at 31 December 2002. Statutory reserves as at end 2002 are still being calculated (for submission to the FSA in March), but our best estimate of the Free Asset Ratio (FAR) for the main life companies, calculated using the more conservative of the liability methods, (see glossary on page 36) were 2% for Pearl, 3% for LL, 2% for NPLL and 1% for NPIL.

Capital management - asset backing shareholder capital resources

Allocation at	31 December 2002			31 December 2001		
A$m	Australasia	UK	Total	Australasia	UK	Total
Equities	1,164	956	**2,120**	1,606	1,198	2,804
Other growth assets	302	199	**501**	399	101	500
Fixed interest	825	2,749	**3,574**	806	2,873	3,679
Cash	1,664	3,257	**4,921**	1,277	1,955	3,232
Total managed assets	3,955	7,161	**11,116**	4,088	6,127	10,215
Other	(67)	(341)	**(408)**	244	(270)	(26)
Total net assets	3,888	6,820	**10,708**	4,332	5,857	10,189
Intangibles	666	2,088	**2,754**	807	2,834	3,641
Total shareholder capital resources	4,554	8,908	**13,462**	5,139	8,691	13,830

	FY 02			FY 01		
A$m	Australasia	UK	Total	Australasia	UK	Total
Investment income						
BU underlying investment income	251	222	**473**	288	245	533
Corporate Office underlying investment income	(39)	3	**(36)**	(72)	45	(27)
Total underlying investment income	212	225	**437**	216	290	506
Market adjustment	(231)	(157)	**(388)**	(145)	(387)	(532)
Total investment income	(19)	68	**49**	71	(97)	(26)
Growth assets / (managed assets)	37%	16%	**24%**	49%	21%	32%
Regional split of managed assets	36%	64%		40%	60%	
Regional split of total shareholder capital resources	34%	66%		37%	63%	

Lower exposure to equities

Total shareholder exposure to equities fell by A$684m. This was primarily driven by:

- significant falls in the global equity markets during 2002, including a fall in the UK FTSE 100 Index of 24.5% and the Australian All Ords Index of 11.5%
- reduction in equities backing shareholder capital.

Total shareholder exposure to cash increased by A$1,689m. This was primarily driven by:

- A$1,141m hybrid equity
- proceeds from the sale of Cogent and the AMP Bank credit card portfolio.

The volatility of shareholder funds is now significantly reduced, with growth assets now just 24% of total shareholder managed assets. This compares with a growth exposure of 32% at 31 December 2001 and 51% at 31 December 1998.

Increase in total investment income

- Lower bond yields in Australia (down 85bps) and the UK (down 67bps), as well as the reduction in growth assets as a percentage of total managed assets (reducing from 32% to 24%) offset the impact of lower equity markets during FY 02, with total investment income increasing by A$75m to A$49m. This is still significantly less than that earned in years prior to 2001.
- Total underlying investment income has decreased by A$69m (14%) on FY 01 due mainly to a change in the mix of managed assets from growth assets to fixed interest and cash.
- FY 02 underlying investment income includes a normalised return on Corporate capital. Prior periods have been restated (with the corresponding change being made to "Investment income market adjustment"). There is no impact on net profit after tax as a result of this reclassification. Refer to the definition on page 37.
- Corporate Office (Australia) underlying investment income includes the intra-group elimination of dividends earned on the UK plc preference shares (FY 02: A$69m and FY 01: A$81m).

Debt overview

A$m	31 December 2002			31 December 2001		
	Corporate	Operational	Total	Corporate	Operational	Total
Subordinated bonds/notes	840	472	**1,312**	834	470	1,304
AMP Income Securities	1,240		**1,240**	1,240		1,240
Total subordinated debt (Tier 2)	2,080	472	**2,552**	2,074	470	2,544
Domestic commercial paper and NCDs		2,432	**2,432**		1,672	1,672
Euro commercial paper	90	472	**562**		1,865	1,865
Euro medium term notes	1,584	379	**1,963**	1,608	547	2,155
Domestic medium term notes		498	**498**		599	599
Other	34		**34**	5		5
Total senior debt	1,708	3,781	**5,489**	1,613	4,683	6,296
Loans		232	**232**		216	216
Bank overdrafts			**-**		4	4
Deposits-in		2,413	**2,413**		1,945	1,945
Other		3	**3**		5	5
Total external debt	3,788	6,901	**10,689**	3,687	7,323	11,010
Borrowings from Pearl 90:10 fund			**-**	623		623
Total debt	3,788	6,901	**10,689**	4,310	7,323	11,633
Corporate gearing ratios						
Gearing - debt/(debt + equity)[1,3]	**13%**			16%		
Gearing - debt/equity[1,4]	**44%**			45%		
Interest cover (times)[2]	**3.5**			4.1		
Underlying interest cover (times)[2]	**5.2**			6.3		

1. Definition in glossary now includes allowance for hybrid equity (page 36).
2. FY 01 calculations restated in line with definition in glossary on page 36-37.
3. (3,788 - 2,080) / (3,788 + 1,141 + 8,533) = 13%
4. 3,788 / 8,533 = 44%

Gearing has reduced as a result of:

- borrowings from Pearl 90:10 fund that was repaid as part of the UK capital restructuring
- successful issue of hybrid equity.

A$90m of euro commercial paper matured in January 2003 and has been repaid.

Given the time lag between repayment of debt and reduced interest costs, the full benefit of the repayment of the borrowings from Pearl 90:10 fund on interest cover, will not be realised until 2003.

Operational debt includes:

AMP Bank	A$5,540m
AMP Finance and AMP GBS Ltd	A$984m
Other	A$377m

Policyholder obligations of A$2,192m are excluded from operational debt.

Refer notes 14 (Borrowings) and 15 (Subordinated Debt) of the AMP Ltd 2002 Full Financial Report:

Total borrowings as disclosed	A$10,329m
Less: Policyholder obligations	A$(2,192)m
Add: Subordinated debt	A$2,552m
Total debt above	A$10,689m

Cost management

Business unit A$m	Cost to income %		Operational costs		Project costs		Total controllable costs	
	FY 02	FY 01	FY 02	FY 01	FY 02	FY 01	FY 02	FY 01
AMP Group total	**62%**	64%[1,2]	2,374	2,633	221	275	2,595	2,908
Australian Financial Services	**44%**	44%	557	580	54	84	611	664
UK Financial Services[1]	**64%**	64%	987	1,161	119	136	1,106	1,297
Henderson Global Investors	**69%**	68%	597	636	30	32	627	668
AMP Banking	**99%**	105%	140	144	11	6	151	150
Corporate Office[3]	n/a	n/a	93	112	7	17	100	129

Note: Refer to the glossary for definitions of cost to income ratio and controllable costs.
1. FY 01 has been restated to include Towry Law on a pro-forma full year basis.
2. FY 01 includes the results of Cogent in the cost to income ratio. Excluding Cogent from the calculation, the FY 01 ratio is 62%.
3. Corporate Office costs are pre-tax and represent costs not recovered from BUs (page 32).

The AMP Group achieved an 11% reduction in controllable costs on a like-for-like basis. This was achieved by stringent cost control across all business units but has produced only a slight decrease in the cost to income ratio due to the environment of decreasing revenues.

Australian Financial Services

- Controllable costs reduced by A$53m (8%) in FY 02 due to cost management initiatives as well as tightening of discretionary spend in both operational and project costs.
- The AFS cost to income ratio was steady at 44% for FY 02. This was an excellent result in an environment of decreasing revenues.
- FY 01 was restated to 44% and now includes the HIH loss in operating margins (previously disclosed as a non-recurring margins and therefore excluded from the FY 01 gross margin used to calculate the cost to income ratio).

UK Financial Services

- The FY 02 cost to income ratio (incl. Towry Law) of 64% is in line with FY 01. Cost savings achieved have been offset by the reduction in profit margins.
- The UKFS cost management program is targeting run rate savings of £160m (compared to FY 01) by the end of 2003. In FY 02 savings of £68m, representing a 15% reduction, were captured when compared with FY 01. After allowing for reduction in expenses directly attributable to reduced sales, the underlying reduction was £47m or 10%. These savings were offset to some extent by the impact of with-profits withdrawal and volume/mix changes in delivering service company trading profits of £31m.
- Planned major UKFS actions to deliver the £160m by FY 03 include the reduction of 3,400 staff by the end of 2003 (incl. closure of the Pearl Direct Sales Force and support staff).
- The withdrawal of with-profit products will necessitate re-negotiation between the service company and Pearl Assurance plc and will be subject to FSA approval.

Henderson Global Investors

- There was a modest increase of one percentage point in the cost ratio on FY 01. Controllable costs fell by 6%. This was achieved by:
  - focusing on core areas of business, driving down non-core expenditure
  - reduced staff expenditure through greater efficiency, retrenchment and lower bonus costs.
- Key components of this movement in operational costs were a fall in employee expenditure, lower investment administration costs and a decease in advertising expenditure. These reductions were in part offset by higher office expenses following a rent review in the UK and the office relocation in Australia.
- Henderson also maintained its commitment to investing in the business incurring A$30m (FY 01 A$32m) on building US capabilities and on developing and implementing front office systems.

AMP Banking

- AMP Banking's focus on cost control resulted in a reduction of six percentage points in the cost to income ratio, even while growing lending new business volumes by 28%.

Corporate Office

- Corporate Office costs not recovered from BUs reduced by 22% on FY 01 due to tighter cost control policies on operating and project costs.

Total controllable costs above (A$2,595m) differ from that disclosed in the 2002 AMP Ltd Full Financial Report (note 4), as that includes policyholder-related costs which are not included above.

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Overview of embedded value and value of new business

- This information shows the embedded and new business values for the businesses of AFS (AMP life funds, other subsidiaries and business support operations) and UKFS (life funds of AMP Pearl, AMP NPI and AMP London Life, business support operations, unit trust and Open Ended Investment Company (OEIC) business and other subsidiaries and shareholder capital allocated to UKFS).
- Embedded values in this report are calculated by AMP Group's Appointed Actuaries. The projections underlying embedded values do not explicitly allow for future volatility. In circumstances where the perceived business or financial risk has increased, an investor should consider using a higher risk discount rate. AMP publishes EV's on a range of discount rates to assist the investor in this regard.
- More details about embedded values can be found on AMP's website.
- Assumptions used for the embedded and new business values are consistent with the best estimate assumptions used in calculating Margin on Services (MoS) policy liabilities at the year end (except for equity risk premiums in UKFS). Refer to pages 40 and 42 for the key assumptions and audit review statement thereon.
- Risk discount rates are the yield on long term government bonds plus the discount margin. Future investment earnings and inflation are also based on these long term government bond yields and do not vary with the discount margin. Refer to page 40 for information on economic assumptions used.
- "Expected return" represents the unwinding of the discount (at the relevant discount margin over the end 2001 yield on long term bonds) on discounted values and the net expected investment return on undiscounted values.
- "Value added" represents growth in excess of the expected return, and before transfers of profit and capital.

