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Part One: AMP Chairman's Address to Shareholders

Part Two: AMP CEO's Address to Shareholders

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ADDRESS BY PETER WILLCOX,
CHAIRMAN,
TO THE AMP ANNUAL GENERAL MEETING
20 MAY 2004

At our last Annual General Meeting (AGM) a year ago, we discussed the very serious challenges facing this company and what action we proposed. Specifically, we talked about why we needed to demerge and the steps we needed to take to protect the UK and Australian assets that you owned.

I asked for your patience and for your support. I want to thank you for giving us both. By doing so, you gave us the opportunity to resolve the crisis facing this company and to set it back on course.

The financial statements and reports that flow out of the actions we took last year will form the first item of formal business this morning. They are not pretty reading.

As I said to you in the annual report, they represent, in effect, two different stories.

The first story, which unfortunately has been mine to tell you over the last year, is captured in the bottom line loss A$5.5 billion.

It is the story of AMP's recent past and it left us in a very difficult situation last year. It took a lot of took time, money and effort to resolve that crisis.

We aired this fully at the AGM last year, in the 600-page Explanatory Memorandum, and at the Extraordinary General Meeting (EGM) in December and I am happy to answer any questions you may still have later in the meeting.

I believe the actions which you overwhelmingly approved and which we carried out have fixed AMP's problems in the UK, and unlocked the company's underlying strength, as we planned, creating two strong new companies out of the assets that you owned.

More importantly, AMP is now free of the risks and distractions of the UK. At the same time, you were given a choice to realise value from the UK assets you owned by selling your HHG shares, or continuing to have an interest in those assets by holding them.

AMP's share price, before and after the demerger, shows the market impact of the events of the past year.

Following our announcement in May last year that we proposed to separate our Australian and UK operations, raise new capital and take substantial writedowns, our share price fell to below A$5.

This followed the steady decline in the share price from around A$18-A$20 over the previous two years, as AMP's problems in the UK became clearer.

From May to September 2003, the share price languished as we were working on the demerger and the regulatory approvals we needed. At that time, many people thought it could not be done.

The share price jumped at the end of August and early September by around 60%, from a low of A$4.35 to a high of A$6.96, as a result of the share raid by the National Australia Bank, which put a takeover premium into our share price.

During December and January, as we separated the company and it became obvious that an early takeover was not going to happen, that premium disappeared.

The encouraging aspect of this graph is that it shows that now, without that takeover premium, the value of the combined AMP and HHG share prices is as high as it was immediately after the NAB raid, and 60% above the depths of 2003.

This reflects the success of the demerger for both AMP and HHG and the improved operating performance of AMP.

We have got a long way to go before we recover the value lost over the past two years. But I believe we are now headed in the right direction.

Now let me come to some Board matters.

In talking to shareholders over the past 12 months, and reading your letters and emails to me, it is clear that there are some issues which you would like more information on.

I will start with an issue raised at the EGM in December, the tax impact of the demerger – and specifically the impact of the share cancellation through which we divided your existing AMP investment into separate investments in each of AMP and HHG.

This is a complex issue. At the EGM, I promised to write to all shareholders to provide them with the new cost base for their holdings once it became available. That has been done for AMP shares issued at demutualisation and for HHG shares issued at demerger.

You will also shortly receive more information on your holdings bought as individual parcels through AMP – that is, when we first listed, or through our share purchase plan offerings or dividend reinvestment plans. This is information that you may also need for tax purposes.

In addition, we have been working with the Australian Tax Office (ATO) to provide some specific information and instructions for AMP shareholders in this year's tax pack and to provide an online tax calculator, which will soon be available on the ATO's website. All this information will be sent to you in the next month.

Moving onto the second issue, of board renewal. At last year's AGM, I talked to you about our intentions to renew the board, to simplify board structures and to introduce regular board performance evaluations.

Since that meeting we have identified and attracted to the board new directors of the calibre of Peter Mason and Nora Scheinkestel – both of whom are standing for election today. We will continue to seek qualified new directors for the board, as required.

At last year's AGM, you asked for more complete descriptions of what various board committees did, especially the finance committee.

