



# AMP Investor Report

## Full year 2008

80YE

# Management and contact details

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|                  |                                               |
|------------------|-----------------------------------------------|
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| Craig Meller     | Managing Director, AMP Financial Services     |
| Stephen Dunne    | Managing Director, AMP Capital Investors      |
| Lee Barnett      | Chief Information Officer                     |
| Brian Salter     | General Counsel & Company Secretary           |
| Jonathan Deane   | General Manager, Strategy                     |
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## Online reports

This investor report is available online at [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre) along with other investor relations information.

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## Important note

This Investor Report provides financial information reflecting 100% shareholder attributable after income tax results from an operational perspective. The principles of life insurance accounting are used in reporting the results of AFS. 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 and internal management information useful for investors. This Investor Report is not audited. In preparing the Investor Report, management has had its external auditors, Ernst & Young, prepare a review statement in relation to specific matters pertaining to the information presented herein for management's purposes. This statement has been included in the document for the information of readers, however, it has been prepared solely for management and may not be relied upon by any party other than the management of AMP Limited.

All results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance.

This Investor Report is not an offer document and therefore has not been the subject of a full due diligence process typically used for an offer document. While AMP has sought to ensure that information in this Investor Report is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this Investor Report. In particular, information and statements in this Investor Report do not constitute investment advice or a recommendation on any matter.

AMP also provides prescribed statutory reporting under the Corporations Act 2001. Those accounts will be available from AMP's website [www.amp.com.au](http://www.amp.com.au) and reflect policyholder and shareholder interests.

## FY 08 performance summary

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### Key performance measures

- Underlying return on equity increased 1.0 percentage point to 38.9%
- Total operating earnings down 4% to A\$737m
- Cost to income ratio up to 41.3% from 39.7% in FY 07
- Growth measures:
  - AFS net cashflows of A\$1.4b, down from A\$2.9b in FY 07; AMPCI external net cashflows of -A\$804m down from A\$1.7b in FY 07
  - Value of risk new business<sup>1</sup> up 41% to A\$114m
- 63% of AUM met or exceeded benchmark over the 5 years to 31 December 2008, impacted by extraordinary markets in 2008, when 17% of AUM met or exceeded benchmark.

### Profit and profit drivers

#### Underlying profit down 8% to A\$810m

#### Net profit attributable to shareholders of AMP Limited A\$580m, down 41% (down 29% excluding profits from discontinued businesses in 2007)

- AFS contemporary wealth management operating earnings down 13%, mature down 15% and AMPCI down 9%
- AFS contemporary wealth protection operating earnings up 29% and New Zealand up 17%
- Open businesses contributed 79% of total BU operating earnings
- Total investment income down A\$291m, due to lower investment markets and lower shareholder capital, following the capital return in 2007.

### Cashflows, AUM and revenue margins

#### Group AUM down 19% to A\$105b for FY 08, primarily due to declining investment markets

- AFS AUM fell 19% to A\$67b, AMPCI AUM down 17% to A\$92b
- AFS net cashflows down 51% year on year to A\$1.4b. Retail superannuation and pensions/annuities fell 48% to A\$1.3b, corporate superannuation increased 57% to A\$554m (excluding mandate wins), while New Zealand increased 73% to A\$126m
- AFS Australian individual risk API increased 17% to A\$547m and Group risk increased 10% to A\$155m. New Zealand individual risk API increased by 12% to NZ\$133m
- Contemporary wealth management gross revenue margins decreased 3 bps in FY 08 to 183 bps. AMPCI AUM based management fees grew 2.1 bps to 30.9 bps, while performance and transaction fees to average AUM were flat at 8.5 bps.

### Costs and cost ratios

#### Cost to income ratio up 1.6 percentage points to 41.3%, total costs rose 1% to A\$879m

- AFS controllable costs rose A\$7m (1%) to A\$560m, AMPCI costs grew 4% to A\$268m. Cost increases were primarily due to growth initiatives and higher labour costs.

### Capital management and dividend

- Interest cover (underlying) remains a strong 10.9 times
- Gearing on an S&P basis is 14%
- Final dividend of 16 cps, giving a total dividend for FY 08 of 40 cps (including 2 cps from the sale of the Cobalt/Gordian business).

<sup>1</sup> This is a combined value of new business measure for Australian contemporary wealth protection and New Zealand risk insurance.