Embedded values as at 31 December 2002

A$m	Capital included	3%	Discount margin 4%	5%	6%
Australian Financial Services	3,635	5,714	5,479	5,270	5,085
Value of FY 02 new business		251	222	197	174
UK Financial Services	7,938	6,269	5,943	5,658	
Value of FY 02 new business		71	51	37	

- The "Capital included" in the EV calculations is the same as the "Total capital" ("net assets" and "intangibles") allocated to AFS and UKFS respectively (on page 11).
- The EV reflects the present value of future earnings and the value of capital less an adjustment for the time of release and the risk placed on that capital. For UKFS, difficult conditions have meant that the value of future earnings has fallen. At the same time, the required adjustment for risk on the capital has increased. Also note that the total capital includes intangibles of A$1,060m, the majority of which represents the value of future new business (in NPI and the service company) which is not valued in the EV itself.
- When comparing these results with those under "UK achieved profits", note that the UKFS embedded value and value of new business are net of UK income tax (including shareholder tax on transfers). However, in UK-market achieved profit presentations, the change in embedded value and value of new business are often quoted:
  - gross of tax at the corporate rate
  - before investment variances and economic assumption changes.

AFS embedded value and value of new business

Embedded value increases despite challenging business conditions

- Embedded value increased by 1.4% at the 3% discount margin (dm) after restatement of FY 01 and before FY 02 transfers.
- The restatement for modelling improvements mostly relates to corrections of values before 2001. The historic return on EV in 2000 has been restated as well.
- The value added factors in FY 02 were driven by:
  - new business adding A$251m (3% dm) or A$174m (6% dm)
  - lower future unit costs resulting from the restructuring of the AFS business adding A$177m (3% dm) or A$149m (6% dm)

  offset by:
  - investment returns on shareholder capital reducing value by A$282m (3% dm) or A$282m (6% dm)
  - investment returns on customer funds reducing value by A$438m (3% dm) or A$421m (6% dm)
  - the impact of bond yield changes on future investment assumptions and discount rates increased value by A$37m (3% dm) or A$18m (6% dm)
  - one-off changes to economic assumptions, including reduced long term risk premiums for equity investments, deducting A$184m (3% dm) or A$151m (6% dm)
  - expense losses of A$96m from restructure costs offset by other current year experience profit, exchange rate movements and assumption changes reduced EV by a net A$19m (3% dm) or A$1m (5% dm).
- Net transfers include capital of A$971m transferred out to Corporate, as well as the value of franking credits transferred out at 70% of face value.

Value of new business grows from expense improvements

- Value of new business increased from A$233m (restated) in FY 01 to A$251m in FY 02 (both at 3% dm) due to:
  - anticipated improvements to unit maintenance costs resulting from the restructuring of the AFS business adding A$19m
  - this year's cost initiatives generating unit acquisition costs lower than FY 01, adding A$7m

  offset by:
  - lower volumes offset by a more profitable mix resulting in a net deduction of A$4m
  - product and capital management initiatives reducing value by A$4m.
- Value of new business from FY 01 was restated from A$249m to A$233m (both at 3% dm), due to:
  - the impact of bond yield changes on future investment assumptions and discount rates adding A$7m
  - other changes mainly reflecting lower long term risk premiums for equity investments and other one-off changes to economic assumptions deducting A$23m.

AFS embedded value and value of new business

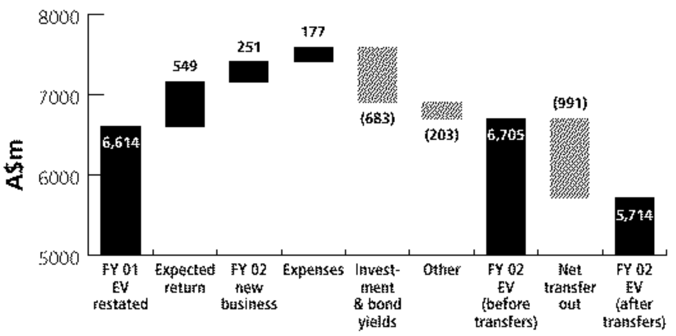
Australian Financial Services (A$m)	Embedded value and discount margin 3%	4%	5%	6%
Embedded value at 31 December 2001	6,863	6,613	6,386	6,183
Restatement	(249)	(232)	(216)	(202)
Expected return	549	571	590	609
Value added	(458)	(482)	(499)	(514)
Net transfers out	(991)	(991)	(991)	(991)
Embedded value at 31 December 2002	5,714	5,479	5,270	5,085
Return on embedded value	1.4%	1.4%	1.5%	1.6%
Embedded value comprises:				
Adjusted net assets[1]	1,425	1,425	1,425	1,425
Value of in-force business[2]	4,289	4,054	3,845	3,660
Embedded value by major entity				
AMP Life	4,990	4,787	4,607	4,448
Business Support Operation (BSO)	573	544	518	495
Other subsidiaries	151	148	145	142
Value of new business				
2002	251	222	197	174
2001 as reported	249	217	188	162
2001 full year restated	233	203	175	150
Value of new business by major entity - 2002				
AMP Life	166	141	119	100
Business Support Operation (BSO)	69	66	64	61
Other subsidiaries	16	15	14	13
Value of new business by major entity - 2001				
AMP Life	175	146	120	96
Business Support Operation (BSO)	51	49	47	46
Other subsidiaries	23	22	21	20
Value of franking credits @ 70% full value (included above)				
Value of in-force business	841	805	773	745
Value of new business - 2002	60	54	48	43

Source: AMP Life Appointed Actuary

1. Adjusted net assets broadly represents shareholder net assets in excess of capital adequacy requirements at face value.
2. Value of in-force business includes shareholder net assets of A$1,715m at face value which are valued at a discount to expected time of release.

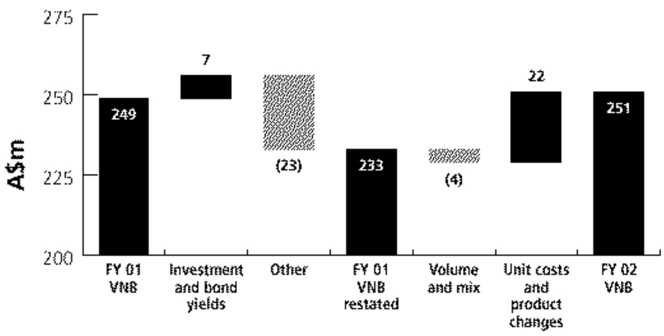
Change in embedded value

(at the low risk discount margin (3%) above bond rate)



Change in value of new business

(at the low risk discount margin, (3%) above bond rate)



UKFS embedded value and value of new business

Embedded value hit by poor investment performance

- Poor investment performance and lower expected future returns have reduced bonus prospects and the associated shareholder margins, as well as the value of shareholder net assets. The impact is -£420m (3% dm) or -£403m (5% dm).
- The investment strategy of the Pearl 90:10 fund has been changed to reduce exposure to equity markets. This reduces expected future returns, with an impact of -£60m (3% dm) or -£48m (5% dm).
- Expense experience had a -£99m impact, primarily arising from one-off and project expenditure.
- The balance is made up of miscellaneous experience items, assumption changes and modelling changes.

Net transfers include:

- The impact of the work done to restructure and recapitalise UKFS, including:
  - the injection of £500m of shareholder capital to Pearl
  - the removal of certain inadmissible assets from Pearl (including NPI Ltd)
- The inclusion of capital in shareholder funds which is admissible for regulatory purposes. This capital is now included as it supports the regulatory capital position of UKFS life funds (including accountable capital for other business units). The appropriate eliminations are identified on page 39.
- The inclusion of capital held in other UKFS subsidiaries.

One of the outcomes of the net transfers is that the capital included in the UKFS EV now aligns with the total UKFS accountable capital.

The range of discount margins has been adjusted reflecting the risks associated with depressed market conditions.

Value of new business steady but will be under pressure in 2003

VNB fell from £27m to £25m (at 3% dm) but rose from £9m to £13m at 5% dm.

Inclusion of non-life businesses not previously included and other modelling changes reduced VNB by £5m (at 3% dm and 5% dm).

Impact of lower volumes (-£27m at 3% dm, -£21m at 5% dm) has been offset by a reduction in unit acquistion expenses from cost reduction activities (+£30m at 3% dm and 5% dm).

The VNB of £25m (3% dm) is lower than the estimate of £38m (2% dm) given at the 4 December presentation, largely because of using a higher discount margin (£8m) and because 2002 acquisition costs are higher than anticipated (£5m).

As a result of significant changes already announced, including the closure of the Direct Sales Force, the 2002 VNB is not a good guide to future new business. It is estimated that 2003 VNB will be approximately zero, representing the effect of lower volumes, due to the closure of the Direct Sales Force partly offset by reductions in fixed acquisition costs.

UKFS embedded value and value of new business

UK Financial Services (£m)	Embedded value and discount margin 3%	4%	5%
Embedded value at 31 December 2001	1,971	1,844	1,732
Expected return	157	164	169
Value added	(700)	(700)	(699)
Net transfer in	765	771	777
Embedded value at 31 December 2002	**2,193**	**2,079**	**1,979**
Return on embedded value	-27.5%	-29.1%	-30.6%
Embedded value comprises:			
Adjusted net assets[1]	672	672	672
Loans and reserves[2]	155	139	125
Value of in-force business[3]	1,366	1,268	1,182
Embedded value by major entity			
Life business	2,104	1,993	1,896
Service company (Business Support Operation)	58	55	52
Other subsidiaries	31	31	31
Value of new business			
2002	25	18	13
2001	27	18	9
Value of new business by major entity - 2002			
Life business	7	0	(5)
Service company	18	18	18
Value of new business by major entity - 2001			
Life business	30	21	12
Service company	(3)	(3)	(3)

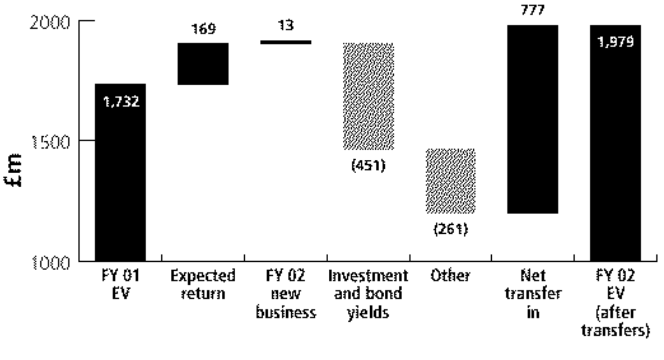
Source: UKFS Appointed Actuaries

1. Adjusted net assets broadly represent UKFS shareholder net assets which are either in excess of minimum regulatory requirements or are inadmissible. They are valued at face value, net of any tax that would be payable on distribution to shareholders. The face value of shareholder net assets before tax included in adjusted net assets is £703m.
2. Loans and reserves represent the discounted value of the London Life contingent loans and special reserve account, with a face value of £298m.
3. Value of in-force business includes:
   - the value to shareholders of future distributions of profits (net of tax) from policies, unit trusts and OEIC business in-force
   - excess assets in the with-profits fund (one ninth of the bonuses required to exhaust them)
   - shareholder net assets at the relevant risk discount rate to time of release
   - the value of in-force to the service company
   - the goodwill of the non-life businesses (Towry Law and Ample / Interactive Investor), representing the value of their future profit streams.