We have reviewed all of our committees and their mandates. We had already disbanded the Governance committee and we decided also to disband the Finance Committee. Much of the matter previously handled by these committees is now handled by the full board, because we think these matters are an essential responsibility of the whole board.

The responsibilities of the remaining committees – audit, nomination, and remuneration – are described in the annual report.

Last year I promised that we would institute Board and committee performance appraisals with the objective of improving the way we do things.

We carried out a full evaluation of the performance of the board earlier this year and also a review of the Chairman. Both reviews helped us identify areas for improvement.

Another issue raised at last year's AGM that many of you felt strongly about was the matter of political donations.

At that time, we had not had a chance as a board to review this issue, so I gave you an undertaking that we would take the views expressed at the AGM into account and we did so.

As we reported in the annual report, we have implemented a new policy - AMP no longer makes donations to any political party. The only exception in 2003 was in fulfilment of a commitment we had made the year before, in 2002.

Of course, we will still work to put AMP's view on specific business issues forward to all political parties, in the interest of shareholders. This may involve attendance at functions or conferences and where the expense of this is over A$1,500, it could be reported as a donation.

But the practice of making large donations to the main parties has ended and our only involvement will be on issues that directly impact our business.

Another change we are making to the way we do things is to move to direct credit for all dividend payments, and I know shareholders' views on this are mixed.

By now those of you who do not already receive your dividend payment through direct credit should have received a letter from me explaining why we are moving this way.

There are now more than 800,000 AMP dividend cheques outstanding which have not been deposited and remain unpresented for payment. They date back to the final 1998 dividend, and the number of unpresented cheques is growing with each dividend payment. The total value of unpresented cheques has now reached A$47 million.

The current process means that many shareholders are not receiving their dividends: the cheques presumably have been lost, mislaid, forgotten, or gone astray somehow, and eventually some of these unclaimed funds may go to the government instead of to the shareholder.

The cost of cancelling and issuing a replacement cheque is around A$13 so if all of those 800,000 unpresented cheques had to be reissued it would cost AMP and its shareholders more than A$10 million.

This is why we would like to move to direct credit for all dividend payments: it is quicker, cheaper, safer, more convenient and ultimately fairer for all shareholders. I have already heard from some shareholders who are uncomfortable with this change and I want to assure you that we will look for ways to do this with the least inconvenience to you.

So to sum up, the successful completion of the demerger and the strong underlying performance of our Australian and New Zealand operations give us reason now to be confident about our future.

Your company is now in good shape, the market environment is fundamentally sound and the operating conditions are improving.

While our priority last year was to fix AMP's problems, the focus of your board this year is on ensuring that AMP lives up to its potential as a high performing, wealth management company.

Specifically, that means a focus on developing an even deeper understanding of the business, the competitive environment and of the threats and opportunities that we face.

I know this has been a tough and, for many, a distressing 18 months, but we have got through it and, I believe, can now look forward to better times ahead.

I want to thank you for your support and constructive feedback and criticism over the past year. We do listen to what you have to say and, where we can, we act on it.

Our absolute responsibility to you now is to ensure that we grow the value of this company for you, its owners.

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ADDRESS BY ANDREW MOHL,
CHIEF EXECUTIVE OFFICER,
TO THE AMP ANNUAL GENERAL MEETING
20 MAY 2004

As the Chairman has outlined, the past 18 months have been horrendous for our company.

As owners, you've felt this through the loss of value you've experienced and through the barrage of negative news you've had to deal with.

The good news is that we have clearly turned the corner.

We've successfully completed the demerger; we've brought AMP back home to Australia; we've streamlined and strengthened the business, and market conditions have begun to improve after three tough years.

For all these reasons, I believe you can be much more confident about your company's future.

The three men who founded AMP more than 155 years ago believed that financial security enabled people to live with dignity.

We still believe that today. And we feel privileged to be able to make a real difference to our customers' lives.

AMP today is a company focused on helping Australian and New Zealanders to manage their financial well being so they can enjoy the future they want.

Our 2000 financial planners and 4,000 employees look after the financial needs of more than 2.3 million customers in Australia and New Zealand.

AMP has a number of unique strengths that have developed over the years, which make us different from other companies.

These strengths not only explain our resilience over the past few years, but also provide a strong basis for future growth.

