Annual Results 2003

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AMP

Today's presentation outline

- Overview
- Business Unit performance and outlook
- Capital management
- Group outlook for 2004

Overview – key initiatives in 2003

- New Chairman and 4 new directors
- Strong cost initiatives implemented across Group
- Major restructure of AMP Banking with sale of non-core portfolios
- UK Life operations closed to new business; major reduction in risk profile; substantial reduction in costs; large writedowns in 1H03
- Demerger announced, with successful equity capital raising
- GIO class action resolved
- Demerger overwhelmingly approved by shareholders, after all regulatory approvals obtained
- AMP Rights Offer to refinance RPS completed
- HHG Global Offer completed
- AMP and HHG listed independently on ASX; HHG also listed on LSE
- Demerger successfully concluded

Overview – 2003 financial results

- Net loss of A$5,542m driven by UK writedowns and loss on demerger
- Net profit after tax before other items for demerged AMP of A$619m and underlying contribution up 25% to A$609m
- Underlying return on equity up to 18%
- Substantial improvement in balance sheet position relative to EM pro forma
- Strong platform for future growth, with pre-eminent market positions and improving cost efficiency

Overview – 2003 profit and loss

	FY03 A$m	FY02 A$m	EM top range forecast
AMP Financial Services	411	324	383
AMP Capital Investors	68	72	65
Cobalt/Gordian	58	49	39
Total BU operating margins	**537**	**445**	**487**
Discontinued businesses	5	6	0
Corporate office costs	(34)	(54)	(45)
Total operating margins	**508**	**397**	**442**
Underlying investment income	210	216	201
Interest expense on corporate debt	(106)	(125)	(123)
Distribution on reset preferred securities	(3)	-	0
Underlying contribution	**609**	**488**	**520**
Investment income market adjustment	10	(231)	15
Profit after tax before other items	**619**	**257**	**535**
Business restructuring – demerged AMP	(76)	(86)	
Other one-off items – demerged AMP	20	24	
Asset sales – demerged AMP	(31)	206	
Valuation adjustments – demerged AMP	168	(360)	
Goodwill amortisation – demerged AMP	(38)	(45)	
Net profit (loss) after income tax - demerged AMP	**662**	**(4)**	
Loss on demerger - HHG	(3,585)	-	
Demerger costs	(193)		
Business restructuring – HHG	(233)	(258)	
Demerged entities – HHG	(2,193)	(634)	
Consolidated net profit (loss) after income tax – AMP Group	**(5,542)**	**(896)**	

Overview - key drivers of result v EM top range forecast

"Better-than-expected profit reflects, in roughly equal parts, improved business unit performance and a number of positive one-off items"

A$m	2003 actual	EM top range forecast	Comment
AMP Financial Services	411	383	Business strength (A$6m), and experience profits and capitalised loss reversal (A$22m)
AMP Capital Investors	68	65	Stronger investment performance
Cobalt/Gordian	58	39	High rate of commutations in 4Q 03
Corporate costs	(34)	(45)	Tighter cost control
Interest expense on corporate debt	(106)	(123)	Conservative assumptions in EM

Overview – key performance indicators

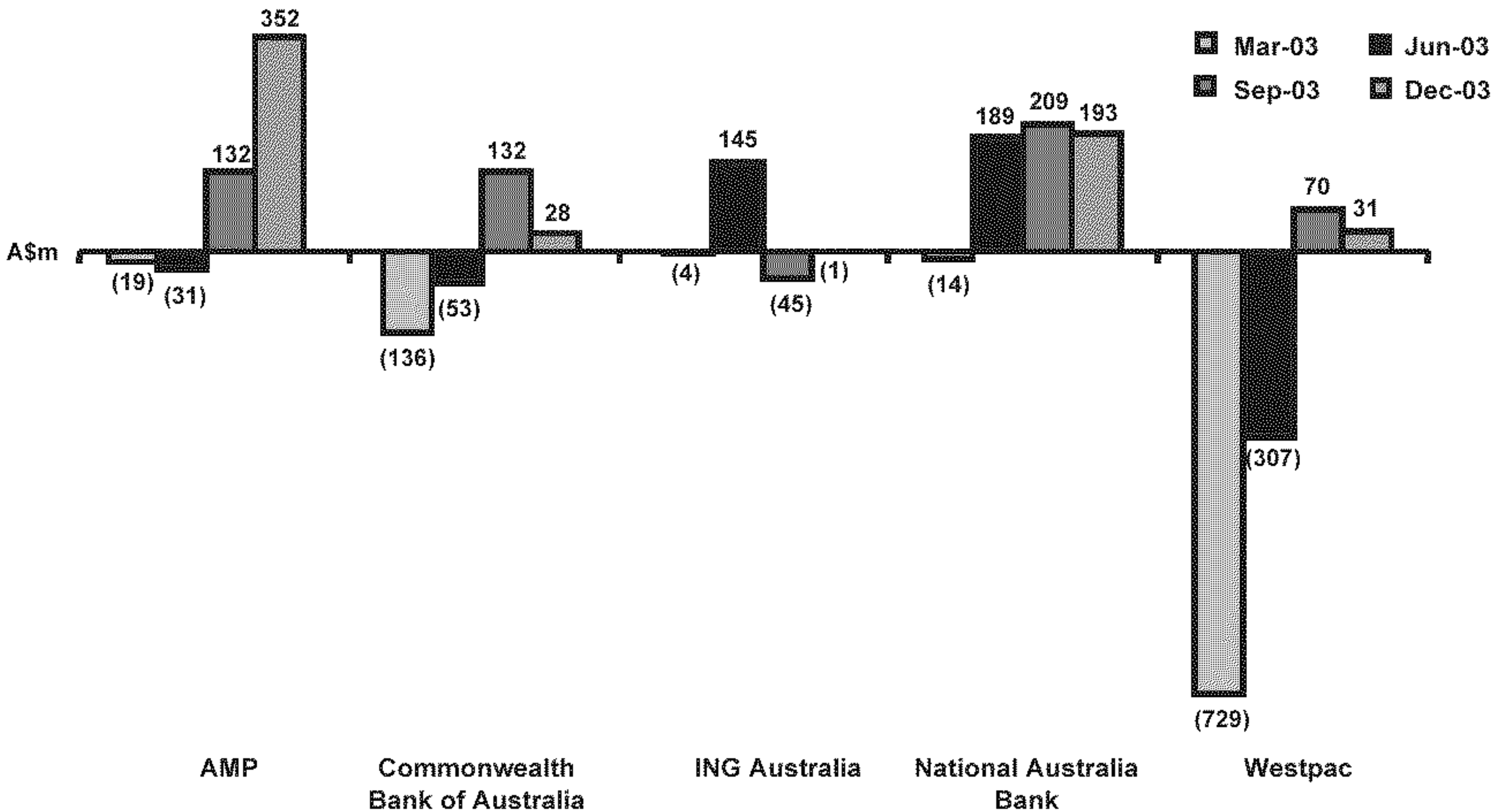
	FY03 demerged AMP	FY02 demerged AMP	FY02 consolidated Group
Earnings per share (underlying)[1]	A$0.44	A$0.43	A$0.78
RoE (underlying)[2]	18.1%	-	9.3%
Total operating margins	A$508m	A$397m	-
Value of new business	A$239m	A$234m[3]	-
Controllable costs	A$803m	A$927m	-
Dividend per share	1H03 A$0.07 (15% franked) 2H03 A$0.09 (85% franked)	-	A$0.46 (15% franked)