   The face value of shareholder net assets included in the value of in-force is £1,405m. This has increased since FY 01 because (a) more shareholder capital is required to meet minimum regulatory requirements, which have not fallen in line with market falls and (b) the presentation has changed since FY 01 when all Pacific assets were included as part of adjusted net assets, even the part required to support minimum regulatory requirements.

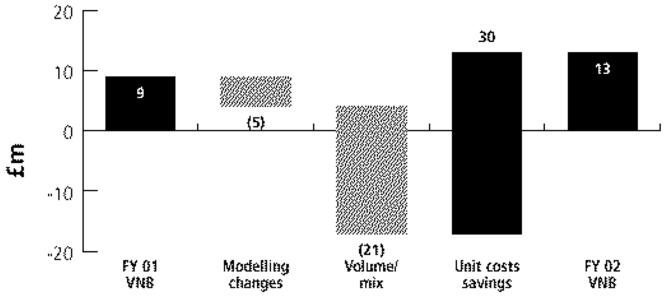
Change in embedded value

(at the high risk discount margin (5%) above bond rate)



Change in value of new business

(at the high risk discount margin (5%) above bond rate)



EV and VNB sensitivities

Change in embedded value (A$m) at 31 December 2002	AFS			UKFS			
	Life & other	BSO	Total	Life & other	BSO	Total	Total
1% (100bps) increase in long term bond yields:							
- best estimate	(75)	(10)	(85)				
- passive	(5)	(5)	(10)	10	(5)	5	**(5)**
5% reduction in controllable costs	0	80	80	0	70	70	**150**
1% increase in persistency	95	15	110	70	5	75	**185**
5% increase in equity index - local equities	75	0	75	55	0	55	**130**
5% increase in equity index - international equities	25	0	25	15	0	15	**40**

FY 02 change in value of new business (A$m)	AFS			UKFS
	Life & other	BSO	Total	
1% (100bps) increase in 10 year bond yields:				No data has been provided for UKFS because 2002 VNB is not a guide to future new business (see page 20).
- best estimate	(5)	(2)	(7)	
- passive	0	0	0	
5% reduction in controllable costs	0	21	21	
1% increase in persistency	17	1	18	
5% increase in sales	7	3	10	

Key assumptions

- The tables illustrate the sensitivity of the embedded and new business values to various economic and business variables.
- The sensitivities can at best be only indicative because:
  - ***they are not always linear or symmetrical***, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees. This asymmetry has been accentuated by recent market falls, although it is mitigated to some degree by asset/liability management steps taken during the year
  - they assume that the movement in a particular variable is independent of all others
  - they show the average movement for the risk discount margin range
  - they are based on the FY 02 position, ie not 'forward looking', and make no allowance for events subsequent to 31 December 2002.
- The 1% increase in long term government bond yields is assumed to be accompanied by a 0.5% increase in inflation, and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For AFS, two sensitivities are shown, representing two different approaches to future earning rate assumptions for equities and property. The two scenarios are:

Change in assumed risk premium with 1% increase in long term bond yields	Equities and property	Other assets
Best estimate	-0.5%	0.0%
Passive	0.0%	0.0%

For UKFS, only the passive sensitivity is shown, reflecting AMP's adoption of UK market practice.

- The 5% reduction in costs is based on AFS and UKFS controllable costs only, ie it excludes commission and investment management fees. The analysis assumes cost reductions arise in the business support operations.
- The 1% increase in persistency is based on a uniform reduction in lapses in all future years.
- The 5% increase in equity index for local equities is based on the ASX All Ordinaries for AFS and UK FTSE All Share for UKFS.
  No adjustment is made for investments outside index weightings, non-listed equities are excluded and it makes no allowance for events subsequent to 31 December 2002.

Profit sensitivities

FY 02 profit sensitivities (A$m)	Operating margins	Investment income	Total
Economic variables			
5% increase in Australian equities	10	45	**55**
5% increase in UK equities	10	20	**30**
1% (100bps) decrease in 10 year UK gilt yields	(20)	155	**135**
1% (100bps) decrease in 10 year Aust. bond yields	(5)	25	**20**
10% increase in GBP vs AUD	35	5	**40**
Business variables			
5% increase in sales volumes - AFS and UKFS	10		
10% increase - average external AUM	25		
5% reduction in controllable costs	90		

The table illustrates the sensitivity of AMP's 2002 profit after income tax before other items to various economic and business variables.

These sensitivities are at best only indicative, because:

- ***they are not always linear or symmetrical***, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees. This asymmetry has been accentuated by recent market falls, although it is mitigated to some degree by asset/liability management steps taken during the year
- they assume that the particular variable moves independently of all others
- they are based on the 2002 position, ie not 'forward looking', and make no allowances for events subsequent to 31 December 2002
- in general they assume that movement occurs evenly over the year.

Other assumptions include:

- parent company shareholders' equity is fully invested and there are no adjustments for investments which are outside index weightings
- only movements in local equities are included
- currency movements in investments in self-sustaining operations do not impact profit
- controllable cost reductions are assumed to arise in the business support operations
- all figures are after tax
- sales sensitivity assumes the same product mix as that underlying sales during FY 02, and mainly reflect profit arising in the service companies
- currency sensitivities do not allow for hedging structures on FY 02 operating margins currently in place. 2002 UK operating margins were hedged by a collar of AUD/GBP 0.349 to 0.390. Currency sensitivities on operating margins for 2003 will also be impacted by similar hedging structures being implemented. Impact on interest expense on corporate debt is not included in the table, but interest expense would increase A$10m.

• Under MoS accounting, non-investment experience has an immediate impact on life margins for the current period. Investment experience has a different impact on life margins:

  - for participating business, profit margins are dependent on the level of future bonuses supported by both the value of available assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a fraction of the impact is recognised in the current reporting period and is shared between policyholders and shareholders
  - for risk and annuity business, movements in asset values have little impact on profit unless assets and liabilities are mismatched, in which case the impact of mismatching is fully recognised in the current reporting period
  - for linked business, fee income is mainly based on the levels of assets under management, which in turn is directly impacted by investment markets.

Australian Financial Services

Underlying operating profit after tax declined slightly

- Underlying operating profit after income tax declined 8% from A$600m in FY 01 to A$555m in FY 02, reflecting:
  - lower domestic and international investment markets (-A$44m) and lower bond yields (-A$7m)
  - lower profit margins from capital guaranteed business due to the implementation of capital reduction strategies (-A$18m), with lower capital levels also reducing underlying investment income (-A$13m)
  - lower new business volumes (-A$23m)

  offset by:
  - cost reduction initiatives (+A$33m)
  - FY 01 loss on HIH securities not repeated in FY 02 (+A$24m)
  - other items (+A$3m).
- Continued vigilance in managing costs has softened the impact of market conditions. Controllable costs reduced by A$53m (8%) for FY 02. The cost to income ratio is holding steady at 44% in FY 02, despite the fall in income. The FY 01 cost to income ratio has been restated to reflect the impact of the HIH loss in FY 01 (-A$24m).

Transformation costs

- In 2002, AFS implemented a series of actions designed to strengthen and grow areas of the business with the greatest opportunity for profitable growth. Restructuring of the business included folding back parts of AMP Direct and examining all activities throughout the business with the view of discontinuing non-essential activities. Significant changes to the management and operational structure of the business are being implemented. The restructuring costs totalled A$69m after income tax and will deliver sustainable cost reductions. Approximately 550 roles are being made redundant including 90 contract roles.

Capital released maintained return on invested capital

- Return on invested capital declined marginally to 13.8% in FY 02. The fall was attributable to lower operating profit and was offset by the continuing success in the implementation of capital reduction strategies.
- A$971m of net capital was released in FY 02 of which A$750m was attributable to the removal of AMP UK plc preference shares from AMP Life statutory funds.

Persistency maintained

- Persistency stability in FY 02 (level remained at 83.8%) was impressive in a year where capital guaranteed investment options closed, markets declined and fund inflows were subdued. This demonstrates the success of pro-active planner retention initiatives, as well as other AMP initiatives such as rewarding business retention, targeting communication to rebuild customer confidence and streamlining our product offering. These types of initiatives should enable better products, faster-to-market enhancements and make it easier and more cost effective to maintain AMP accounts.

Distribution strategy enhanced

- AFS continued to successfully execute its multi-channel distribution strategy during 2002:
  - Australian planner numbers continued to grow – up 4% to 1,991 planners, with Hillross experiencing a net growth of 18% to 252 planners
  - 3rd party distribution was extended during 2002. Non-AMP planners doing business with AMP each month averaged above 1,500 for FY 02, up more than 27% on FY 01
  - new dealer group value propositions were launched in 2002 by both AMPFP and Hillross, offering a new model that incorporates both planner and dealer group characteristics. This increases transparency and enhances the value of AMP's proposition to planners
  - Arrive Financial Planning was acquired on 29 June 2002 from PricewaterhouseCoopers
  - the AMP Direct operations have been wound back and closed as a stand alone business. The core direct distribution capability is being retained as part of the multi-channel strategy.

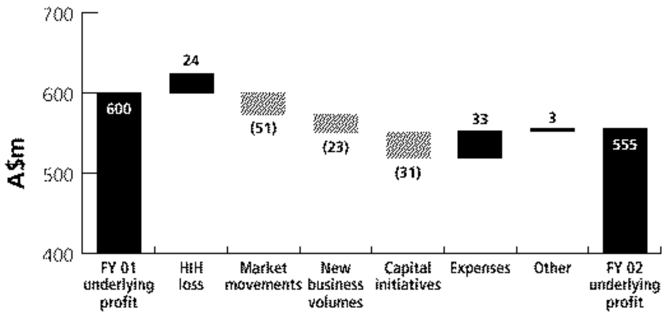
New business impacted by investor confidence and the focus on retention

- The 11% drop in AFS total new business from A$10,538m in FY 01 to A$9,368m in FY 02 is a good result given market conditions:
  - AMPFP new business of A$4,591m was 20% below FY 01 of A$5,735m reflecting investor sentiment and a planner focus on protection of existing funds
  - Hillross increased new business by 12% through improved planner remuneration terms and continued product enhancements resulted in strong PortfolioCare sales
  - 3rd Party Distributors' retail new business of A$791m decreased by 17%, a noteworthy result in view of the competitive environment
  - Corporate Superannuation had a strong year with new business of A$2,418m, 12% higher than FY 01, reflecting several significant tender wins in 1H 02
  - AMP Direct new business fell by 20% to A$157m in FY 02.
- Poor investment returns and the closure of the capital guaranteed investment options have shaped the trend for retirement savings products (ie superannuation, income stream, and managed investments), with new business of A$8,198m being 9% below FY 01.
- Risk new business of A$523m is down 6% compared to last year.
- In New Zealand, strong risk sales have been offset by the weak retail investment and corporate superannuation sales (for the reasons noted above), decreasing new business by 27%.