## Financial summary

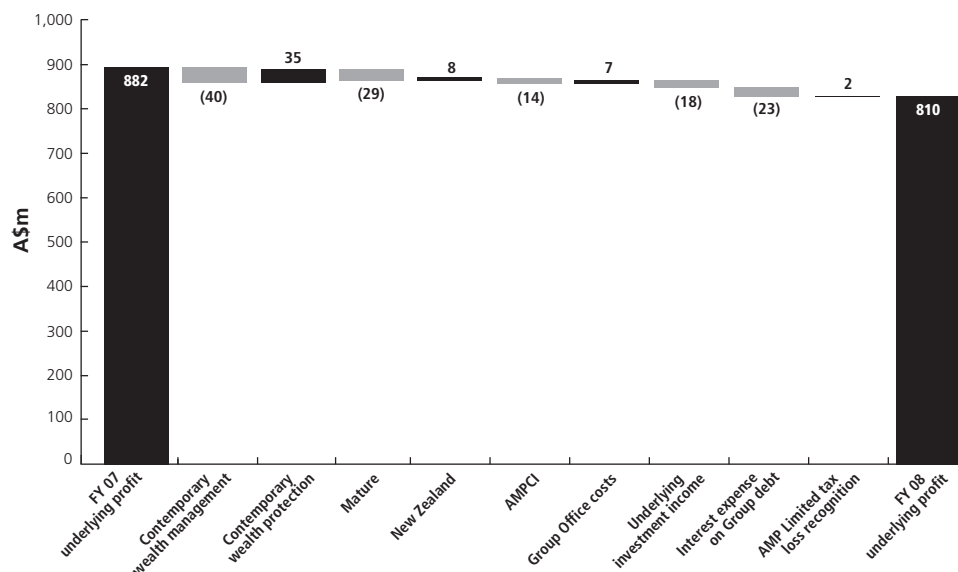
| A\$m                                                          | FY 08      | 2H 08      | 1H 08      | FY 07        | % FY          | % H/H         |
|---------------------------------------------------------------|------------|------------|------------|--------------|---------------|---------------|
| <b>Profit and loss</b>                                        |            |            |            |              |               |               |
| Australian contemporary wealth management                     | 266        | 124        | 142        | 306          | (13.1)        | (12.7)        |
| Australian contemporary wealth protection                     | 154        | 78         | 76         | 119          | 29.4          | 2.6           |
| Australian mature                                             | 161        | 72         | 89         | 190          | (15.3)        | (19.1)        |
| New Zealand                                                   | 56         | 29         | 27         | 48           | 16.7          | 7.4           |
| AMP Financial Services                                        | 637        | 303        | 334        | 663          | (3.9)         | (9.3)         |
| AMP Capital Investors                                         | 136        | 58         | 78         | 150          | (9.3)         | (25.6)        |
| <b>BU operating earnings</b>                                  | <b>773</b> | <b>361</b> | <b>412</b> | <b>813</b>   | <b>(4.9)</b>  | <b>(12.4)</b> |
| Group Office costs                                            | (36)       | (18)       | (18)       | (43)         | 16.3          | -             |
| <b>Total operating earnings</b>                               | <b>737</b> | <b>343</b> | <b>394</b> | <b>770</b>   | <b>(4.3)</b>  | <b>(12.9)</b> |
| Underlying investment income                                  | 140        | 67         | 73         | 158          | (11.4)        | (8.2)         |
| Interest expense on Group debt                                | (82)       | (45)       | (37)       | (59)         | (39.0)        | (21.6)        |
| AMP Limited tax loss recognition                              | 15         | 8          | 7          | 13           | 15.4          | 14.3          |
| <b>Underlying profit</b>                                      | <b>810</b> | <b>373</b> | <b>437</b> | <b>882</b>   | <b>(8.2)</b>  | <b>(14.6)</b> |
| Market adjustment – investment income                         | (260)      | (138)      | (122)      | 13           | n/a           | (13.1)        |
| Discontinued business – Cobalt/Gordian                        | -          | -          | -          | 171          | n/a           | n/a           |
| Other items <sup>1</sup>                                      | 73         | 71         | 2          | 7            | n/a           | n/a           |
| Seed pool valuation adjustments <sup>2</sup>                  | (42)       | (42)       | -          | -            | n/a           | n/a           |
| <b>Profit after income tax before timing differences</b>      | <b>581</b> | <b>264</b> | <b>317</b> | <b>1,073</b> | <b>(45.9)</b> | <b>(16.7)</b> |
| Market adjustment – annuity fair value <sup>3</sup>           | (117)      | (76)       | (41)       | (13)         | n/a           | (85.4)        |
| Loan hedge revaluations <sup>3</sup>                          | (41)       | (43)       | 2          | (4)          | n/a           | n/a           |
| Accounting mismatches <sup>3</sup>                            | 157        | 69         | 88         | (71)         | n/a           | (21.6)        |
| <b>Net profit attributable to shareholders of AMP Limited</b> | <b>580</b> | <b>214</b> | <b>366</b> | <b>985</b>   | <b>(41.1)</b> | <b>(41.5)</b> |

1 Refer to page 41 for more detail.

2 Seed pool valuation adjustments represent the abnormal write down of seed pool assets, being Singapore industrial property and Australasian retirement village businesses. Refer to page 41 for more detail.

3 Timing differences relate to accounting gains/losses that do not reflect the underlying profitability of the group and should reverse over time. Refer to page 42 for more detail.

### Movement in underlying profit FY 07 to FY 08



## Financial summary cont'd

|                                                                           | FY 08    | 2H 08   | 1H 08   | FY 07    |
|---------------------------------------------------------------------------|----------|---------|---------|----------|
| <b>Earnings</b>                                                           |          |         |         |          |
| EPS – underlying (cps)                                                    | 42.9     | 19.7    | 23.3    | 51.2     |
| EPS – actual (cps)                                                        | 22.4     | 7.7     | 14.8    | 56.3     |
| RoE – underlying                                                          | 38.9%    | 37.3%   | 40.5%   | 37.9%    |
| RoE – actual <sup>1</sup>                                                 | 27.9%    | 26.4%   | 29.4%   | 38.7%    |
| Underlying investment income as a percentage of underlying profit         | 17%      | 18%     | 17%     | 16%      |
| Dividend per share (cps)                                                  | 38       | 16      | 22      | 44       |
| Dividend per share – sale of Cobalt/Gordian business (cps)                | 2        | -       | 2       | 2        |
| Dividend payout ratio – underlying                                        | 89%      | 81%     | 94%     | 86%      |
| Ordinary shares on issue (m) <sup>2</sup>                                 | 1,992.9  | 1,992.9 | 1,874.9 | 1,874.9  |
| Weighted average number of shares on issue (m) <sup>2</sup>               |          |         |         |          |
| – basic                                                                   | 1,890.0  | 1,890.0 | 1,874.9 | 1,874.9  |
| – fully diluted                                                           | 1,898.9  | 1,898.9 | 1,883.1 | 1,882.8  |
| Market capitalisation – end period (A\$m)                                 | 10,801   | 10,801  | 12,543  | 18,655   |
| <b>Capital management</b>                                                 |          |         |         |          |
| Group debt (excluding operational debt) (A\$m)                            | 1,504    | 1,504   | 1,443   | 1,169    |
| S&P gearing                                                               | 14%      | 14%     | 13%     | 10%      |
| Interest cover – underlying (times)                                       | 10.9     | 10.9    | 13.5    | 17.3     |
| Interest cover – actual (times) <sup>1</sup>                              | 8.1      | 8.1     | 11.6    | 17.6     |
| <b>EV and VNB</b>                                                         |          |         |         |          |
| EV after transfers – AFS (3% dm) (A\$m) <sup>3,4</sup>                    | 7,536    | 7,536   | 7,372   | 7,685    |
| Return on EV – AFS (3% dm)                                                | 3.4%     | 2.7%    | 0.8%    | 17.2%    |
| VNB – AFS (3% dm) (A\$m) <sup>4</sup>                                     | 360      | 193     | 167     | 376      |
| VNB – risk (3% dm) (A\$m) <sup>4</sup>                                    | 114      | 70      | 44      | 81       |
| <b>Cashflows and AUM</b>                                                  |          |         |         |          |
| AFS cash inflows (A\$m)                                                   | 14,445   | 7,047   | 7,398   | 18,799   |
| AFS cash outflows (A\$m)                                                  | (13,019) | (6,381) | (6,638) | (15,867) |
| AFS net cashflows (A\$m)                                                  | 1,426    | 666     | 760     | 2,932    |
| AFS persistency                                                           | 90.3%    | 89.8%   | 90.0%   | 88.6%    |
| AFS AUM – AMPCI managed (A\$b)                                            | 54       | 54      | 60      | 65       |
| AFS AUM – externally managed (A\$b)                                       | 13       | 13      | 16      | 18       |
| AMPCI net cashflows – external (A\$m)                                     | (804)    | (1,173) | 369     | 1,705    |
| AMPCI net cashflows – internal (A\$m)                                     | (474)    | 1,457   | (1,931) | (2,046)  |
| AMPCI AUM (A\$b)                                                          | 92       | 92      | 101     | 111      |
| <b>Investment performance – AMPCI</b>                                     |          |         |         |          |
| Percentage of AUM meeting or exceeding benchmark – total AUM <sup>5</sup> | 17%      | 17%     | 57%     | 68%      |
| <b>Controllable costs and cost ratios</b>                                 |          |         |         |          |
| Operating costs (A\$m)                                                    | 806      | 402     | 404     | 808      |
| Project costs (A\$m)                                                      | 73       | 35      | 38      | 63       |
| Total controllable costs (A\$m)                                           | 879      | 437     | 442     | 871      |
| Cost to income ratio                                                      | 41.3%    | 42.9%   | 39.9%   | 39.7%    |
| Controllable costs to AUM (bps)                                           | 75       | 78      | 72      | 68       |