1 Underlying contribution divided by average number of shares on issue. FY03 EPS (underlying) based on end December number of shares on issue was A$0.33.

2 Underlying contribution divided by demerged AMP closing equity at 31 December 2003. FY02 calculated using monthly average equity

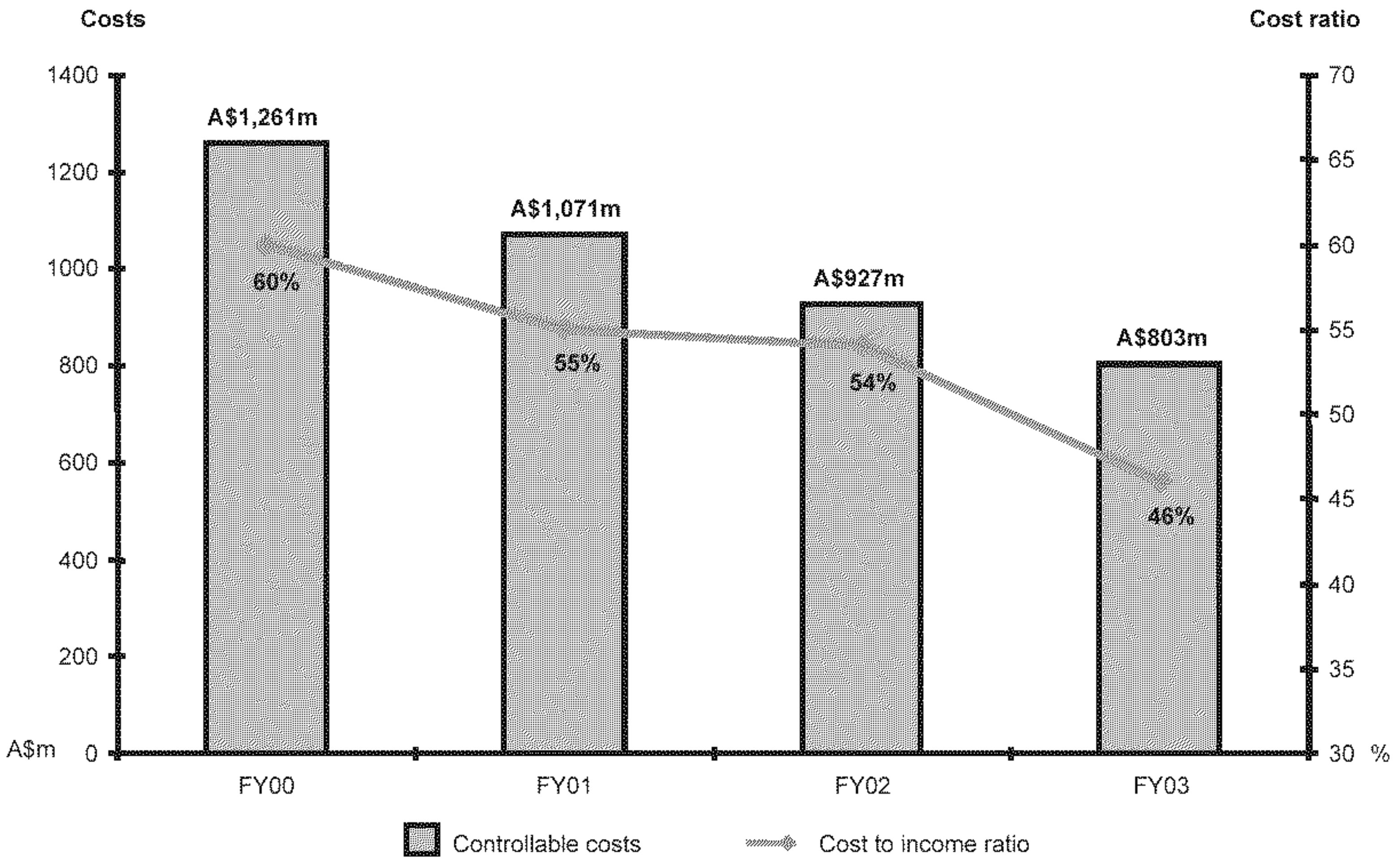
3 Restated from A$251m after applying the revised expense allocation which reduced the FY02 VNB by A$17m.