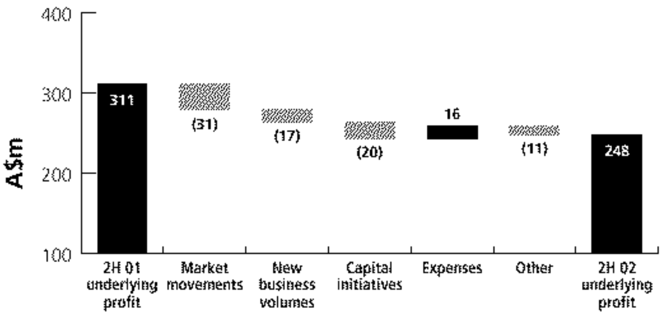
Australian Financial Services financial summary

A$m	FY 02	2H 02	1H 02	FY 01	% FY	% H/H
Components of profit and loss						
Profit margins released	**239**	103	136	306	-21.9	-24.3
Profit margins - other operations	**95**	43	52	58	63.8	-17.3
Total profit margins	**334**	146	188	364	-8.2	-22.3
Experience profits	**-**	(6)	6	2	-100.0	-200.0
Total operating margins	**334**	140	194	366	-8.7	-27.8
Underlying investment income	**221**	108	113	234	-5.6	-4.4
Underlying operating profit after income tax	**555**	248	307	600	-7.5	-19.2
Transformation costs	**(69)**	(69)	-	-	n/a	n/a
Net profit after income tax	**486**	179	307	600	-19.0	-41.7
Ratios						
Cost to income	44%	46%	41%	44%		
Retention/persistency	83.8%	82.7%	84.8%	83.8%		
RoIC	13.8%	13.3%	15.0%	14.1%		
RoBUE	15.8%	15.4%	17.1%	16.1%		
New business by distribution channel - retail						
AMP Financial Planning (AMPFP)	**4,591**	2,375	2,216	5,735	-19.9	7.2
Hillross (AMP aligned 3rd Party Distributors)	**916**	477	439	820	11.7	8.7
3rd Party Distributors	**791**	371	420	951	-16.8	-11.7
Corporate Superannuation - advisers	**1,992**	1,028	964	1,871	6.5	6.6
Corporate Superannuation - direct sales force	**426**	138	288	285	49.5	-52.1
Sub-total financial advisers	**8,716**	4,389	4,327	9,662	-9.8	1.4
AMP Direct	**157**	89	68	196	-19.9	30.9
Total Australia	**8,873**	4,478	4,395	9,858	-10.0	1.9
New Zealand	**495**	257	238	680	-27.2	8.0
Total new business by distribution channel - retail	**9,368**	4,735	4,633	10,538	-11.1	2.2
New business by product type - retail						
Superannuation	**5,930**	3,035	2,895	6,096	-2.7	4.8
Income stream	**1,013**	520	493	1,324	-23.5	5.5
Managed investments	**1,255**	518	737	1,618	-22.4	-29.7
Risk	**523**	321	202	557	-6.1	58.9
Mature	**152**	84	68	263	-42.2	23.5
New Zealand	**495**	257	238	680	-27.2	8.0
Total new business by product type - retail	**9,368**	4,735	4,633	10,538	-11.1	2.2

Movement in underlying profit FY 01 to FY 02



Movement in underlying profit 2H 01 to 2H 02



UK Financial Services

Underlying profit – main movements

- Underlying operating profit after income tax declined 25% from £203m in FY 01 to £152m in FY 02 reflecting:
  - market movements impacting planned margins, investment income and capitalised losses (-£52m)
  - one-offs during FY 01 have not recurred in FY 02 (-£34m)
  - full year performance of the Service Company combined with tight cost control during FY 02 (£34m)
  - other items (£1m).
- Profit margins released for FY 02 fell from £83m in FY 01 to £55m due to three years of weak equity markets. As a result of this prolonged decline, this has altered our view of future growth and of the appropriate underlying sustainable bonus rates to be released by the 90:10 funds. This change reflects:
  - a decrease in investment assets in line with market falls
  - reduced relative exposure to growth assets during the year - ie Pearl's growth asset exposure moved from a ratio of 71% (FY 01) down to less than 50% by year end 2002.
- Strong growth in profit margins from other operations (up to £31m from -£4m in FY 01) was hampered by the 2H 02 falls in Pearl new business volumes through the UK service company. Trading conditions were difficult for non-life companies such as Ample and Towry Law who made trading losses of £6m and £5m respectively.
- Experience profits from tax settlements were overshadowed by the announced additional provisions related to pensions miss-selling and other liabilities to policyholders.
- Capitalised losses of £10m in 2H 02 reflected the impact of equity market falls and reduced equity-backing ratios have led to the capitalised losses on specific product categories.
- Underlying investment income was reduced by £9m for FY 02 due to a write-down in the carrying value of reversionary interests in property which was deemed to be BU-accountable. There has been no growth in investment income due to the switching from equities to gilts during the year and reduced rates of normalised return compared to 2001.
- One-off transformation costs of £87m connected to strategic actions announced in December and were predominantly redundancy and associated severance payments.

Return on invested capital dropped

- RoIC fell to 6.5% (10.2% FY 01) due to both reduced profitability and increases in the capital allocated to UKFS to support regulatory solvency.
- A comprehensive derivative strategy has been implemented to reduce the sensitivity of UK Life Services compared to further falls in the FTSE. Refer to page 11.

New business declines

New business fell by 21%, reflecting fragile investor confidence, adverse press coverage on UK financial strength, Pearl Long Term Fund regulatory solvency position and AMP specific issues.

- Independent Financial Adviser (IFA) sales fell by 14% for FY 02; impacted by the negative publicity surrounding Pearl's regulatory solvency position but somewhat mitigated by our relationships and retention of the influential AKG 4 star rating for non with-profit business.
- Since launch in May 02 the Corporate Pensions business continued to grow – up 20% in 3Q 02 market share data.
- Direct Sales Force new business fell 36% as a result of market conditions, reduction in advisers of 26% during 2002 and productivity deterioration in 2H 02. New management focus on shareholder value resulted in the decision in 2002 to close the existing Direct Sales Force model, which was not delivering the required returns. This decision and other cost management activity are expected to result in a reduction of roles of up to 1,900 (subject to union consultation).

Persistency fell slightly

UKFS product persistency was only marginally down at 88% for FY 02 (89% for FY 01). We are currently evaluating our retention strategy in light of the decision to close the Pearl Direct Sales Force and activity will focus on high value customers and business.

Restructuring of UKFS

During 4Q 02, AMP announced significant restructuring for UKFS involving new management and separation of the business into the mature operations and a select niche new business:

- UK Life Services consists of the mature books (of Pearl, London Life and NPLL) and forms the bulk of the UK capital investment. AMP's focus here is on value preservation through reduced costs, tightly controlled run-off and active management of the balance sheet and risks
- UK Contemporary is a niche operation focusing on selected markets within Corporate Pensions, IFA wholesale and Towry Law.

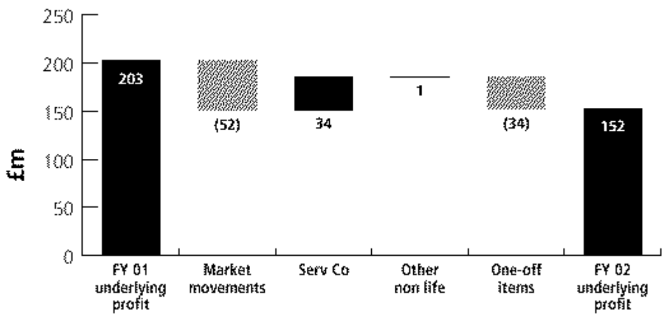
The transition program to separate the businesses is progressing well in terms of reductions in budgets and employees. The ongoing adverse market conditions and FTSE movements into 2003 are highlighting the need for continued concentration on core activities and greater efficiencies.

UK Financial Services financial summary

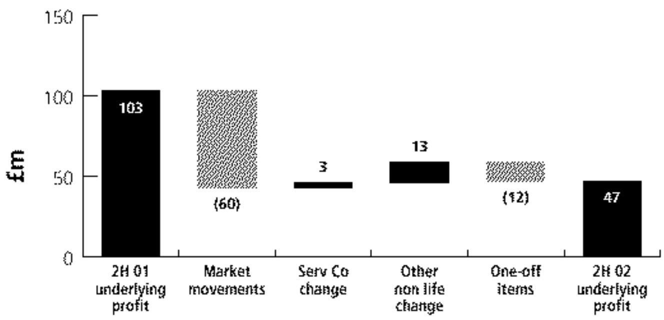
£m	FY 02	2H 02	1H 02	FY 01	% FY	% H/H
Components of profit and loss						
Profit margins released	**55**	19	36	83	-33.7	-47.2
Profit margins - other operations	**31**	6	25	(4)	875.0	-76.0
Total profit margins	**86**	25	61	79	8.9	-59.0
Experience profits	**(8)**	(3)	(5)	23	-134.8	-40.0
Capitalised (losses)/loss reversals	**(2)**	(10)	8	16	-112.5	-225.0
Total operating margins	**76**	12	64	118	-35.6	-81.3
Underlying investment income	**76**	35	41	85	-10.6	-14.6
Underlying operating profit after income tax	**152**	47	105	203	-25.1	-55.2
Transformation costs	**(87)**	(83)	(4)	-	n/a	n/a
Net profit after income tax	**65**	(36)	101	203	-68.0	-135.6
Ratios						
Cost to income	**64%**	71%	59%	64%[1]		
Retention/persistency	**88%**	87%	88%	89%		
RoIC	**6.5%**	3.9%	9.3%	10.2%		
RoBUE	**8.5%**	5.1%	12.2%	13.2%		
New business by distribution channel - retail						
Direct Sales Force	**901**	331	570	1,412	-36.2	-41.9
Independent Financial Advisers	**1,348**	584	764	1,567	-14.0	-23.6
Direct	**224**	149	75	165	35.8	98.7
Total new business by distribution channel - retail	**2,473**	1,064	1,409	3,144	-21.3	-24.5
New business by product type - retail						
Superannuation/pensions	**1,195**	540	655	1,555	-23.2	-17.6
Collective investment vehicles	**649**	257	392	885	-26.7	-34.4
Life	**629**	267	362	704	-10.7	-26.2
Total new business by product type - retail	**2,473**	1,064	1,409	3,144	-21.3	-24.5

1. FY 01 restated to include Towry Law on a full year pro-forma basis.

Movement in underlying profit FY 01 to FY 02



Movement in underlying profit 2H 01 to 2H 02



Henderson Global Investors

Performance measures

- Underlying profit after income tax of A$205m represents a robust operating performance (FY 01: A$217m) given the impact of the prolonged equity market downturn.
- Revenues protected by diversification across geographies and asset classes. Operating costs reduced, without cutting development expenditure.
- Capital invested in Henderson reduced by A$351m in 2H 02 through improved management of working capital (A$194m).
- RoIC slightly down to 10.7% for FY 02 and RoBUE reduced marginally to 42.8%.
- Cost to income ratio up to 69%.