1 Comparatives restated to reflect change in methodology. Refer to accounting definitions on pages 45 and 46.

2 Number of shares has not been adjusted to remove treasury shares.

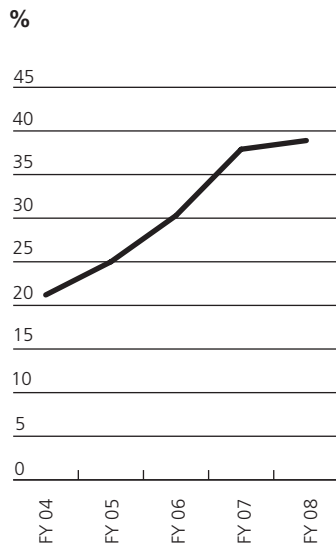
3 FY 08 transfers of A\$407m (FY 07 A\$882m).

4 Comparatives restated for methodology and modelling changes.

5 Performance figures are on a 12 month rolling basis for total AMPCI AUM.

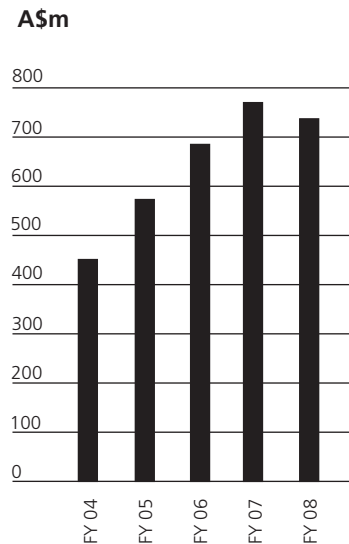
## Key performance measures

### Return on equity (RoE – underlying)



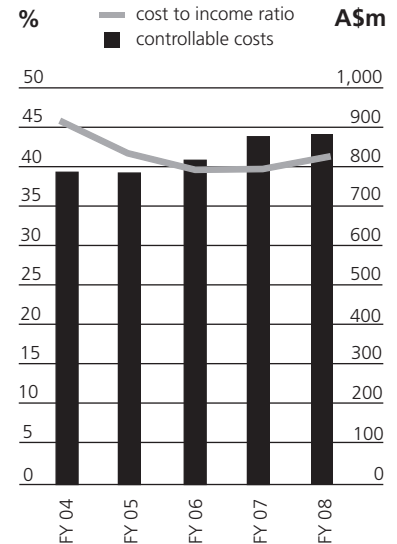
- Underlying RoE rose to 38.9% in FY 08

### Total operating earnings



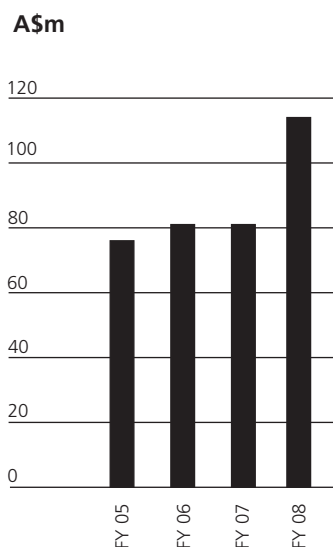
- Operating earnings were 4.3% (A\$33m) down on FY 07

### Controllable costs (A\$m) and cost to income ratio (%)



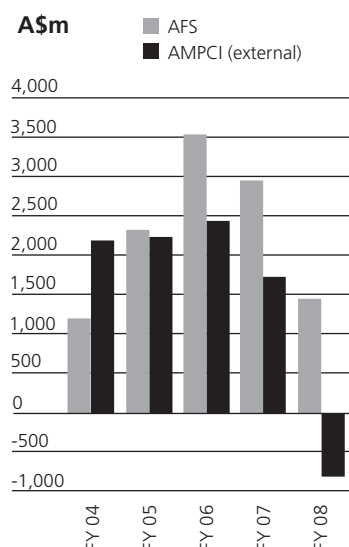
- Cost to income ratio increased from 39.7% in FY 07 to 41.3% in FY 08
- Controllable costs increased by 1% in FY 08