Overview – 2003 net cashflows of largest five groups by AUM

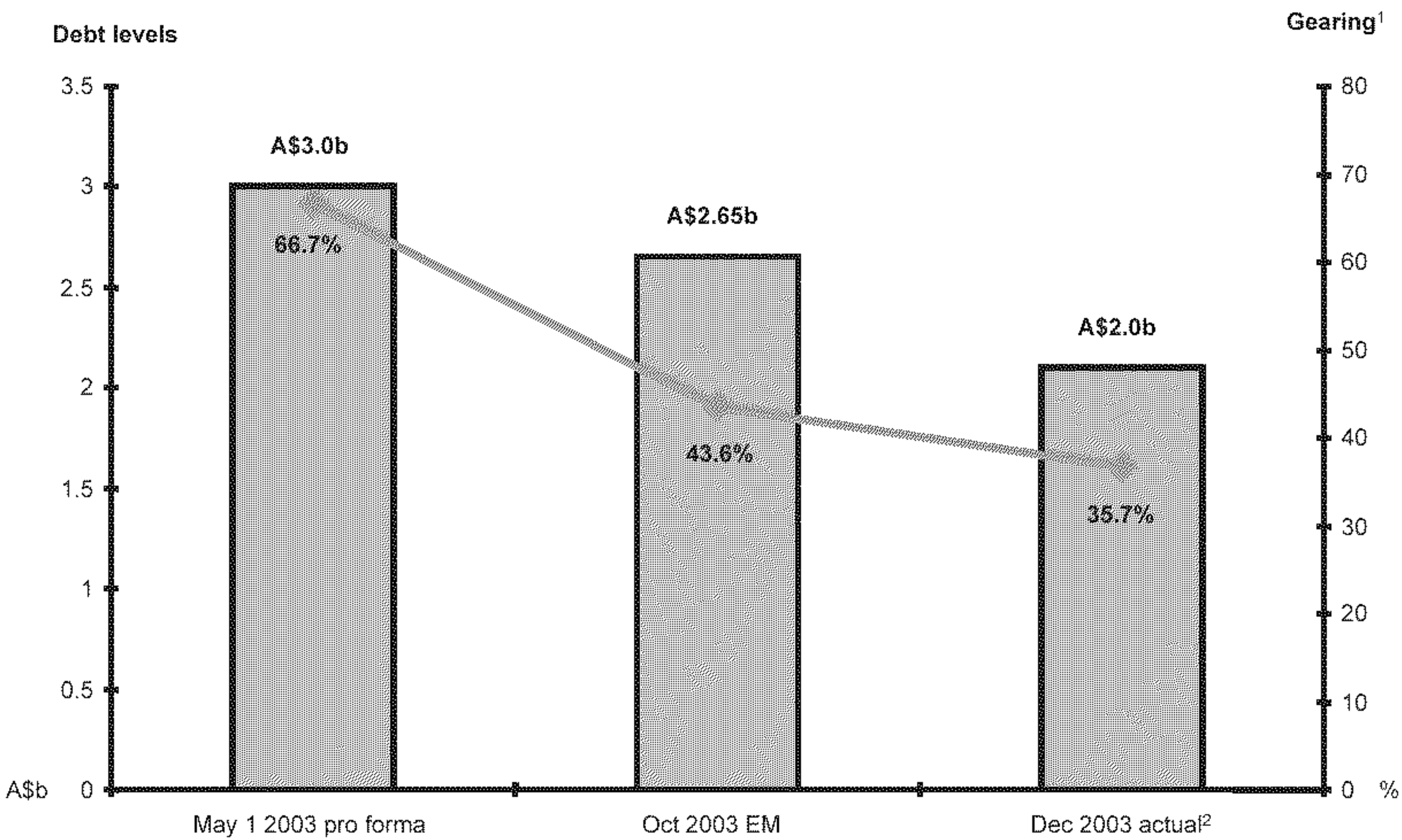


Source: 2003 ASSIRT preliminary cashflow data for total retail managed funds excluding cash management trusts. Historical data series has not been restated to take account of changes in product reporting