Underlying profit

- Henderson's A$12m (6%) decline in profit versus FY 01 comprises the following post income tax movements:
  - A$44m adverse management fee impact from falling equity markets
  - A$3m favourable fee impact derived from sales volumes
  - A$12m adverse fee impact from reduced margin
  - A$4m increase in other income (performance, transaction and investment income)
  - A$29m reduction in expenditure through retrenchment and efficiency initiatives
  - A$8m taxation benefits through the use of tax losses resulting in a 27% effective tax rate (FY 01: 30%).

Fee income

- Overall fee income was down A$75m (8%) on FY 01 to A$889m, comprising:
  - management fees down A$75m (9%) on FY 01 to A$771m, protected by geographical, asset class and product diversification. The movement is explained as:
    - A$63m fall through market and FX movements in FY 01 and FY 02 (46% of total AUM invested in equity markets in FY 02)
    - A$15m increase as a result of external cash inflows
    - A$10m reduction as a result of internal fund cash outflows
    - A$17m fall through lower margins, 80% of which is to allow higher performance fee potential.

Management expenses

- Management expenses were reduced by A$41m (6%) to A$627m as a result of management actions during 2001 and rigorous cost control measures throughout 2002. Further cost reduction actions taken at the end of 2002, including retrenchments, will further protect future year profits.

AUM

- AUM fell by A$36.8b (13%) to A$255.6b at 31 December 2002, against an MSCI World Index fall of 20%.
- The major part of the decrease (64%) arises from adverse market movements (A$23.7b).
- External fund sales of A$21.2b were offset by A$21.5b of redemptions to record a small net fund outflow of A$0.3b for the year. In addition, a short term cash mandate of A$3.9b was withdrawn during Q1 02. This has negligible revenue impact.
- Internal fund outflows were A$6.9b during the year.
- The sale of UK Private Client business also resulted in the transfer out of A$2.2b.

Investment processes

- During 2002, we selectively built capability, with recruitment of additional investment and sales professionals in North America (the US Credit and Retail teams) and ROW (Smaller Companies, Property, and Private Capital).
- Products launched or developed include:

  ROW

  - market neutral ARF, A$0.4b raised in 2002; Retail Warehouse Fund, A$0.9b raised in 2002 (A$0.3b excluding gearing). Collaterised Synthetic Obligation Fund, A$1.8b raised in January 2003. Further funds were established including a fixed interest ARF, AAA cash fund and the California Workforce Housing fund

  Asia Pacific

  - first super fund take up of our Australian Socially Responsible Investment Overlay; First protected fund in Singapore - the Henderson Asia Bonus Payout Fund, A$0.1b raised 2002; First of two Australian fixed interest funds in Japan in December 2002, raising over A$0.3b. The second fund currently has commitments in excess of A$0.1b; Future Directions Fund in Australia.

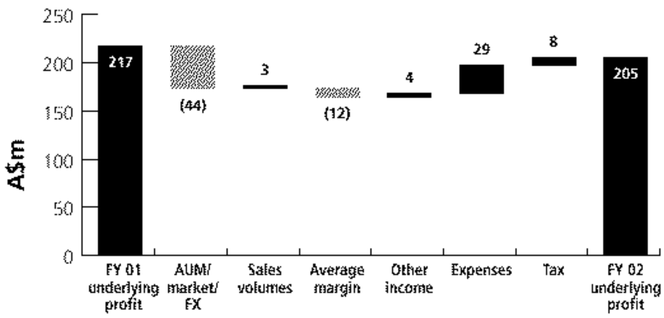
Investment performance

- 50% of Property Assets and 43% (65% Asia Pacific; 37% ROW) of Listed Assets outperformed their benchmarks during 2002.
- Won 24 investment performance awards in FY 02 including 6 1st place Standard & Poor's Funds awards in UK and Europe.

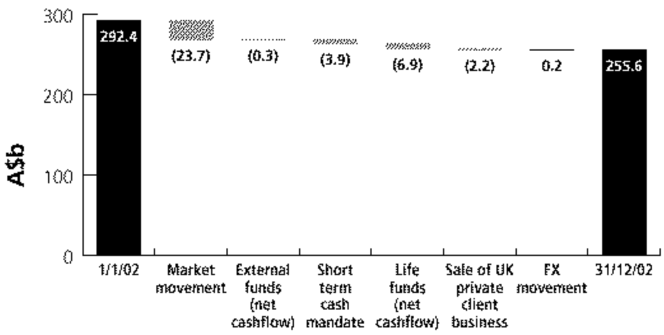
Henderson Global Investors financial summary

	FY 02	2H 02	1H 02	FY 01	% FY	% H/H
Components of profit and loss (A$m)						
Fee income	**889**	435	454	964	-7.8	-4.2
Management expenses	**(627)**	(319)	(308)	(668)	-6.1	3.6
Underlying investment income	**19**	11	8	13	46.2	37.5
Income tax	**(76)**	(30)	(46)	(92)	-17.4	-34.8
Underlying operating profit after income tax	**205**	97	108	217	-5.5	-10.2
Transformation costs	**(22)**	(22)		(8)	n/a	n/a
Asset sales	**28**	28		10	n/a	n/a
Net profit after income tax	**211**	103	108	219	-3.7	-4.6
Ratios						
Cost to income	**69%**	72%	67%	68%		
Retention/persistency	**86%**	84%	96%	88%		
RoIC	**10.7%**	10.1%	11.0%	11.1%		
RoBUE	**42.8%**	36.6%	37.5%	43.9%		
Assets under management (A$b)						
Australia	**72.2**		74.9	78.8	-8.4	
Europe and UK	**177.9**		184.2	206.2	-13.7	
North America	**5.5**		6.7	7.4	-25.7	
Total assets under management	**255.6**		265.8	292.4	-12.6	
Assets under management by line of business (A$b)						
Retail	**32.3**		38.4	44.7	-27.7	
Institutional	**70.5**		73.8	82.0	-14.0	
Internal funds	**119.3**		120.2	131.6	-9.3	
Property	**29.1**		28.7	28.3	2.8	
Private capital	**4.4**		4.7	5.8	-24.1	
Total assets under management	**255.6**		265.8	292.4	-12.6	

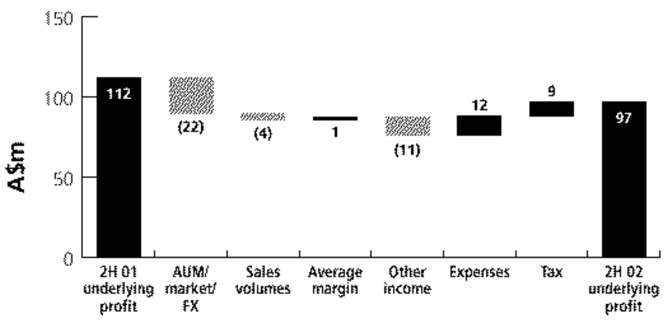
Movement in underlying profit FY 01 to FY 02



FY 02 change in AUM



Movement in underlying profit 2H 01 to 2H 02



AMP Banking

A$m	FY 02	2H 02	1H 02	FY 01	% FY	% H/H
Australasia						
Net interest income	**130**	63	67	135	-3.7	-6.0
Non interest income	**42**	23	19	26	61.5	21.1
Total income	**172**	86	86	161	6.8	0.0
Management expenses	**(154)**	(80)	(74)	(151)	2.0	8.1
Business development projects	**(8)**	(4)	(4)	(6)	33.3	0.0
Income tax	**(4)**	0	(4)	1	-500.0	-100.0
Underlying operating profit after income tax	**6**	2	4	5	20.0	-50.0
United Kingdom						
Total income	**8**	4	4	4	100.0	0.0
Total expenses	**(26)**	(12)	(14)	(29)	-10.3	-14.3
Income tax	**5**	2	3	7	-28.6	-33.3
Underlying operating loss after income tax	**(13)**	(6)	(7)	(18)	-27.8	-14.3
Consolidated						
Underlying operating profit after income tax	**(7)**	(4)	(3)	(13)	-46.2	33.3
Asset sales net of provision for implementing strategic review	**2**	2	-	-	n/a	n/a
Net loss after income tax	**(5)**	(2)	(3)	(13)	-61.5	-33.3
Cost to income ratio	**99%**	103%	93%	105%		

Growth and improvement in key financial and business performance measures

- Australasian banking delivered a 20% growth in underlying operating profit after income tax from A$5m in FY 01 to A$6m in FY 02. UK banking (which commenced operations in mid 2000) reduced underlying operating losses by 28% from A$18m to A$13m. Consolidated underlying operating profit after income tax across the Banking operation improved from a loss of A$13m in FY 01 to a loss of A$7m in FY 02.
- Global income increased 9% on FY 01. Higher funding costs impacted 2H 02 revenues, with Banking absorbing the increase rather than passing on the higher cost to customers. Customers also benefited from the maintenance of leading rates on savings and investment accounts. The Bank's securitisation program reduced the need for new capital to support business growth and accounts for the change in revenue sources between net interest income and non interest income. Non interest income includes A$20m (FY 01 A$8m) in residual income and fees relating to securitised assets.
- Focus on cost control enabled AMP Banking to support higher new business volumes (up 28%) without increasing the cost base.
- Mortgage sales of A$3.7b are 28% higher than FY 01. Property Finance sales exceeded A$1.0b in 2002.
- Mortgage loan portfolios grew 20% to A$9.0b during the year.
- Deposit portfolio balances increased 23% during the year, with total retail deposits exceeding A$2.3b.
- Capital management remains a core focus area, supported by the asset securitisation programs. A$4.0b of assets are funded via securitisation vehicles of which A$2.4b is off-balance sheet.
- The Bank continued to receive external recognition and awards for product innovation, value and service.

New strategy and business model announced.

- Key decisions taken following the recent strategic review included:
  - selling of the credit card portfolios (refer summary of ASX announcements on page 35, 23 December)
  - changing the business model from product manufacturer to distributor for retail loan and deposit products in New Zealand and the UK
  - exiting from the manufacture of "property finance" (commercial lending) business lines
  - reviewing the Bank's servicing model to significantly reduce costs to world class levels.
- While the Bank plans to exit the manufacture of the above business lines and to focus on Australian mortgage loans and savings/investment accounts, customers will continue to be offered a comprehensive product set via distribution agreements and 3rd party sourced products.
- Implementation of the new strategy has commenced with the sale of the card business (for approximately A$238m) completed in 2002 and plans are well advanced to deliver on the other divestment programs during 2003.