### Value of risk new business (VNB)



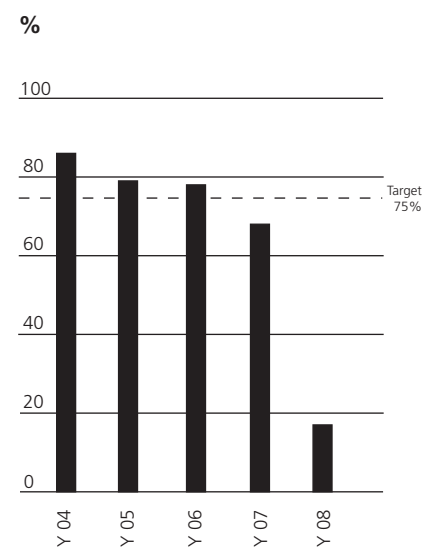
- Value of risk new business rose 41% to A\$114m

### Net cashflows



- Net cashflows for AFS down to +A\$1,426m; AMPCI (external) down to -A\$804m

### Percentage of AUM meeting or exceeding benchmark



- 17% of AUM meeting or exceeding benchmark for the 12 months to December 2008

# Strategic overview

## Overview

AMP is a 160 year old wealth management company operating in Australia and New Zealand, with selected investment management activities in Asia.

The company is financially strong and is managing through the current market uncertainty with a tight focus on costs, capital and liquidity.

AMP is well positioned to manage through this environment due to its financial strength, diversity of earnings, low cost ratios and disciplined, prudent approach to capital management and resilient business model.

This business model is characterised by a pre-eminent brand; low cost and scalable manufacturing platform; large aligned planner channel; broadly-based asset management and packaging business; and cost and capital efficiency.

AMP has two core businesses:

- AMP Financial Services (AFS)
- AMP Capital Investors (AMPCI).

Open businesses account for more than 79% of business unit operating earnings. AMP's only closed business is AFS mature.

## Capital management

AMP holds a level of capital above its minimum regulatory requirements (MRR). At 31 December 2008 the regulatory capital resources above MRR were A\$898m (A\$895m at 31 December 2007). Regulatory capital resources were 2.1 times MRR (2.1 times at 31 December 2007). The MRR coverage ratio will vary throughout the year due to a range of factors including investment market movements, dividend payments and statutory profits.

Given the challenging market conditions, AMP will continue to take a prudent approach to capital management and has a bias towards holding more capital rather than less. In 2008, AMP raised A\$559m through a share placement and share purchase plan.

AMP's capital strategy remains focused on enhancing its already strong capital position in the current climate, maintaining business flexibility to grow and further optimising the capital mix. AMP continues to evaluate options to raise lower Tier 2 capital with a final decision on the quantum and timing of any issue yet to be made and dependent on capital market conditions.

This approach will be monitored in response to changing market conditions.

AMP's final dividend is 16 cents per share bringing AMP's total dividend for 2008 to 38 cents per share, plus an additional 2 cents per share distributed in the first half of the year from the proceeds of the Cobalt/Gordian sale. Excluding the special Cobalt/Gordian dividend, AMP's dividend payout ratio is 89% of underlying profit.

The DRP will include a discount of 2.5% and will be partially underwritten to the extent that natural participation is less than 30%. Future dividends are likely to be in the range of 75% to 85% of underlying profit.

## Strategy

AMP is pursuing a focused strategy to strengthen its position in its core markets of Australia and New Zealand. It is also making selective investments in Asia through AMP Capital Investors.

In the current difficult market, AMP is focused on balancing investment for medium to long-term growth with the need to tightly manage costs and protect the company's capital and liquidity positions over the short-term. AMP is also increasing its focus on risk management.

Despite the uncertain short-term outlook, robust growth is forecast in the medium and long-term for the Australian, New Zealand and selected Asian wealth management markets.

In Australia and New Zealand, AMP is strategically well positioned, with leading market positions in product (superannuation and retirement incomes); financial planner and employer-sponsored distribution; and investment management. The company is capitalising on these positions to drive growth over the medium-term.

AMP's growth strategy aims to drive strong value growth by investing in two areas: distribution and enhanced products and services.

Outlined below are the five growth platforms AMP is targeting during the next three to five years.

### 1. Grow financial planner capacity and broaden distribution

Short-term: increase financial planner numbers and improve their productivity.

Medium-term: develop broader, complementary distribution channels in both AFS and AMPCI.

### 2. Expand to Asia through AMP Capital Investors

Short-term: expand Asian distribution channels and alliances to market existing Australian and global products.

Medium-term: establish investment capabilities in Asia to manage Asian assets.

### 3. Grow customers in high value segments

Short-term: continue to drive growth in the at-retirement market.

Medium-term: extend relationships with customers, particularly with employer-sponsored superannuation members; roll out improved product and service offerings.

### 4. Reshape AMP Capital Investors into a high value-add investment manager

Short-term: refresh investment platforms and research capabilities to support stronger business growth.

Medium-term: expand investment capabilities in specialised high margin segments such as high alpha strategies, private debt, property and infrastructure.

### 5. Invest in key growth enablers

Short and long-term: continue to invest in programs to position AMP's brand as contemporary, smart and high performing; to attract and retain talented people and invest in leadership and talent programs; and to improve technology platforms.

Medium-term: develop longer-term growth opportunities.

## Strategic overview cont'd

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### **AMP's executive remuneration is aligned with its growth strategy**

Remuneration includes both short and long-term incentives, which are aligned to the company's performance and value growth for shareholders.

Short-term incentives are based on progress against AMP's five key performance measures: underlying return on equity; total operating earnings; cost to income ratio; growth measures including AFS and AMPCI's net cashflows and the value of risk new business; and investment performance.

In 2008, the value of these incentives were significantly lower reflecting a mixed performance against these KPIs. In addition, there will be no salary increases for senior management and directors in 2009.

Long-term incentives are based on progress in generating total shareholder returns (TSR) in the top quartile of the market.

The outcome of this approach is that between 60-70% of senior executive remuneration is "at risk".