Overview – Group costs and cost ratio for demerged AMP



Overview – net debt and gearing for demerged AMP



1 Defined as net debt as a percentage of (shareholder equity + net debt)

2 Assuming proposed repayment of A$1.2b in debt

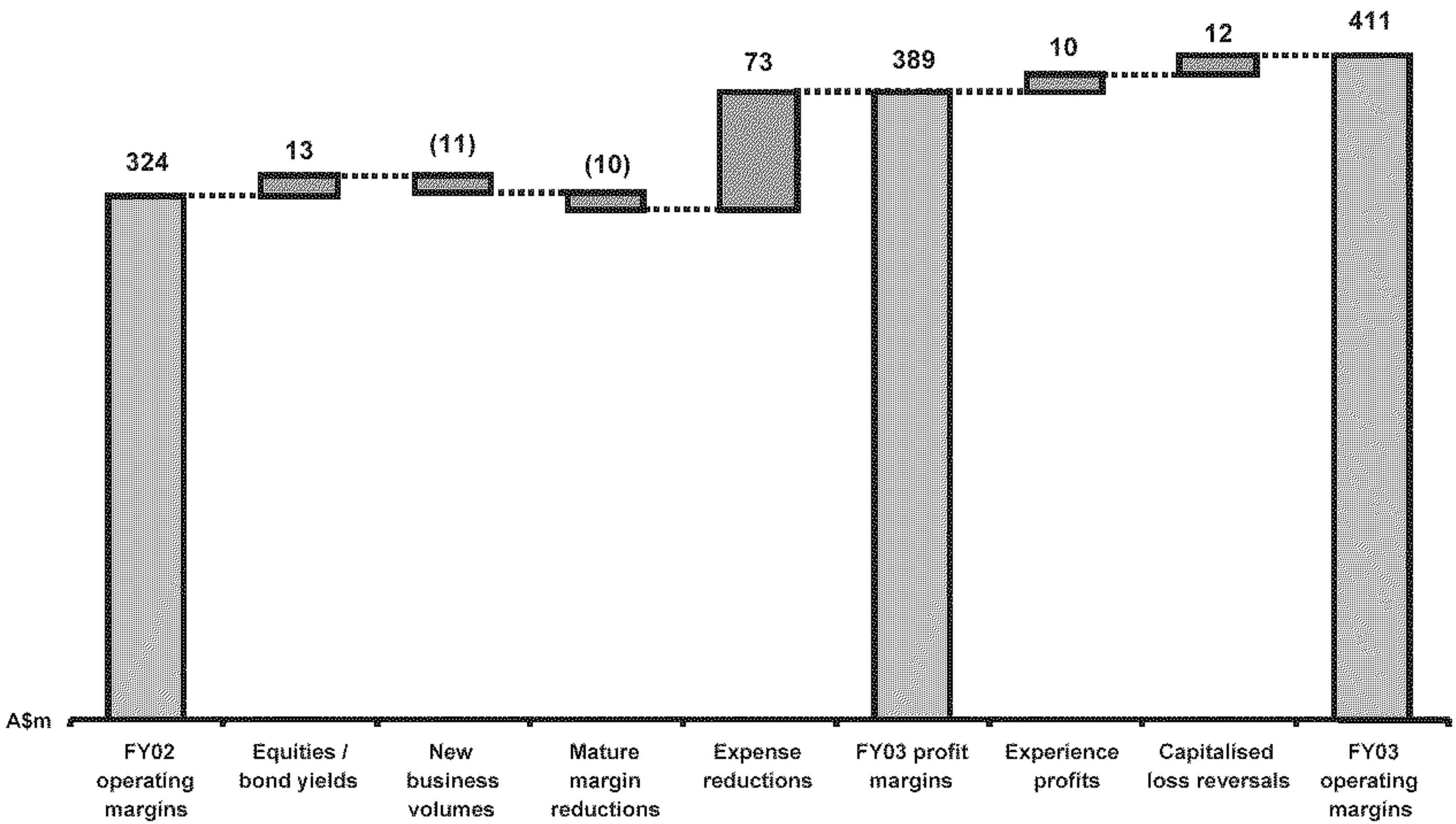
Business unit review and outlook

AMP Financial Services

- Operating margins up 20% to A$389m on BAU basis (and up 27% to record A$411m with one-off benefits) reflecting strength of business franchise and much lower cost base
- Return on Invested Capital (excluding AMP Banking) up from 13.3% in FY 02 to a record 15.5%
- Total controllable costs (excluding AMP Banking) down 15% to A$517m
- 19% growth in new business in 2H03 over 1H03 in difficult markets, although down 14% over FY02 to A$8,091m; persistency down to 82.6% from 83.8%
- Capital releases of A$1,357m[1] driven by higher operating profits, bank divestments, stronger investment markets and above-benchmark returns
- Results reflect FY03 management focus on cost control, effective capital and risk management and growing cashflows in 2H03

[1] Including A$317m capital release from AMP Banking

AMP Financial Services – operating margins



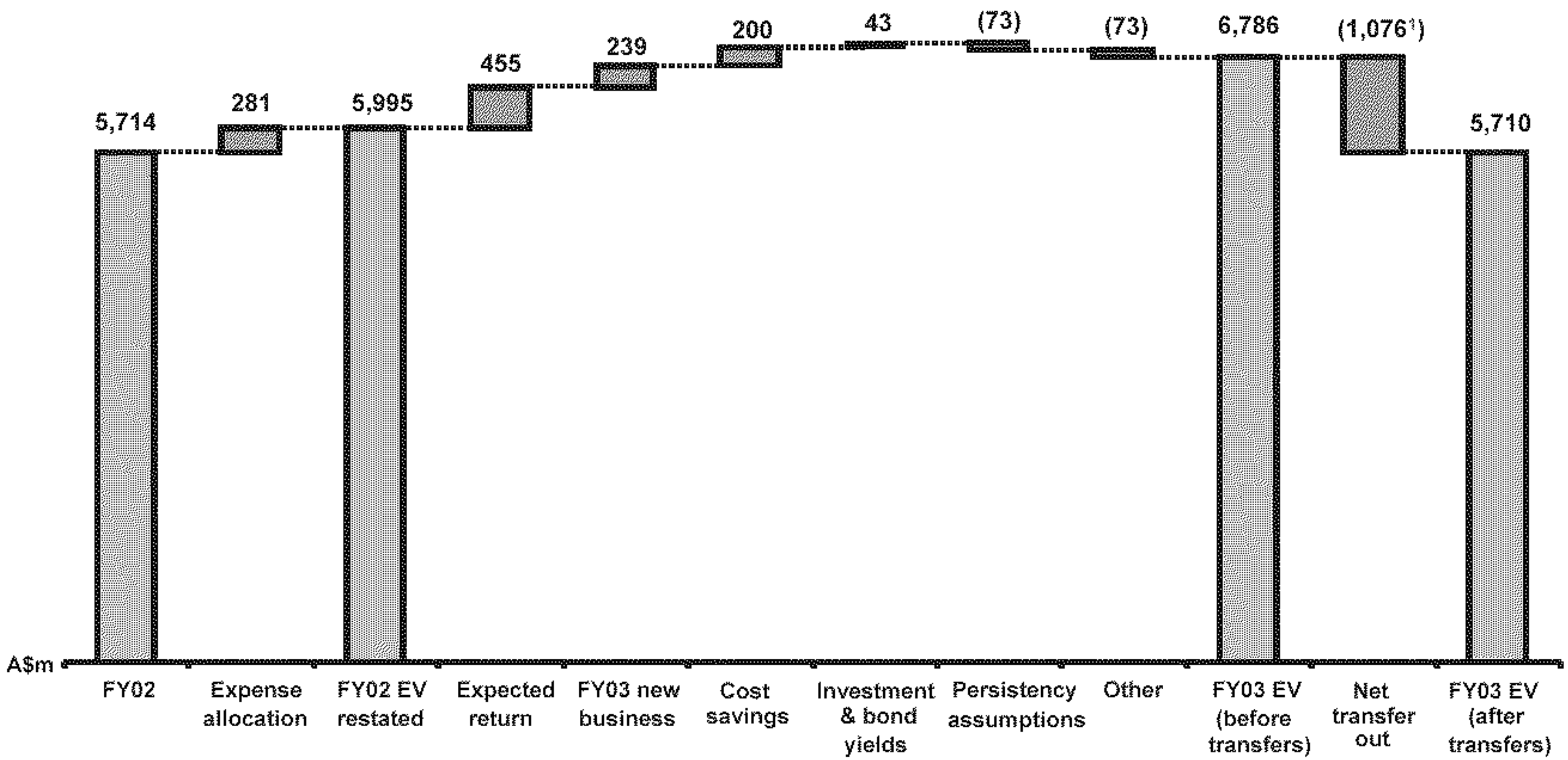
AMP Financial Services – analysis of contribution by contemporary and mature products[1]

	Contemporary		Mature	
	FY03	**FY02**	**FY03**	**FY02**
AUM	A$29.1b	A$26.5b	A$19.7b	A$20.6b
Total profit margins	A$173m	A$151m	A$176m	A$156m
Persistency	80.4%	82.6%	85.2%	84%
RoBUE[2]	16.8%	15.1%	17.5%	14.4%