Portfolio businesses

Outside our core operations, AMP has a portfolio of businesses in diverse areas. A number of strategic changes were made to these businesses in 2002.

Discontinuing business

A$m	FY 02	2H 02	1H 02	FY 01	% FY
Gross written premium	51	47	4	123	-58.5
Reinsurance premium	(28)	(16)	(12)	(43)	-34.9
Change in unearned premium reserve	18	3	15	11	63.6
Net earned premium	41	34	7	91	-54.9
Claims expense	(288)	(258)	(30)	(416)	-30.8
Reinsurance recoveries	268	154	114	122	119.7
Net claims	(20)	(104)	84	(294)	-93.2
Net expenses	(45)	(31)	(14)	(79)	-43.0
Investment income on technical reserves	51	111	(60)	373	-86.3
Adjusted underwriting profit	27	10	17	91	-70.3
Income tax	8	7	1	18	-55.5
Total operating margins	35	17	18	109	-67.9
Investment income on shareholder capital	26	33	(7)	36	-27.8
Operating profit after income tax	61	50	11	145	-57.9

These results are for Discontinuing business only (refer page 39 for definition). The difference between this operating margin and that on page 5 is the 1H 02 operating result of Cogent (A$3m in 1H 02, General insurance (A$17m) and Cogent (A$22m) in FY 01) which has been classified as "Discontinued".

Discontinuing business includes the reinsurance and direct insurance run-off portfolios of AMP managed by Cobalt RunOff Services Ltd.

The operating margin for 2H 02 has arisen due to focused claims management and favourable claims experience which has allowed further reductions in claim liabilities.

AMP Japan

AMP Japan is being closed down in line with the company's focus on core business. Associated costs have been absorbed as part of the write-down.

Current year and prior year operating losses have been written off as part of the A$1,227m valuation adjustment. Refer to page 33 for more information.

Virgin Money

AMP's 50:50 joint venture with the Virgin Group, Virgin Money, increased operating revenues by 105% and decreased costs by 22% on 2001. The improved performance was driven by the successful launch of the Virgin-branded credit card which sold in excess of 161,000 cards in the UK. AMP is working with Virgin to reposition the business to realise greater shareholder value.

The operating results for Virgin Money are not included in the Group's overall result, but movement in the valuation of AMP's investment is reflected in investment income.

AMP Sanmar (India)

Since its launch in January 2002, AMP Sanmar (India) has continued to grow its distribution force and has made good progress in launching products and establishing a brand presence. Further product offerings and increases in planner numbers are expected to drive growth. AMP Sanmar has recently moved under the Australian Financial Services business unit.

Corporate Office

A$m	FY 02	2H 02	1H 02	FY 01	% FY	% H/H
Corporate Office costs						
Corporate Office costs not recovered from business units	**(70)**	(32)	(38)	(90)	-22.2	-15.8
Integration costs	**(9)**	(3)	(6)	(12)	-25.0	-50.0
Total Corporate Office costs	**(79)**	(35)	(44)	(102)	-22.5	-20.5
Underlying investment income[1]	**(36)**	(18)	(18)	(27)	33.3	0.0
Investment income market adjustment	**(388)**	(174)	(214)	(532)	-27.1	-18.7
Interest expense on corporate debt	**(230)**	(133)	(97)	(242)	-5.0	37.1
Reset Preferred Securities distribution	**(13)**	(13)		-	n/a	n/a
Goodwill amortisation	**(54)**	(27)	(27)	(55)	-1.8	0.0
Transformation costs	**(12)**	(12)			n/a	n/a
Asset sales	**204**	204	-	76	n/a	n/a
Valuation adjustments	**(1,227)**	(1,227)		-	n/a	n/a
Total Corporate Office	**(1,835)**	(1,435)	(400)	(882)	108.1	258.8

1. Underlying investment income is net of AMP UK plc preference shares dividend elimination.

- Corporate Office costs not recovered from the BUs were down 22% on FY 01 due to stringent cost control policies on operating and project costs resulting in lower costs in Australia and the UK.
- Costs not recovered from BUs include development expenditure relating to former AMP International initiatives in respect of AMP Japan, AMP India, AMP Europe and AMP New Ventures (2H 02 A$11m, 1H 02 A$11m, FY 01 A$26m). These initiatives have now been significantly wound back as part of AMP's refocus to core operations.
- The remaining group integration costs, which mainly incorporate costs associated with integrating AMP Finance (formerly GIO Finance) into AMP Banking and the integration of Cogent's and Henderson's software systems, were down 25% for FY 02.
- Interest expense on corporate debt has reduced from A$242m to A$230m as a result of lower amounts of debt during FY 02 as compared to FY 01, and a lower weighted average cost of debt.
- Corporate Office transformation costs predominately relate to redundancy costs associated with the recent review and realignment of Corporate Office.
- More information on investment income can be found on page 13, while page 33 contains more information on the valuation adjustments.
- Asset sales include the sale of Cogent in 2H 02 (more information on page 33) and AMP's 25% stake in Virgin One (A$76m) in FY 01.

Summary of significant items

Transformation costs

On 14 November and 4 December, AMP announced the results of a strategic review of its core businesses (refer to the summary of ASX announcements on page 35). Transformation costs represents the costs of implementing these strategic initiatives across the business.

Costs include:

- staff redundancy payments
- professional fees (consultants, legal, etc)
- provision for onerous contracts, including lease breakage costs
- write-offs of certain capitalised expenditure and other product-closure related costs.

Costs after tax	A$m
Australian Financial Services	69
UK Financial Services	241
Henderson Global Investors	22
Corporate Office[1]	12
Total transformation costs	344

1. Includes costs associated with former AMP International business.

Asset sales

During FY 02, AMP completed the sale of three non-core businesses.

UK Private Asset Management (Henderson)

Refer to ASX announcement dated 9 May (page 34) on the sale to Newton Investment Management Ltd, the primary UK asset management subsidiary of Mellon Financial Corporation. A further amount is potentially receivable in 2H 03, contingent upon the assets under management retained within Mellon Newton at 31 August 2003.

Cogent

Refer to ASX announcement dated 16 May (page 34) on the sale to BNP Paribas. A further amount is potentially receivable in 2H 03, contingent mainly on the assets under administration retained within BNP Paribas.

AMP Banking credit card business

Refer to ASX announcement dated 23 December (page 35) on the sale to American Express. A provision for the cost of implementing the restructure of AMP Banking has been offset against the profit on the sale of the credit card business, as both of these initiatives were as a result of the Group's strategic review completed in November.

Amounts are after tax	A$m
UK Private Asset Management (Henderson)	28
Cogent	204
AMP Banking credit card business[1]	2
Total profit on sale of businesses	234

1. Includes provision for implementing strategic review.

Valuation of subsidiaries

In light of the challenging investment market conditions during 2H 02, and changes in AMP's business strategy, a comprehensive review of the valuation of key subsidiaries was done, and reviewed by management.

The review resulted in the A$1,028m write-down of EMVONA / goodwill where the valuations were not supportive of book value. The balance relates to a write-down of net assets. For further information, refer to the ASX release on 18 November (page 35).

Amounts are after tax	A$m
NPI	264
Towry Law	181
Ample / Interactive Investor	64
Other UKFS	14
Total UKFS	523
Henderson - NPI	244
Virgin Money	100
AMP Banking (AMP Finance)	120
Asia	132
Gordian	108
Total balance sheet write-downs	1,227

AMP Limited - major ASX announcement index

Announcement date		Subject	Announcement no.
January	**03**	Profit Statement 3 Jan 02 - Investment income could be slightly negative	02/02
	11	AMP completes sales of General Insurance JVs to Suncorp Metway	06/02
February	**08**	AMP explores options for Cogent operations	12/02
	27	AMP 2001 Annual Results: - ASX Statement - Preliminary final report (Appendix 4B) - ASIC full financial report for year ended 31 December 2001 - Quarterly cashflow 4Q01 report - Fourth quarter cashflow by product type - Investor Report	17/02
		Concise Financial Report	18/02
		Media & analyst presentations on FY 01 results	19/02 & 21/02
	28	AMP competing on an international stage	22/02
March	**07**	Senior Executive changes (Craig Dunn - appointed to Office of CEO, Craig Meller becomes CEO of AMP Bank, Gary Traill retires)	25/02
	28	AMP Annual Reports for 2001 and Notice of AGM: Part 1 - Concise Annual Report for 2001 Part 2 - Full Annual Report for 2001 Part 3 - Notice of Annual General Meeting and Explanatory Notes	35/02
April	**30**	AMP review of Cogent operations	46/02
May	**07**	AMP 1st Quarter 2002 Cashflows	50/02
	09	Henderson Global Investors Private Asset Management Business Information Release (Sale of business to Newton Investment Management Ltd)	52/02
	16	Part 1 - ASX Statement - AMP outlook for 2002 Part 2 - Appendix 3C	56/02
		Part 1 - Chairman's address to AGM Part 2 - CEO's address to AGM Part 3 - AGM presentation	57/02
		Results of the AMP Limited AGM	58/02
	17	AMP announces the sale of Cogent	59/02
June	**12**	AMP acquires Italian wealth management business (CAMI) from Commerzbank AG - parts 1 & 2	70/02
		AMP acquires PricewaterhouseCoopers Financial Planning	71/02
	18	AMP announces next phase of UKFS transformation, includes £100m cost savings	77/02
	21	Part 1 - AMP business strategy briefing Part 2 - Seminar presentations: - Capital management - Costs - UKFS - AMPFS - Executing Strategy - Henderson overview	80/02
	27	Information release: AMP responds to BRW article	83/02 & 84/02
July	**02**	AMP investment income for six months to 30 June 2002	88/02
	04	AMP reconfirms profit sensitivities	92/02
	10	AMP reaction to Sandler Review	95/02
	29	AMP update on capital management initiatives in UK and market outlook (Close Pearl/LL with-profits bond and annuity, reduce equity exposure and review bonus rates)	99/02
	30	AMP comment on ratings	100/02

AMP Limited - major ASX announcement index

Announcement date		Subject	Announcement no.
August	**22**	AMP 2002 Interim Results: - ASX Statement - Appendix 4B - Half Year Directors' Report and Financial Report - Investor Report - Analysts results presentation	105/02 & 106/02
	26	UK Financial Services update - strategy briefing Sydney	109/02
	27	Peter Willcox appointed to AMP Board	110/02
September	**03**	AMP announces completion of Cogent sale	113/02
	04	AMP senior management restructure (Andrew Mohl becomes COO, Craig Dunn MD of AFS, Marc de Cure to step down)	114/02
	10	AMP comments on ratings	116/02
	17	Part 1 - AMP announces details of hybrid offer Part 2 - AMP Reset Preferred Securities Prospectus	118/02
	19	AMP comments on AMP Pearl MRC and actions taken	120/02
	20	Pearl's capital position (outlook for MRC and 100 point movement guide)	123/02
	24	Senior management changes in AMP (Paul Batchelor steps down and Stan Wallis to remain as Chairman for approximately 6 months)	124/02
	25	AMP comments on MRC levels as FTSE falls to 3646	125/02
	26	Update on capital management initiatives including the underwriting of the dividend reinvestment plan and update on the A$1b capital allocation to UKFS	127/02
	30	AMP Board appoints Andrew Mohl as CEO	130/02
October	**02**	AMP announces reform agenda	134/02
	03	Comment on AMP UK Financial Services	136/02
	04	Changes to AMP executive remuneration	137/02
	14	AMP announces organisational changes - separation of UKFS businesses and senior management changes	144/02
	23	AMP announces RPS offer successful	149/02
November	**05**	AMP response to ratings reviews	155/02
	11	AMP announces acquisition of CAMI will not proceed	156/02
	14	Part 1 - Update on 5 point reform agenda Part 2 - Presentation (results of AFS, Banking and Corporate Office review)	157/02
	18	Update on review program - write-down of A$1.2b in UKFS and former AMP International businesses	159/02
December	**04**	AMP announces outcome of review. This includes: - Changes to UKFS distribution channels - Revised cost savings for UKFS - Realising value in AMP Japan, Virgin Money, Cobalt and associated run-off businesses - Refocusing of Henderson priorities Details of CEO's remuneration Roger Yates appointed to AMP Board	160/02 & 161/02 162/02 163/02
	10	AMP nominates Peter Willcox as new Chairman	166/02
	23	AMP Banking sells credit card portfolio to AMEX	167/02

This summary excludes administrative type announcements, eg changes in directors' interests, substantial holdings, etc.