### **Outlook – growth goal**

AMP's over-arching goal is to deliver first quartile TSR performance to shareholders. This means that AMP aims to be in the top 25% of the major 50 Australian listed industrial companies (S&P/ASX100 Index) in terms of total shareholder returns over every five-year cycle.

In the previous environment of strong economic growth and rising investment markets, this goal was likely to be achieved if AMP delivered 15% average annual growth in the value of an investment in the company over every five-year cycle (or doubling the value of an investment in AMP every five years).

However, in the current economic climate, where high absolute returns are significantly more challenging to achieve, this growth target is not credible.

AMP is confident of its ability to deliver first quartile TSR performance given the financial strength and robust competitive position of the company. It will do this by prudently and pragmatically managing costs, capital and liquidity, while maintaining investment in critical growth platforms.

## Five year summary

|                                                                                | FY 08          | FY 07   | FY 06   | FY 05   | FY 04   |
|--------------------------------------------------------------------------------|----------------|---------|---------|---------|---------|
| <b>Earnings</b>                                                                |                |         |         |         |         |
| Total operating earnings (A\$m) <sup>1</sup>                                   | <b>737</b>     | 770     | 685     | 573     | 451     |
| Underlying investment income as a percentage of underlying profit              | <b>17%</b>     | 16%     | 21%     | 24%     | 30%     |
| Underlying profit (A\$m) <sup>1</sup>                                          | <b>810</b>     | 882     | 806     | 727     | 594     |
| Net profit attributable to shareholders of AMP Limited (A\$m)                  | <b>580</b>     | 985     | 915     | 790     | 873     |
| EPS – underlying (cps)                                                         | <b>42.9</b>    | 51.2    | 46.6    | 43.0    | 34.8    |
| EPS – actual (cps)                                                             | <b>22.4</b>    | 56.3    | 52.1    | 47.0    | 51.5    |
| RoE – underlying                                                               | <b>38.9%</b>   | 37.9%   | 30.3%   | 25.0%   | 21.2%   |
| RoE – actual <sup>2</sup>                                                      | <b>27.9%</b>   | 38.7%   | 33.0%   | 26.2%   | 28.9%   |
| Dividend per share (cps)                                                       | <b>38</b>      | 44      | 40      | 32      | 27      |
| Dividend per share – sale of Cobalt/Gordian business (cps)                     | <b>2</b>       | 2       | -       | -       | -       |
| Dividend payout ratio – underlying                                             | <b>89%</b>     | 86%     | 86%     | 75%     | 78%     |
| Capital returns per share (cps)                                                | -              | 40      | 40      | 40      | -       |
| Ordinary shares on issue (m) <sup>3</sup>                                      | <b>1,992.9</b> | 1,874.9 | 1,874.9 | 1,869.9 | 1,860.1 |
| Weighted average number of shares on issue (m) – basic <sup>3</sup>            | <b>1,890.0</b> | 1,874.9 | 1,873.3 | 1,864.4 | 1,852.8 |
| – fully diluted                                                                | <b>1,898.9</b> | 1,882.8 | 1,884.2 | 1,871.4 | 1,858.3 |
| Share price for the period (A\$) – low <sup>4</sup>                            | <b>5.05</b>    | 9.19    | 7.08    | 5.59    | 3.73    |
| – high <sup>4</sup>                                                            | <b>9.98</b>    | 10.94   | 9.73    | 7.26    | 6.31    |
| <b>EV and VNB</b>                                                              |                |         |         |         |         |
| Return on EV – AFS (3% dm)                                                     | <b>3.4%</b>    | 17.2%   | 26.5%   | 29.5%   | 25.4%   |
| VNB – AFS (3% dm) (A\$m) <sup>5</sup>                                          | <b>360</b>     | 376     | 348     | 310     | 286     |
| VNB – risk (3% dm) (A\$m) <sup>5</sup>                                         | <b>114</b>     | 81      | 81      | 76      |         |
| <b>Financial position</b>                                                      |                |         |         |         |         |
| AMP shareholder equity (A\$m)                                                  | <b>2,241</b>   | 2,236   | 2,728   | 3,129   | 3,424   |
| Group debt (excluding operational debt) (A\$m)                                 | <b>1,504</b>   | 1,169   | 961     | 1,291   | 1,553   |
| S&P gearing                                                                    | <b>14%</b>     | 10%     | 12%     | 24%     | 23%     |
| Interest cover – underlying (times)                                            | <b>10.9</b>    | 17.3    | 14.9    | 13.0    | 6.7     |
| Interest cover – actual (times) <sup>2</sup>                                   | <b>8.1</b>     | 17.6    | 16.1    | 13.5    | 8.8     |
| <b>Assets under management (AUM)</b>                                           |                |         |         |         |         |
| AUM – AMPCI managed (A\$b)                                                     | <b>92</b>      | 111     | 106     | 91      | 79      |
| AUM – externally managed (A\$b)                                                | <b>13</b>      | 18      | 16      | 13      | 11      |
| Total AUM (A\$b)                                                               | <b>105</b>     | 129     | 122     | 104     | 90      |
| <b>Investment performance – AMPCI</b>                                          |                |         |         |         |         |
| Percentage of AUM meeting or exceeding benchmark – Australian AUM <sup>6</sup> |                |         | 77%     | 79%     | 86%     |
| Percentage of AUM meeting or exceeding benchmark – total AUM <sup>6</sup>      | <b>17%</b>     | 68%     | 78%     |         |         |
| Persistency – AFS <sup>7</sup>                                                 | <b>90.3%</b>   | 88.6%   | 90.0%   | 84.2%   | 83.2%   |
| Controllable costs – AMP (A\$m) <sup>8</sup>                                   | <b>879</b>     | 871     | 812     | 780     | 782     |
| Cost to income ratio – AMP <sup>8</sup>                                        | <b>41.3%</b>   | 39.7%   | 39.6%   | 41.7%   | 45.8%   |
| Controllable costs to AUM (bps) <sup>8</sup>                                   | <b>75</b>      | 68      | 72      | 81      | 94      |
| <b>Staff numbers</b>                                                           |                |         |         |         |         |
| AFS <sup>9</sup>                                                               | <b>1,974</b>   | 2,173   | 2,350   | 2,333   | 2,530   |
| AMPCI <sup>10,11</sup>                                                         | <b>993</b>     | 872     | 770     | 737     | 716     |
| Group Office                                                                   | <b>841</b>     | 925     | 437     | 389     | 108     |
| Total staff numbers <sup>12</sup>                                              | <b>3,808</b>   | 3,970   | 3,557   | 3,459   | 3,354   |