They are:

- First, a business structure that has the best of both worlds.

It combines the financial and brand strength of a major company with the flexibility and responsiveness of a small business, through our partnership with self-employed financial planners.

We are fervent believers in the power of this partnership between large and small business. It means we are a big company but with a small business touch.

- Second, we have an unmatched history of investing in and growing with Australian and New Zealand communities.

Since about 1900, we have helped build roads, factories, railways, airports, new rural developments, communications systems, water and electricity infrastructure, the Sydney Harbour tunnel – even Canberra.

These investments have not been entirely altruistic on our part. Most have earned good returns for our policyholders. But they have helped embed AMP into local communities in a way few other companies are. And we've remained in those communities.

- Third, we operate across the wealth management value chain from advice and sales, to products and platforms, to investment management.

This is a rarely found breadth of operations amongst wealth management companies. And we have strong market positions in all these operations.

We have the largest financial planning network by a considerable margin, we are the largest provider of retail and corporate superannuation, and we are the second largest investment manager with over A$67 billion in assets under management.

Very few of our competitors can match this breadth and depth of capabilities and the focus we have on our business. It means we can understand and meet customer needs, we have the scale such that we can choose where to compete profitably and where to partner with third party providers, and we have a strong base position from which to protect and grow our margins.

As the operational results for 2003 demonstrated, we have a business that is operationally in good shape.

Amid some of the worst market and corporate conditions you could imagine, the Australian and New Zealand operations were able to:

- deliver a strong profit increase – operating margins and underlying earnings were up around a quarter on 2002;

- demonstrate a sustained ability to reduce costs – costs were reduced by 13 per cent and the cost to income ratio fell eight points to 46 per cent;

- lift cash flows in the second half of the year – indeed AMP outperformed its four major competitors in the second half and in the final quarter its market share of flows was back up to 15 per cent;

- improve our investment performance – almost three quarters of our funds beat benchmark over one year and our flagship diversified fund is now close to top quartile performance over five and 10 years;

- increase dividend and franking on the first half of the year – the dividend was up from seven cents to nine cents, and franking jumped from 15 per cent to 85 per cent - and is expected to be at 85 per cent or more in the foreseeable future;

- release substantial capital – allowing us to accelerate the debt reduction program. Debt at A$2.2 billion is now half that at the time of demerger and set to fall further to our target of A$1.5 billion.

The 2003 operational results were delivered in a year when investment markets hit their lowest point in years – in March – before beginning a solid recovery over the rest of the year.

AMP's earnings are sensitive to markets and, taking a medium term view, the much-anticipated slowdown in property is, in our opinion, likely to coincide with a medium term recovery in equity markets.

In essence, we expect that households will increasingly shift their focus for long term retirement savings from physical assets (i.e. investing in property) to financial assets (i.e. investing in shares and managed funds) .

This is good for AMP's business in a number of ways:

- customers will be more inclined to invest discretionary funds in our products;
- customers will be less inclined to withdraw funds from our products to look for better opportunities elsewhere;
- the value of the assets we are managing and our fee revenue will increase;
- the investment income we earn on shareholder capital will increase; and
- our capital position will strengthen.

The recent Federal Budget included a range of initiatives that are also positive for our industry, including improvement and extension of the co-contributions initiative whereby the Government will match voluntary superannuation savings; the reduction in the surcharge tax from 14.5 per cent to 7.5 per cent over four years; and addressing a number of weaknesses in existing legislation that gave self-managed superannuation funds an unfair advantage over public offer funds.

We have commented publicly and written separately to the Federal Government expressing our support for these initiatives.

More broadly, the fundamentals of the major market in which we operate – the Australian wealth management market – remain very attractive.

To start with, it is a big market – around A$700 billion - and is growing at a considerably faster rate than nominal GDP, thanks largely to our superannuation regime.

One industry analyst predicts this market will more than double in size over the next 10 years, to be worth around A$1.5 trillion by mid 2013.

It is also an advanced market – one that many people regard as among the best in the world.

We are more prepared for the reality of an ageing population than just about any other industrialised country in the world.

We have got a strong advice framework with professional standards that are increasing.

We have got very sophisticated products available from simple investment products through to master trusts and wraps.