Accounting treatment and definitions

Capital treatment: regulatory, ratings and risk

Continuum of capital	Regulatory (as described by APRA regulations)	Ratings (Standard & Poor's)	Risk
Equity	Counted as capital	Counted as capital[1]	Counted as capital
Hybrid	Up to 25% equity	Up to 15% of modified TAC plus allowable hybrid[2]	Counted as capital[3]
Upper Tier 2	Up to 100% Tier 1	Considered under hybrid	n/a
Lower Tier 2	(Lower Tier 2 can not exceed 50% Tier 1)	Considered under hybrid	n/a
Senior debt	Not counted as capital	Not counted as capital	Not counted as capital

1. Includes minority interest.
2. TAC = Total adjusted capital as defined by Standard & Poor's rating agency.
3. To the extent that it has deferrable coupons.

Admissible/inadmissible assets - Regulators take a prudent approach to asset values in determining capital adequacy. As a result, part or all of the value of certain assets in regulated entities are deemed by the regulator to be inadmissible, and have little or no effect for regulatory capital purposes.

Controllable expenses - Include management and project expenses and exclude variable distribution expenses, investment management fees and interest on corporate debt. AMP Banking controllable costs exclude provision for bad and doubtful debts as well as variable acquisition costs.

Cost to income ratio - Calculated as controllable expenses divided by gross margin. Gross margin = NPBT + controllable costs. For AFS and UKFS, profit before tax equals NPAT grossed up for an assumed 30% tax rate.

External corporate debt - Total group borrowings (which includes subordinated debt) less policyholder obligations and operational debt (mainly relating to AMP Banking).

Free Asset Ratio (FAR) - A common measure of financial strength for the long term funds of UK life companies in accordance with the UK statutory requirements (not MoS). There are a number of ways of calculating FAR. On the more conservative of the liability methods, it is calculated as the value of admissible assets and any implicit items less the value of liabilities and the required minimum margin, all divided by liabilities.

Gearing ratios:

- **Debt/(Debt + Equity)** = (total corporate debt, including borrowings from Pearl 90:10 fund, minus hybrid Tier 2) divided by (total corporate debt, including borrowings from Pearl 90:10 fund, plus hybrid equity, plus total equity attributable to ordinary shareholders).
- **Debt/Equity** = (total corporate debt, including borrowings from Pearl 90:10 fund) divided by (total equity attributable to ordinary shareholders).

Group RoE - AMP Group return on equity is calculated as profit after income tax and before other items, divided by the average shareholder equity over the period. For FY 02, closing equity excludes the impact of the asset write-downs (ie closing equity used for RoE calculation is A$1,227m higher than published on page 10).

Group RoE (underlying) - AMP Group return on equity (underlying) is calculated as Group underlying contribution divided by the average shareholder equity over the period. For FY 02, closing equity excludes the impact of the asset write-downs (ie closing equity used for RoE calculation is A$1,227m higher than published on page 10).

Group RoIC - AMP Group return on invested capital is calculated as profit after income tax and before other items, RPS distribution and interest expense on corporate debt divided by the average shareholder capital resources over the period. For FY 02, closing capital excludes the impact of the asset write-downs (ie closing capital used for RoIC calculation is A$1,227m higher than published on page 10).

Group RoIC (underlying) - AMP Group return on invested capital underlying is calculated as Group underlying contribution before RPS distribution and interest expense on corporate debt, divided by the Group's average total shareholder capital resources over the period. For FY 02, closing capital excludes the impact of the asset write-downs (ie closing capital used for RoIC calculation is A$1,227m higher than published on page 10).

Intangibles - Represents excess of market value over net assets (EMVONA) in AMP's books in respect of the Henderson, GIO, PricewaterhouseCoopers Financial Planning (Arrive Financial Planning), Towry Law, Interactive Investor and AMP NPIL acquisitions and amortised goodwill from the acquisition of AMP Pearl, AMP NPIL, GIO and Schroders Property Funds Management. The movement between periods reflects exchange rate fluctuations and updated valuations of AMP's subsidiaries.

Interest cover - Calculated as profit before income tax, other items, interest expense on corporate debt, RPS distribution and depreciation divided by interest expense on corporate debt before tax.

Accounting treatment and definitions

Minimum regulatory requirement - Minimum regulatory requirements are defined as the shareholder net assets being used to meet the minimum capital requirements of all regulatory bodies which impact the business unit (eg APRA, ASIC, FSA, IMRO). This is after taking account of any other resources eg policyholder retained profits, unattributed equity and implicit items.

The minimum regulatory requirements are translated from the local regulatory reporting framework as shareholder net assets are on an AGAAP basis. The table on page 11 shows how shareholder net assets are used in meeting minimum regulatory requirements.

NBI - New business index is calculated as 10 x regular life insurance premiums plus single premiums and unit contributions.

In respect of UKFS, new business includes products of AMP Pearl, AMP London Life and AMP NPI New (AMP NPI from 1 January 2000).

Persistency ratio - Calculated as opening AUM less outflows during the period divided by opening AUM.

RoBUE - Return on BU equity is calculated as BU underlying operating profit after income tax (including underlying investment income) divided by the BU's average net assets over the period. No allowance is made for the benefit of gearing, which occurs at Group level.

RoIC - Return on invested capital is calculated as BU underlying operating profit after income tax (including underlying investment income) divided by the BU's average invested capital over the period (ie net assets plus intangibles). For FY 02, closing capital excludes the impact of asset write-downs.

Tangible net assets - As normally understood in an accounting sense but excluding intangibles, ie total shareholder assets invested in AMP's business units less intangibles. At a BU level these are shown gross of any holding in another BU. Inter BU holdings are fully described under "Eliminations" on page 39.

Treatment of AMP NPI - AMP NPI is split between AMP NPI Limited (NPIL) new business since 1 January 2000 and National Provident Life Limited (NPLL) pre-existing business prior to 1 January 2000. In respect of NPLL, the business is managed by AMP, however, shareholders have no entitlement to profits emerging within its life fund.

Unattributed life funds - For those UK life insurance funds which include with-profit business, only 10% of the assets in excess of the policy and other liabilities calculated under MoS can, in the context of the UK regulatory environment, be definitively attributed to shareholders. The remaining 90% of the excess assets is deemed to be equity which is not specifically attributable to shareholders' or policyholders' interests, and is referred to as "unattributed life funds".

Underlying contribution - Calculated as Total Operating Margins (which includes BU operating margins, discontinued business operating margins and Corporate Office costs not allocated to the BU's) less interest on Corporate Debt and RPS distribution plus underlying investment income.

Underlying interest cover - Calculated as profit before income tax, investment income market adjustment, other items, interest expense on corporate debt, hybrid distribution and depreciation, divided by interest expense on corporate debt before tax.

Underlying investment income - The investment income on shareholder capital attributed to the BUs has been normalised in order to bring greater clarity to the results and to eliminate the distorting impact of short term market volatility on the Group's underlying performance. In FY 02, Corporate capital was also normalised and prior years restated. The excess (or shortfall) between the underlying return and the actual investment income is disclosed separately. Underlying returns are set at risk premiums/discounts over the long term average government bond rates for Australia and the UK. These premiums/discounts are consistent with the MoS best estimate assumptions. The long term average bond rates are set for a three year period but is reviewed annually. The investment income of Discontinued Business is included in the BU normalised investment income, but is not normalised (doing so would not have a material impact) as this business is in run-off.

MoS accounting

What is MoS accounting?

Margin on Services (MoS) is the financial reporting methodology used to report on the life insurance business of Australian companies. The use of MoS is prescribed by Australian Accounting Standard AASB 1038 and Actuarial Standard 1.03, a standard issued under the Australian Life Insurance Act 1995. It applies to all Australian life companies and to Australian companies with life insurance subsidiaries.

MoS ensures that profit emerges on a realistic basis. It also provides for the expected future profit emergence to be identified. The governing standards allow sufficient flexibility to achieve true and fair reporting of the financial performance of the company with a reasonable degree of comparability.

Definition

Under MoS, the profits that are expected to be earned on life insurance business emerge over the life of the business as services are provided and income received, hence, the name "Margin on Services".

Detailed description of MoS

The expected profits under MoS are related to a profit carrier which best reflects the provision of services under the policy type concerned and emerge as a proportion of that chosen profit carrier.

MoS policy liabilities are calculated using best estimate assumptions about future conditions. In general "best estimate" means that the assumptions are made having regard to available statistics or experience data relevant to the business, and are neither deliberately overstated nor deliberately understated. In the case of the maintenance expenses the assumption must be sufficient to cover the budgeted expenses in the following year.

If actual experience differs from that expected, the financial effects of these differences are recognised as experience profits or losses in addition to the expected profits.

Net investment earnings on retained profits and capital within a life fund are recognised immediately as profit in the reporting period.

All assets are valued at market value. Consistent with this, the best estimate liability assumptions include a future investment earning rate that reflects the yield implicit in the value of the assets backing those liabilities.

The policy liabilities recorded in the accounts have two components:

- the best estimate liabilities (to cover future benefits and expenses, and allowing for future premiums)
- the value of future profit margins (based on the appropriate profit carrier).

No profit is normally recognised at new business inception. Instead, profit margins on new business enhance the existing value of future profit margins, to be released over the future life of the business.

The best estimate assumptions are reviewed and revised as necessary at each reporting date. Changes in best estimate assumptions generally do not result in changes in the policy liabilities and so do not immediately affect reported profit. Rather, the effect of changes in assumptions is absorbed in the value of future profit margins, to emerge in the future.