- Following the completion of the sale of the Cobalt/Gordian business, comparatives have been restated (refer to page 47 for details).
- FY 07 comparatives restated to reflect change in methodology. Refer to accounting definitions on pages 45 and 46.
- The number of shares has not been adjusted to remove treasury shares.
- In each of June 05, 06 and 07, A\$0.40 per share was returned to shareholders. High and low share price has been adjusted accordingly.
- FY 07 comparatives restated for methodology and modelling changes.
- Performance figures are on a 12 month rolling basis.

- FY 08 and FY 07 persistency excludes major internal flows. Other comparatives have not been restated (see page 46 for details).
- Comparative controllable costs and associated ratios have been restated to exclude Cobalt/Gordian (refer to page 47) and for AFS planner related variable costs reclassified from controllable to variable (refer to page 12).
- Excludes non-salaried planners.
- FY 08 includes 273 shopping centre FTEs (251 in FY 07); however, the costs of these FTEs are recharged to shopping centres.
- AMPCI increase in FY 08 includes 42 fixed term contractors.
- Total staff numbers exclude Cobalt/Gordian.

# AMP Financial Services financial summary

## Business overview

AMP Financial Services (AFS) is a wealth management business operating in Australia and New Zealand. The Australian wealth management market is characterised by a mandated superannuation structure, with tax incentives to encourage savings, and favourable demographic trends including an ageing population.

AFS is well positioned to manage through the current tough operating environment. It is a market leader in retail and corporate superannuation and retirement products. In 2008, AFS increased its AUM based market share to 17.6% in superannuation (retaining its number one position) and 12.0% in retirement income<sup>1</sup>. AFS also has the largest aligned planner channel in Australia and New Zealand.

AFS discloses its results by the following businesses, which are described on pages 12 to 19:

- Australian contemporary wealth management
- Australian contemporary wealth protection
- Australian mature
- New Zealand.

## Strategy

In line with AMP's five growth platforms, AFS is increasing the size and productivity of its distribution footprint, broadening its distribution channels and increasing access to high-value customer segments. AFS is achieving this while maintaining its cost leadership position by manufacturing products at the lowest unit price.

AFS's strategy capitalises on its key competitive advantages of:

- scale, which delivers cost advantages in both distribution and manufacturing
- large, aligned planner channel
- low cost, scalable manufacturing platform
- pre-eminent brand.

### **AMP growth platform 1: grow financial planner capacity and broaden distribution**

#### **Grow planner numbers and increase productivity**

AFS continues to focus on growing and improving the productivity of its financial planner network. In 2008, AFS grew overall planner numbers by 63 (3%) to 2,095 from 2,032 at FY 07.

AFS added 27 practices to its AMP Financial Planning network, while seven practices joined Hillross.

AFS is sourcing, attracting and training planners through its Horizons Academy to increase its planner and practice numbers. Interest in Horizon's three intakes in 2008 continued to be strong. AFS expanded the program to Western Australia, South Australia and the Northern Territory for its fifth intake (at the end of 2008) where it attracted 881 applicants (for 26 available positions). Previous intakes had targeted New South Wales and Victoria and attracted more than 2,800 applications.

AFS continued to drive planner productivity during 2008 by:

- Rolling out new financial planning software, which is expected to improve efficiencies by up to 30%, to 212 practices.
- Extending paraplanning services to 175 practices.
- Increasing take up of low-touch program, with close to 130,000 clients now being centrally serviced. This program allows planners to focus on higher-value clients and new business.
- Developing new customer offers.

#### **Developing broader, complementary distribution channels**

AFS is broadening its distribution channels to drive revenue and profit. This has been particularly important as economic and market uncertainty has dampened investor sentiment.

In 2008, AFS:

- Grew corporate superannuation business, winning more than A\$500m in new mandates and delivering more than A\$500m in net cashflows.
- Increased share of New Zealand KiwiSaver market to 15.2% (September 2008), up from 11.4% in FY 07 (as measured by AUM).
- Diversified insurance distribution by partnering with Aussie Home Loans. Aussie Home Loans selected AMP's Loan Cover to distribute to its 220,000-strong customer base.
- Strengthened third-party distribution with an in-house business development team actively sourcing risk business. New business increased 32% from this source.
- Increased its mortgage book by 18% while growing deposits by A\$1.4b (70%).

#### **AMP growth platform 3: grow customers in high value segments**

AFS is working to provide relevant offers to customers in a way that creates value for AMP and is economic and efficient for AMP's financial planners.

In particular, AFS is aiming to improve its positioning in attractive segments like high net worth, retirees, small businesses and property-biased wealth builders.

In 2008, AFS launched:

- Loan Cover, along with a number of risk enhancements
- AMP term deposits and expanded the Super Cash offering to corporate superannuation members
- AMP Banking's First Home Saver Account and its eASYCash cash management account
- AMP Growth Bond
- Separately Managed Account (SMA) platform.

<sup>1</sup> Plan for Life 30 September 2008.

## AMP Financial Services financial summary cont'd

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### ***AMP growth platform 5: invest in key growth enablers***

AFS is continuing to invest in core assets of people, brand and technology.