1 Excluding AMP Banking and New Zealand
2 Excluding goodwill

AMP Financial Services – embedded value

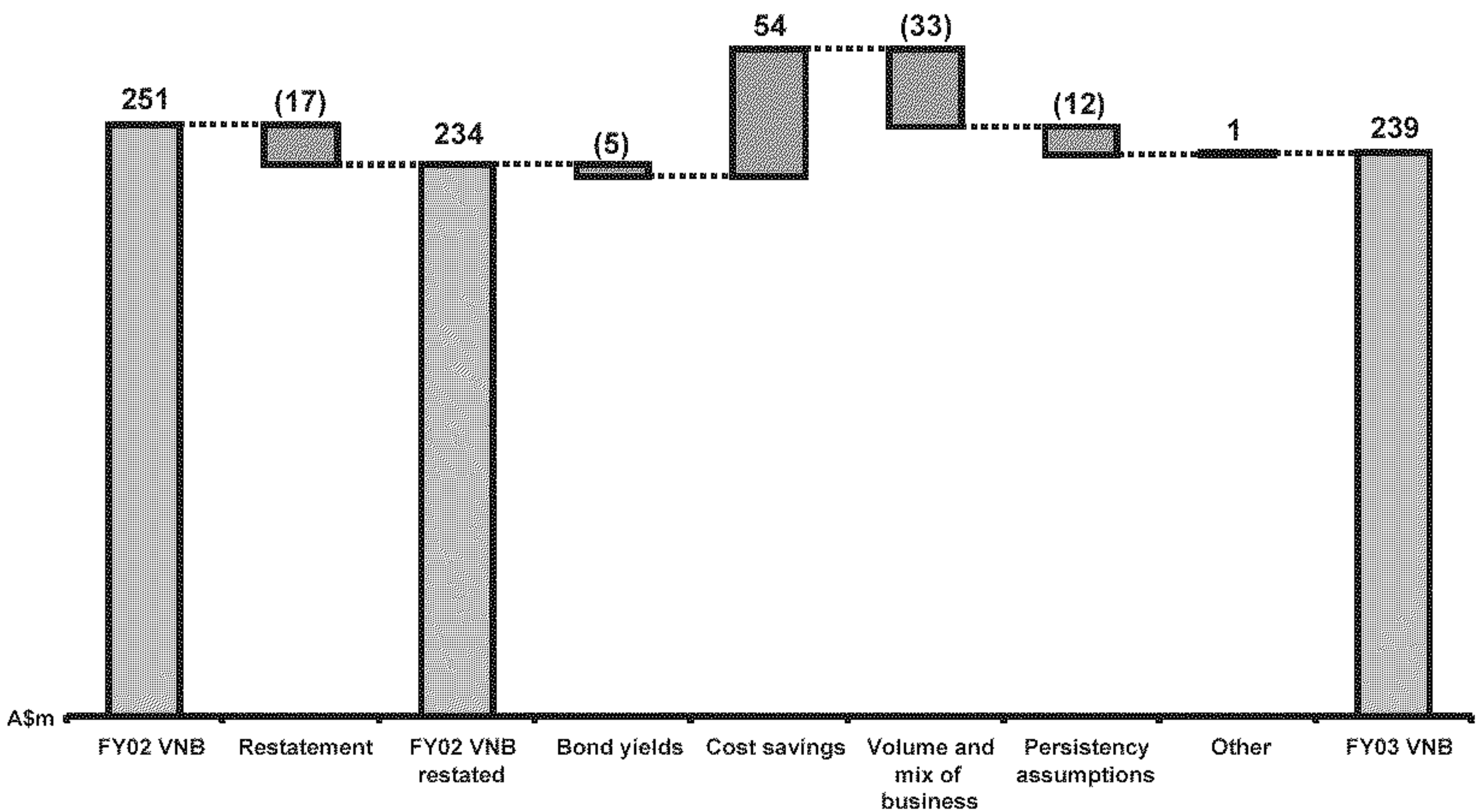
@ 3% discount margin



[1] Excludes capital release from AMP Banking. Includes A$36m in franking credit value

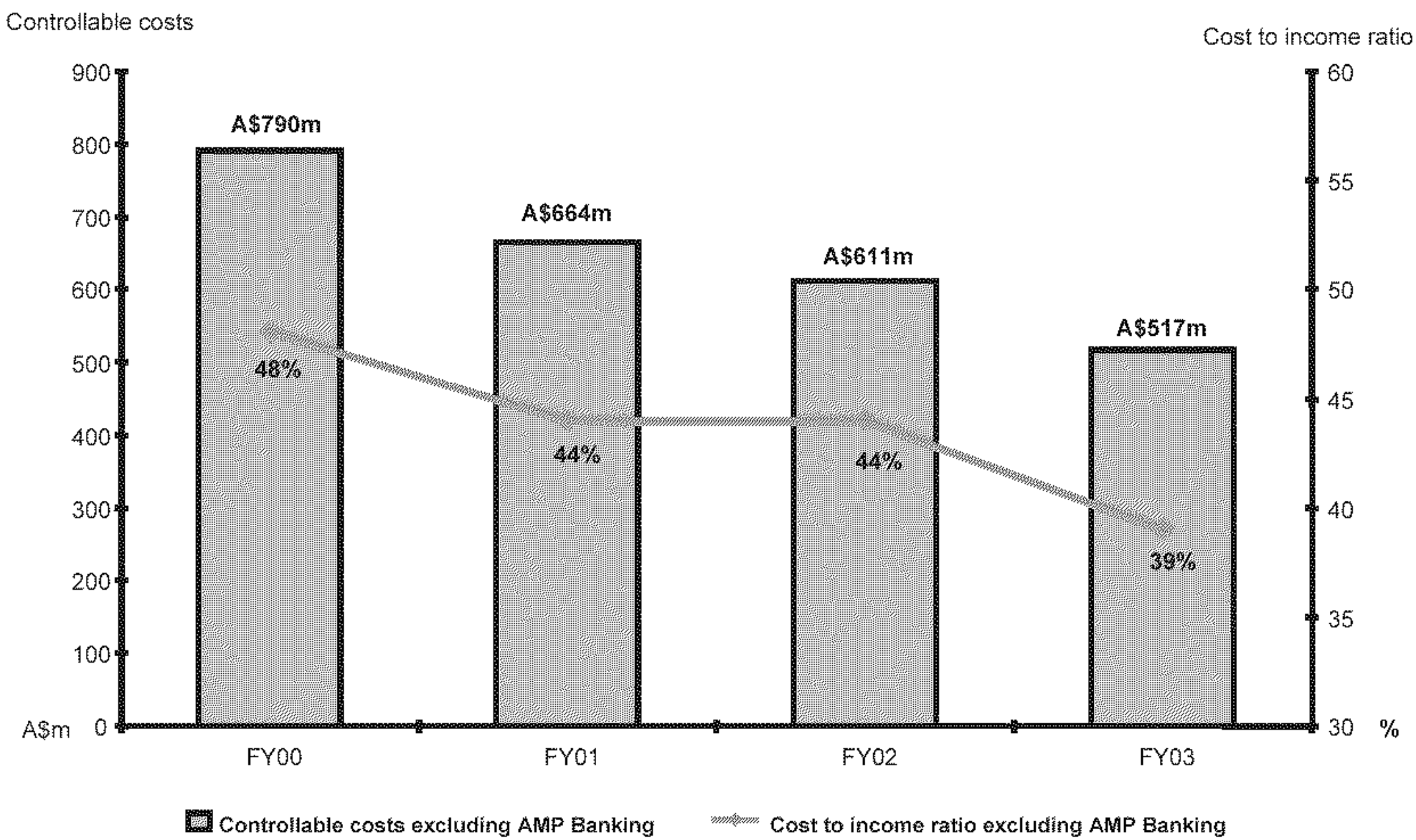
AMP Financial Services – value of new business[1]