We have got a highly competitive asset management industry with global providers and world-class capabilities.

I am not saying our system is perfect. I believe more can and will be done to improve it, to increase returns to investors, to lower costs.

These improvements will be delivered because the market system works to ultimately produce the best deal for consumers, far better than a heavily regulated or nationalised system ever could.

That is what I believe about this industry and what I passionately believe about AMP.

Given this attractive market, it is not surprising that investors here and overseas want access to it through companies with strong competitive market positions – companies like AMP; particularly now that we have separated from the UK and, for the first time, they can invest in a high quality local business.

That is one of the reasons we have seen a steady rise in the share price so far this year as we have come out of the demerger and delivered a better than expected 2003 operating result.

So now we've got AMP into better shape than it has been for years, what happens next?

Our immediate goals are simple – to restore people's faith in AMP by running this company better than it has ever been run before.

AMP has an extraordinary franchise in Australia and New Zealand but we have yet to work our assets to their full potential. That is where I see lots of opportunity for this company, and for our customers and shareholders.

I believe that if we serve our customers well, we will build and increase the value of this company for our shareholders.

So we have spent a lot of time over the past few months, talking to customers and potential customers about what they need from a company like AMP.

It is clear they are looking for a few simple things from us that I am determined AMP will do superbly well.

They want impartial advice from someone they trust, someone that has their best interests at heart, who can help them navigate through the complexities of today's financial markets.

That is why we have an absolute commitment to lifting the standards of professionalism throughout our planner groups.

We now have more than 600 Certified Financial Planners – the highest designation available in the Financial Planning Association – across all our dealer groups, more than anyone else in Australia.

They want open, transparent, meaningful disclosure of fees and charges. That's why we are currently going beyond the new Financial Services Regulations in our product literature to provide clear information of the costs involved in all our products.

They want superior overall performance from their products. That is why investment performance and efficient management of our business are paramount for us and will continue to be; and why, in AMP Capital, we are partnering with global asset managers in specific areas – like International Equities and Global Listed Property - to bring the best products possible to our customers.

And they want choice. To take our already good retirement incomes system to the next level, customers should be able to make their own choices about who their superannuation is with, whether they want advice or not, and how much and how they want to pay for it.

That is how markets work best.

So those are the areas we will be giving our total attention to over the next 12 months.

We are now totally focused on working our Australian and New Zealand assets hard, to turn AMP into the high performing company that it has always had the potential to be.

I am pleased to be able to report to you that we have made an encouraging start to the year in our first quarter.

As announced two weeks ago, our cashflows – that is, the money that comes in through new sales, premium payments, superannuation contributions and so on – were up by 22 per cent in the March quarter on the same time last year while our outflows were up by just one per cent.

Those promising cash flow trends have continued in the first five weeks of the second quarter.

This is in line with our expectations of strong growth in the embedded value and value of new business in AMP Financial Services this year.

We are expecting broadly steady margins in AMP Capital Investors which, given the loss of earnings from our exit from the Listed Property Trust sector last year, will reflect solid underlying growth in margins.

We have also signalled a further reduction in corporate office expenses, reflecting the establishment of a smaller office and lower interest costs.

More generally, costs remain under tight control across the group.

Finally, we are intent on strengthening the financial position of AMP by further paydown of debt. Lower debt makes AMP more secure and the target debt level of A$1.5 billion should result in AMP regaining an 'A' credit rating.

Thereafter, AMP will be in a position to return excess capital to shareholders. This may be in the form of higher dividends and/or share buybacks and we will work through the issues involved to determine the best option for shareholders in the period ahead.

To sum up, while we have not forgotten the lessons of our immediate past, I firmly believe the worst is behind us.

AMP is now a regional wealth management company focused on delivering outstanding products and services to our customers in Australia and New Zealand, and increasing the value of this company for its owners.

We have a business that few pure wealth managers around the world can match.

It is now in good shape, operating in a fundamentally attractive market that is well on its way to a medium term cyclical recovery.

Our absolute focus this year is on running AMP better than it has ever been run before to realise the potential that this company has always had.

As I said in the annual report review, I know that it is only strong and sustained performance of our businesses and of our share price that will regain your confidence and trust.

That's what I - and the management team of AMP - am passionate about achieving.

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