In 2008, AFS:

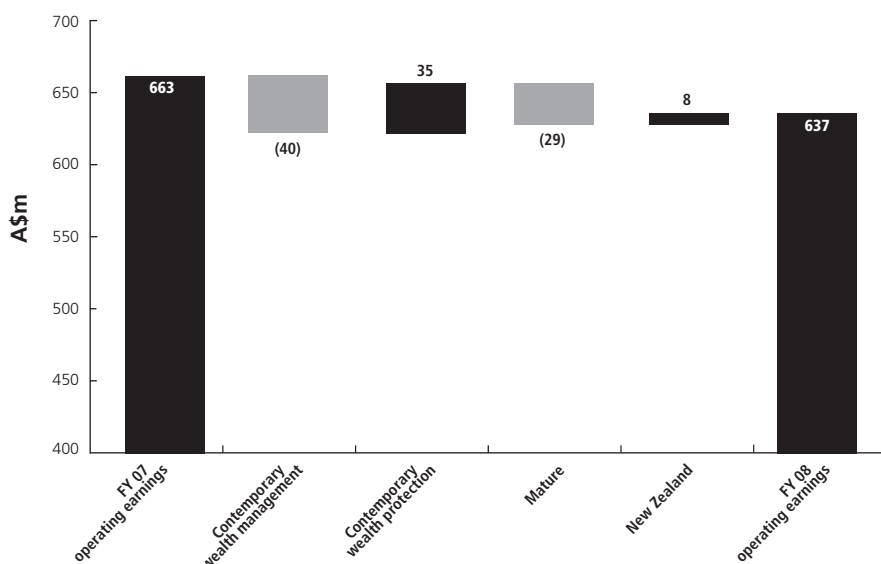
- Continued initiatives to develop leadership capabilities and build a high performance culture.
- Launched two AMP brand campaigns designed to position AMP as a contemporary wealth management company in its target markets.
- Invested in business process management technologies to drive cost-efficient growth. AFS has a cost to income ratio of 35.4%, which is industry leading.

## AMP Financial Services financial summary cont'd

| A\$m                                                           | FY 08      | 2H 08      | 1H 08      | FY 07      | % FY         | % H/H         |
|----------------------------------------------------------------|------------|------------|------------|------------|--------------|---------------|
| <b>Profit and loss</b>                                         |            |            |            |            |              |               |
| Profit margins                                                 | 608        | 289        | 319        | 656        | (7.3)        | (9.4)         |
| Experience profits                                             | 29         | 14         | 15         | 7          | 314.3        | (6.7)         |
| Operating earnings                                             | 637        | 303        | 334        | 663        | (3.9)        | (9.3)         |
| Underlying investment income                                   | 79         | 36         | 43         | 82         | (3.7)        | (16.3)        |
| <b>Underlying operating profit after income tax</b>            | <b>716</b> | <b>339</b> | <b>377</b> | <b>745</b> | <b>(3.9)</b> | <b>(10.1)</b> |
| <b>Controllable costs and cost ratios</b>                      |            |            |            |            |              |               |
| Operating costs                                                | 506        | 255        | 251        | 503        | 0.6          | 1.6           |
| Project costs                                                  | 54         | 27         | 27         | 50         | 8.0          | -             |
| <b>Total controllable costs</b>                                | <b>560</b> | <b>282</b> | <b>278</b> | <b>553</b> | <b>1.3</b>   | <b>1.4</b>    |
| Cost to income ratio                                           | 35.4%      | 36.8%      | 34.0%      | 34.2%      | n/a          | n/a           |
| Controllable costs to AUM (bps)                                | 75         | 78         | 71         | 69         | n/a          | n/a           |
| <b>Return on capital</b>                                       |            |            |            |            |              |               |
| RoBUE                                                          | 45.3%      | 40.9%      | 49.9%      | 50.7%      | n/a          | n/a           |
| End period tangible capital resources (A\$m) – after transfers | 1,811      | 1,811      | 1,399      | 1,401      | n/a          | n/a           |
| <b>Cashflows and AUM</b>                                       |            |            |            |            |              |               |
| AFS cash inflows (A\$m)                                        | 14,445     | 7,047      | 7,398      | 18,799     | (23.2)       | (4.7)         |
| AFS cash outflows (A\$m)                                       | (13,019)   | (6,381)    | (6,638)    | (15,867)   | 17.9         | 3.9           |
| AFS net cashflows (A\$m)                                       | 1,426      | 666        | 760        | 2,932      | (51.4)       | (12.4)        |
| <b>EV and VNB</b>                                              |            |            |            |            |              |               |
| EV – after transfers (3% dm) (A\$m) <sup>1</sup>               | 7,536      | 7,536      | 7,372      | 7,685      | n/a          | n/a           |
| Return on EV (3% dm)                                           | 3.4%       | 2.7%       | 0.8%       | 17.2%      | n/a          | n/a           |
| VNB (3% dm) (A\$m) <sup>1</sup>                                | 360        | 193        | 167        | 376        | (4.3)        | 15.6          |
| <b>AUM, persistency and risk annual premium income (API)</b>   |            |            |            |            |              |               |
| AUM (pre-capital) (A\$b)                                       | 65.7       | 65.7       | 74.5       | 81.3       | (19.2)       | (11.8)        |
| Persistency                                                    | 90.3%      | 89.8%      | 90.0%      | 88.6%      | n/a          | n/a           |
| Australian individual risk API (A\$m)                          | 547        | 547        | 484        | 469        | 16.6         | 13.0          |
| New Zealand individual risk API (NZ\$m)                        | 133        | 133        | 124        | 119        | 11.8         | 7.3           |