@ 3% discount margin



1 Excludes AMP Banking

AMP Financial Services – costs and cost ratio



AMP Financial Services – outlook

Simple, focused, disciplined strategy

Advice-Based Distribution

to be the partner of choice for financial planners
and lead the market space for quality advice

Product Manufacturing

to deliver market competitive products
at the lowest unit cost

AMP Financial Services – outlook

Basis for competition

	Advice-Based Distribution	Product Manufacturing
Primary basis of competition	Customer intimacy	Cost leadership
Comparative advantage	Planner network and institutional (self-employed) model	Lowest unit cost provider (scale and focus)
Strategic priorities	Leverage distribution scale Consistent, quality advice Best in class support Productivity Alignment of reward & recognition Customer relationship	Simple & evolving products Best in class wholesale distribution Focus on persistency Scale benefits Cost efficiency & quality programs Rigorous capital focus

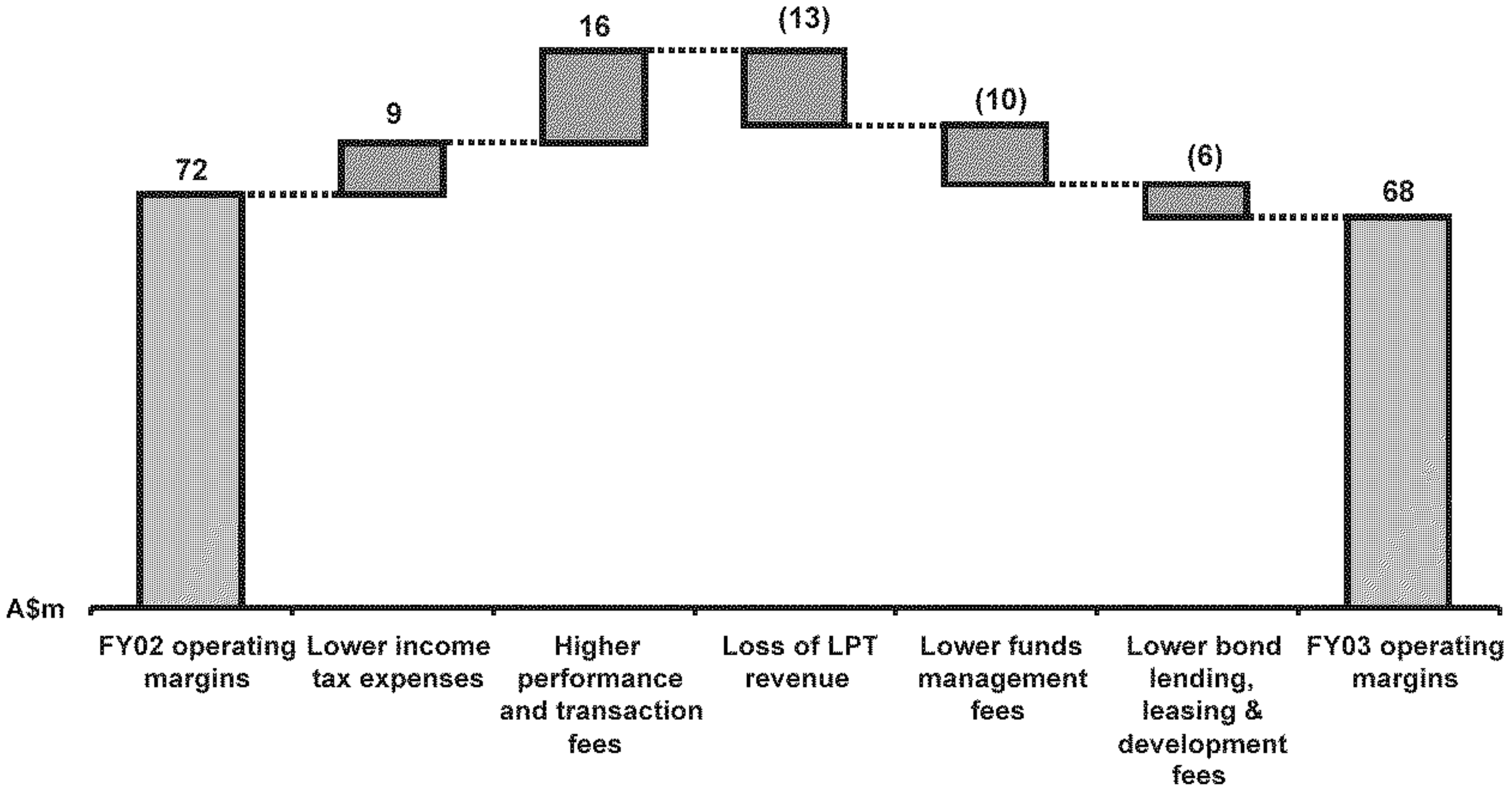
AMP Financial Services – outlook

- Driving growth in EV and VNB through improved cashflows and planner growth (numbers and productivity) off a lower cost base
- Lower investment income likely from reduced capital in business and change in asset mix supporting policyholder liabilities
  - However, large release of capital at year end will strengthen RoIC in FY04
- Targeting increased market share in corporate superannuation, allocated pensions, market-linked pensions, non super investments, banking and risk products