The exception is market related changes in the investment earning assumption for non-participating business. In this case, the policy liabilities are altered and, to the extent that such change is not matched by a similar movement in the value of assets, a profit or loss emerges.

If future losses are expected (ie if profit margins fall negative), they must be recognised immediately. If a favourable change in assumptions subsequently occurs, or if profitable new business is written, previously recognised losses may be reversed before new profit margins are established.

For participating (with-profit) business, the profit carrier is the cost of bonus payments that are supported by the Value of Supporting Assets (VSA). The VSA is an accumulation of the policy liabilities from the end of the previous period, augmented by the cost of bonuses actually declared, and including actual investment experience. The policy liabilities at the end of a reporting period are the VSA reduced by the cost of supportable bonuses and the associated shareholder profit margins due in the reporting period. In this way, the cost of supportable bonuses and profit margins emerge in the reporting period.

Definitions of business units, eliminations and exchange rates

Financial services includes:

- **AFS Australia, New Zealand**

  Life funds of AMP Life Limited, AFS business support operations, Hillross, Australian Securities Administration Ltd (previously AMPPIL) and other AFS subsidiaries, including AMP Sanmar (India) joint venture.

- **UKFS United Kingdom**

  AMP Pearl, AMP NPI Limited (AMP NPI New or AMP NPIL) and AMP London Life, UKFS business support operations (supporting AMP Pearl, AMP London Life, AMP NPIL and National Provident Life Ltd (AMP NPLL)), Towry Law, Ample Interactive Investor and AMP Pearl Unit Trusts.

Henderson Global Investors is:

AMP's asset management operation, and as such captures a manufacturing margin on the Group's wealth creation and protection businesses (in addition to the external manufacturing margin). Henderson includes the packaging and distribution of investment products in the UK and the Rest of World (ROW); but in Australia all packaging and distribution operations are included in AFS.

AMP Banking includes:

AMP Bank Limited in the United Kingdom, New Zealand and Australia and includes the integrated operations of AMP Finance Limited, AMP GBS Limited and AMP/Ergo Mortgage and Savings Limited and Ergo Personal Financial Services Limited.

Portfolio businesses consists of:

- AMP Japan
- AMP's share of Virgin Money
- Discontinuing business which includes:

  Cobalt Insurance RunOff Services Ltd, reinsurance operations of Gordian RunOff Ltd (formerly GIO Insurance Ltd) and corporate general insurance.

Former AMP International assets have been integrated into other areas of the business (eg AMP Banking) or identified for value realisation (eg AMP Japan, Virgin Money).

Corporate Office includes:

- Corporate Office operations of the Group
- corporate debt excluding operational debt
- Reset Preferred Securities, a hybrid instrument issued in 2H 02
- borrowings from the Pearl 90:10 fund - a debt instrument of the AMP Pearl long term fund which was held by various Group entities. It is analogous to corporate debt, but is raised internally rather than externally. This source of funding was repaid during 2H 02.

Eliminations

A$m	Value also included in	Net assets	Total capital	
AMP (UK) plc preference shares	AFS	(453)	(453)	admissible assets of AMP Life statutory funds
Henderson Global Investors	UKFS	(955)	(955)	admissible assets of Pearl Life funds
Virgin Money	UKFS	(256)	(256)	admissible assets of Pearl Life funds
Henderson Global Investors	AFS	(253)	(253)	admissible assets of AMP Life statutory funds
Loan to Corporate Office	Discontinuing business	(75)	(75)	admissible assets of Discontinuing business
Inter BU holdings		(1,992)	(1,992)	reference page 11
Corporate debt		(3,788)	(3,788)	Capital allocated is before debt
Hybrid equity		(1,141)	(1,141)	Capital allocated is before hybrid equity

Exchange rates			AUD/GBP	AUD/NZD
2002	FY 02	- closing	0.3498	1.0766
		- average	0.3607	1.1744
	2H 02	- closing	0.3498	1.0766
		- average	0.3548	1.1424
	1H 02	- closing	0.3683	1.1558
		- average	0.3676	1.2037
2001	FY 01	- closing	0.3517	1.2293
		- average	0.3601	1.2360

Embedded value assumptions

Assumptions

Assumptions used for the embedded value (EV) and value of new business (VNB) are consistent with the best estimate assumptions used in calculating Margin on Services (MoS) policy liabilities at the year end (except for equity risk premiums in UKFS)[1]. These assumptions reflect the expenses charged to the life funds including fees to business support operations.

For the life funds, more details of these best estimate assumptions can be found in the notes to the 2002 AMP Ltd Full Financial Report, as follows:

- future investment earnings [note 22(e)(i)][1]
- future maintenance expenses [note 22(e)(iv)]
- inflation and indexation [note 22(e)(v)]
- taxation [note 5 and note 22(e)(vi)]
- voluntary discontinuance [note 22(e)(vii)]
- mortality and morbidity [note 22(e)(ix)]

The description of the assumptions in the notes applies for the EV and VNB to business in the life funds, even for business that is not valued by projection methods under MoS.

As shareholder profits and transfers for participating business are related to policyholder profits and bonuses, EV methodology requires projections of future bonuses based on the experience assumptions. Note 22(e)(iii) on future participating benefits describes the method by which bonuses are projected for EV purposes in AFS. Other methods are used for each of the UKFS businesses consistent with UK regulatory requirements and market practice, as well as reflecting the particular circumstances of those businesses.

Other assumptions not described in the notes include:

- (VNB only) acquisition expenses. Unit costs are based on actual acquisition expenses for 2002. Unit costs vary by product line and class of business based on an apportionment which is supported by expense analyses.
- (AFS only) franking credits are valued at 70% of face value.
- Business support operations. The value placed on business support operations is equivalent to the incremental embedded value and value of new business that would result if those calculations included the value of expected profits arising from the business support operations, ignoring potential unit cost improvements arising after 2003.

Economic assumptions

Some more details of economic assumptions are given below.

Long term government bond yields used for the EV calculations are:

Annualised yields used	31 December 2002	31 December 2001
AFS (10 year bonds)	5.2%	6.1%
UKFS (15 year gilts - FY 02	4.5%	
10 year gilts - FY 01)		5.1%

Assumed investment returns gross of tax (%pa) are set at risk premiums over long-term government bond rates for Australia and the UK. At 31 December 2002, the risk premiums are (2001 in parentheses, where different).

	AFS[3]	UKFS
Local equities[1,2]	3.5% (4.0%)	2.5% (3.0%)
International equities[1]	2.9% (3.0%)	2.5% (3.0%)
Property	2.4% (2.0%)	2.0%
Corporate bonds	0.5%	0.5%
Fixed interest	0.0%	0.0%
Cash (where significant)	-1.0%	-1.0%

1. For UKFS, a long term average equity risk premium is used, consistent with UK market practice for embedded values. This is currently more conservative than the "best estimate" approach used in MoS, where risk premiums may be adjusted for the extent to which the relevant market is perceived to be under or over valued relative to bond markets.
2. For AFS an additional allowance of about 1% is made for franking credits on equity income.
3. Australia only. For New Zealand see the notes to AMP Ltd Full Financial Report.

2002 Financial results

	FY 02	Underlying + investment = income	BU underlying + result	Trans-formation + costs	Asset sales =	BU result
Australian Financial Services	334	221	555	(69)	0	486
UK Financial Services	211	211	422	(241)	0	181
Henderson Global Investors	192	13	205	(22)	28	211
AMP Banking	(7)	0	(7)	0	2	(5)
Total BU Operating Margins	**730**					
Discontinuing businesses	38	28			204	
Corporate Office expenses	(79)	(36)		(12)		
Total Operating Margins	**689**					
Underlying investment income	437	437				
Interest expense on corporate debt	(230)					
Distribution on reset preferred securities	(13)					
Underlying contribution	**883**					
Investment income market adjustment	(388)					
Profit after income tax before other items	**495**					
Transformation costs	(344)			(344)		
Asset sales	234				234	
Valuation adjustments	(1,227)					
Goodwill amortisation	(54)					
Net profit after income tax attributable to shareholders of AMP Group	**(896)**					

Total shareholder capital resources of AMP Group (A$m)	FY 02	FY 01
Equity		
Share capital	**5,001**	4,613
Capital reserve	**510**	510
Foreign currency translation reserve	**361**	313
Retained profits	**2,661**	4,084
Total equity attributable to ordinary shareholders	**8,533**	9,520
Outside equity interests (Reset Preferred Securities)[1]	**1,141**	-
Total equity attributable to ordinary shareholders plus hybrid equity	**9,674**	9,520
External corporate debt	**3,788**	3,687
Borrowings from Pearl 90:10 fund	**-**	623
Total shareholder capital resources of AMP Group	**13,462**	13,830

1. A$1,141m consists of A$1,122m proceeds (net of issue costs A$28m) plus A$19m retained profits in the AMP Reset Preferred Securities Trust.

Audit review statement

Independent review report of selected information contained in the AMP Limited Investor Report for the year ended 31 December 2002

To management of AMP Limited

Scope

We have reviewed the financial information set out on pages 40 and 41 of the Investor Report of AMP Limited for the year ended 31 December 2002. The company's management are responsible for the Investor Report, including pages 40 and 41. We have performed the review of the financial information set out on pages 40 and 41 of the Investor Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial information on pages 40 and 41 of the Investor Report is not materially consistent with the definitions of operating margins, underlying investment income and shareholder capital resources set out on pages 36 and 37 or that the embedded value assumptions are not reasonable for their intended purpose as stated on page 40. We disclaim any assumption of responsibility for any reliance on this review report or on pages 40 and 41 of the Investor Report to which it relates to any person other than management of AMP Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to review of the reconciliation of financial information to the Financial Report of AMP Limited, review of the determination of the operating margins, underlying investment income and shareholder capital resources in accordance with the definitions set out on pages 36 and 37, review of AMP Limited's documentation to support the embedded value assumptions, inquiries of AMP Limited's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information set out on page 41 of the Investor Report of AMP Limited for the year ended 31 December 2002 is not materially consistent with the definitions of operating margins, underlying investment income and shareholder capital resources as set out on pages 36 and 37. Further, nothing has come to our attention that causes us to believe that the embedded value assumptions are not reasonable for their intended purpose as stated on page 40.

Ernst & Young
Sydney
26 February 2003

Website

For additional information on the 2002 Full Year Results, visit the www.ampgroup.com website:

- Background information on AMP, Business Units, Management & Policies
- Full Margin on Services Investor Reporting in Acrobat (pdf) and downloadable Excel spreadsheet format
- Explanation of differences between Margin on Services, Achieved Profits and US GAAP reporting
- Statutory Reporting at the AMP Life level (incorporating shareholder, policyholder and unattributed interests)
- Archived webcast of the investor and analysts presentations
- Archived ASX announcements and historical financial reporting since listing in 1998
- Definitions, details of assumptions and calculations of key ratios

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