AMP Capital Investors

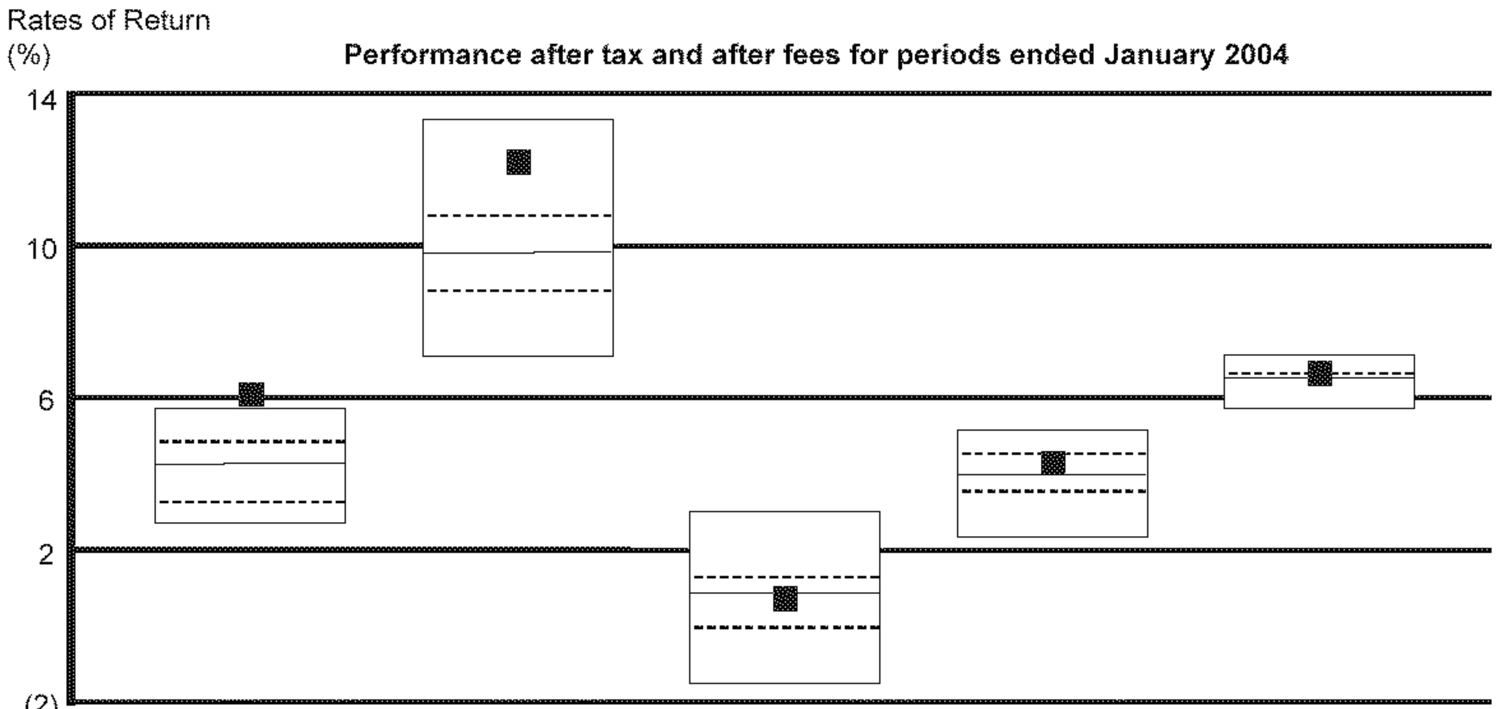
- Operating margins down 6% on FY02 to A$68m as improved investment performance and transaction fees largely offset loss of LPTs
- Cost ratio up to 63% from 60% due largely to loss of LPTs
- Good investment performance with 74% of assets under management at or above benchmark for FY03
  - Investment performance added record value to AMP Life No 1 fund relative to benchmark
- RoIC up from 23% to 27% as sale of LPTs lowered invested capital

AMP Capital Investors – operating margins



AMP Capital Investors – investment performance

Comparison with the Mercer pooled fund survey - balanced funds universe



	6 Months (%)	1 Year (%)	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)
AMP Balanced Growth return and ranking ■	**6.1** ***(2)***	**12.2** ***(3)***	**0.7** ***(15)***	**4.3** ***(8)***	**6.6** ***(3)***
Number of Funds	31	31	27	25	16

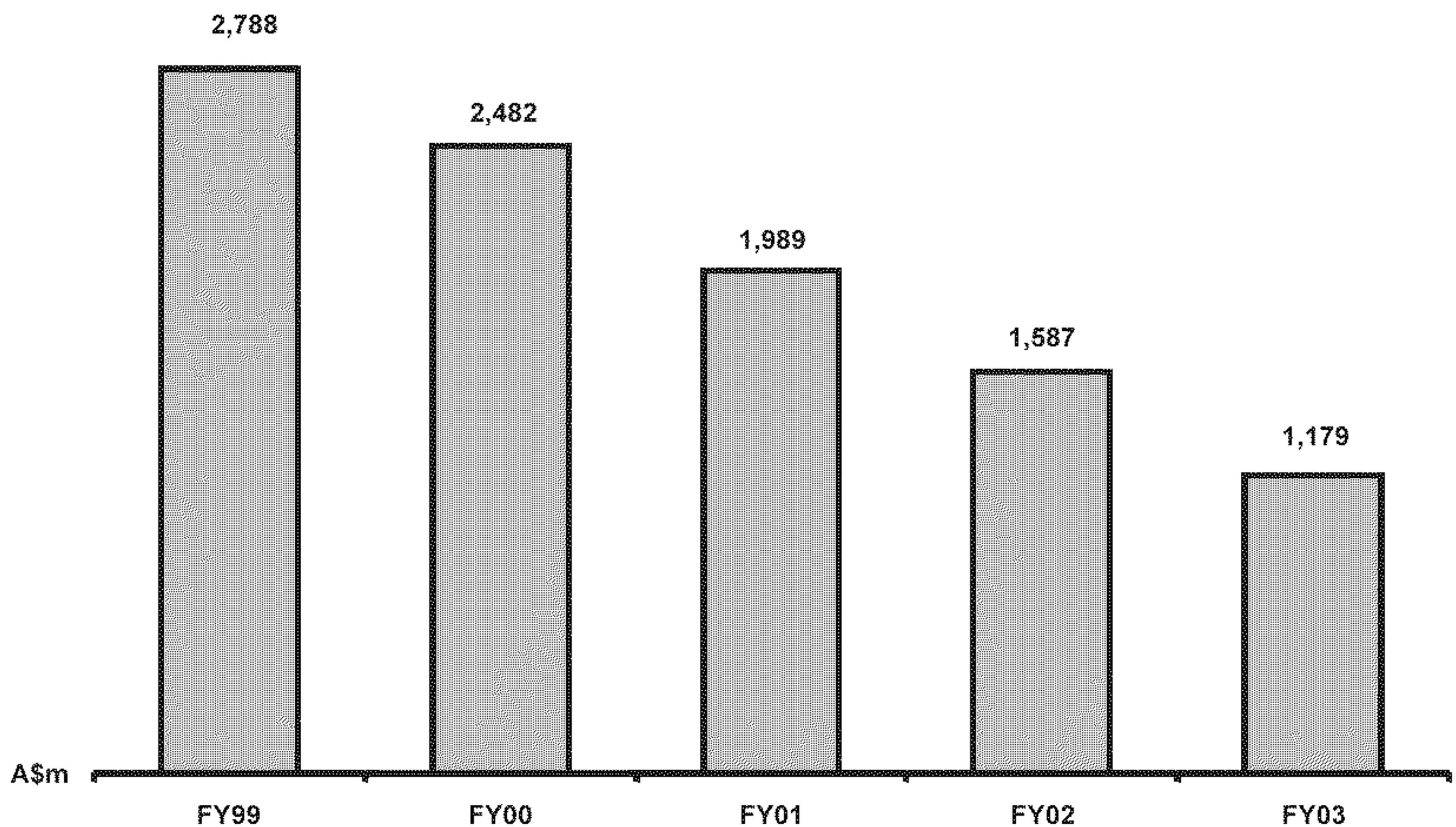
AMP Capital Investors - outlook

- Steady operating margins outlook, as LPT revenue replaced by growth in new products
  - A$585m raised in six new products in Future Directions range since 4Q 03 launch
  - A$700m raised in Japan's first-ever global property securities mandate from Nikko Asset Management in 2004 YTD
- Focus on delivering superior investment performance
- 'Lead manager' model repositioning AMP Capital as a regional asset manager, partnering with outstanding managers as required to deliver top quality products to clients
- Increasing sales through third party retail distributors

Cobalt/Gordian

- 18% increase in operating margins on FY02 to A$58m, driven by effective claims management and commutations, especially in 4Q 03
- Commutation savings delivered A$49m to margins
- Focus remains on achieving a profitable runoff of the outstanding books while maximising returns to shareholders through:
  - commutations
  - claims management
  - costs
  - capital management

Gordian Runoff[1] - gross claims reserves[2]



[1] Represents about 90% of total runoff book

[2] Gross discounted claims including risk margins. Prior years adjusted to 31 December 03 exchange rates

Capital management overview

Capital overview – financial strength improved

- AFS transfer of A$1,357m in FY03 represents 2003 profit and surplus capital, comprising:
  - A$925m from AMP Life statutory funds (A$200m in 1H03, A$725m in 2H03) resulting from higher operating profits, stronger investment markets and above-benchmark returns
  - A$115m from AMP Life – other operations, resulting primarily from higher service company operating profits
  - A$317m from AMP Banking, following its restructure and mortgage securitisation program
- AMP Life solvency more robust post transfer than at 1H03, FY02 or FY01 with better asset:liability matching
  - AMP Life carries substantial capital in excess of the regulatory minimum

2002	A$1.40b	(149% coverage of capital adequacy reserves)
2003	A$1.48b	(160% coverage of capital adequacy reserves)

  - Surplus capital increased even with A$725m transfer at end 2003

Capital overview – accelerated debt reduction

- Improved financial strength provides flexibility in debt reduction
- Buying back Income Securities appropriate first step
  - Income Securities are relatively expensive
  - AMP has too much hybrid debt/equity
  - Income Securities are more accessible debt than UK bonds
- Target is to have debt profile consistent with single 'A' credit rating
- Timeframe: 12 to 18 months

Capital overview – accelerated debt reduction

Income Securities buy-back:

- Off-market buy-back
- Offer price is A$98 plus accrued interest
- Total cost depends on acceptances
  - AMP can fund up to the full amount (A$1.2bn)
- Offer booklet expected to be sent to Income Securities holders this month, with offer to run until mid-April
- Similar offer has been accepted by two large holders which have agreed to withdraw Court action

Capital overview – ongoing capital management

- AMP will pay dividends equivalent to around 60% of sustainable earnings

- AMP will have sufficient capacity to frank dividends at 85%+ for the next 4-5 years

- DRP will be maintained to meet retail shareholder preferences but will no longer be underwritten

Group outlook and summary

Group outlook - 2004

- Integrated, Australasian business driving shareholder returns through operational excellence
    - Run AMP better than it's ever been run before
- Streamlined corporate office; simplified structure and processes; physical consolidation of offices
- Revamping performance management and reward systems to drive high performance culture
- Strengthening subsidiary Boards with external appointments

Group outlook – 2004

- Encouraging start to sales activity in 2004
  - AFS inflows up 25% in first two months on previous comparable period
  - Positive inflows in new products and mandates in AMP Capital Investors
- Strong growth likely in AFS's embedded value and value of new business
- Broadly steady margins likely in AMP Capital Investors
- Lower corporate costs as a result of restructuring and streamlining
- Substantial external debt reduction through the year

Summary

- Demerger successfully delivered
- Strong improvement in underlying performance of demerged AMP
- Management focus in 2004 on operational excellence to deliver shareholder value
  - reducing unit costs
  - growing cashflows
  - outperforming on investments
  - lowering balance sheet gearing