1 Comparatives restated for methodology and modelling changes.

## Movement in operating earnings FY 07 to FY 08



## Australian contemporary wealth management

| A\$m                                                           | FY 08        | 2H 08      | 1H 08      | FY 07        | % FY          | % H/H         |
|----------------------------------------------------------------|--------------|------------|------------|--------------|---------------|---------------|
| <b>Profit and loss<sup>1</sup></b>                             |              |            |            |              |               |               |
| Revenue                                                        |              |            |            |              |               |               |
| AUM related                                                    | 932          | 444        | 488        | 1,020        | (8.6)         | (9.0)         |
| Other <sup>2</sup>                                             | 199          | 109        | 90         | 185          | 7.6           | 21.1          |
| <b>Total revenue</b>                                           | <b>1,131</b> | <b>553</b> | <b>578</b> | <b>1,205</b> | <b>(6.1)</b>  | <b>(4.3)</b>  |
| Controllable costs <sup>3</sup>                                | 354          | 182        | 172        | 352          | 0.6           | 5.8           |
| Variable costs <sup>3</sup>                                    | 397          | 194        | 203        | 425          | (6.6)         | (4.4)         |
| Tax expense                                                    | 114          | 53         | 61         | 122          | (6.6)         | (13.1)        |
| Operating earnings                                             | 266          | 124        | 142        | 306          | (13.1)        | (12.7)        |
| Underlying investment income                                   | 20           | 8          | 12         | 26           | (23.1)        | (33.3)        |
| <b>Underlying operating profit after income tax</b>            | <b>286</b>   | <b>132</b> | <b>154</b> | <b>332</b>   | <b>(13.9)</b> | <b>(14.3)</b> |
| RoBUE                                                          | 46.5%        | 41.1%      | 51.8%      | 54.1%        | n/a           | n/a           |
| End period tangible capital resources (A\$m) – after transfers | 656          | 656        | 532        | 557          | n/a           | n/a           |
| Net cashflows (A\$m)                                           | 2,077        | 982        | 1,095      | 4,086        | (49.2)        | (10.3)        |
| AUM (pre-capital) (A\$b)                                       | 43.4         | 43.4       | 51.3       | 56.5         | (23.2)        | (15.4)        |
| Average AUM (including capital) (A\$b)                         | 51.0         | 48.5       | 53.6       | 54.7         | (6.8)         | (9.5)         |
| Persistency                                                    | 90.3%        | 89.7%      | 90.0%      | 88.5%        | n/a           | n/a           |
| Cost to income ratio <sup>3</sup>                              | 46.5%        | 49.1%      | 43.9%      | 42.7%        | n/a           | n/a           |
| AUM related revenue to AUM (bps) <sup>4</sup>                  | 183          | 183        | 182        | 186          | n/a           | n/a           |
| Variable costs to AUM (bps) <sup>3,4,5</sup>                   | 68           | 69         | 68         | 70           | n/a           | n/a           |
| Controllable costs to AUM (bps) <sup>3,4,5</sup>               | 60           | 64         | 55         | 56           | n/a           | n/a           |
| Operating earnings to AUM (bps) <sup>4,6</sup>                 | 48           | 45         | 51         | 54           | n/a           | n/a           |

1 Contemporary wealth management business comprises: retail superannuation, corporate superannuation, retail investment, allocated pensions/annuities, fixed term annuities, external platforms (see page 20), AMP Banking and Financial Planning, Advice & Services.

2 Other revenue includes AMP Banking revenue (net interest income and fees) and product and platform fees received by Financial Planning, Advice & Services from AFS mature and contemporary wealth protection.

3 Planner related variable costs previously included in controllable costs have been reclassified to variable costs. Comparatives have been restated (FY 07 A\$9m).

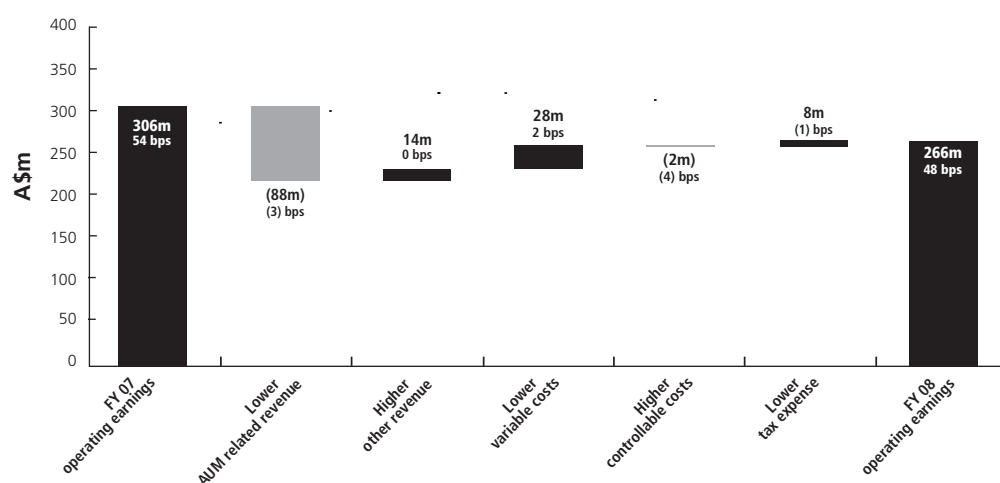
4 Based on monthly average AUM including capital.

5 Costs in this ratio exclude AMP Banking costs.

6 Operating earnings in this ratio exclude AMP Banking.

7 Contemporary wealth management EV and VNB are contained on page 24.

### Movement in operating earnings FY 07 to FY 08



## Australian contemporary wealth management cont'd

### Business overview

The contemporary wealth management business (CWM) is focused on optimising opportunities around customer demand for financial planning services, superannuation and retirement income products.

CWM's key priorities are to:

- **Drive AUM and revenue growth** while remaining vigilant on cost control.
- **Improve planner productivity and grow planner numbers** while improving the quality of the advice experience and developing complementary advice channels. Within corporate superannuation, AFS aims to better capitalise on downstream opportunities and improve services to fund members.
- **Develop more attractive products and services;** take a segmented approach to developing more attractive products and services; expand offerings to third-party distributors; and continue to manufacture contemporary products at the lowest unit cost.
- **Pursue opportunities to lower unit costs** and achieve ongoing capital efficiencies.

### Operating earnings

Operating earnings fell by A\$40m (13%) to A\$266m in FY 08, driven principally by lower AUM.

Operating earnings to AUM fell 6 bps to 48 bps in FY 08 as income fell on a flat controllable cost base.

### Gross revenue margins

In FY 08, gross revenue margins declined 3 bps (2%) to 183 bps due to lower initial planner fees as retail superannuation and retirement income cash inflows declined. The mix impact of funds moving to the lower margin cash option also contributed to the decline.

Guidance for gross revenue trends remains at 2 to 3% pa decline across the cycle.

### Variable costs

Variable costs include costs that vary directly with business volumes such as planner fees and commissions, investment management fees and banking securitisation costs and commissions.

Variable costs fell 7% to A\$397m in FY 08 as:

- The reduction in AUM resulted in lower investment management fees;
- The deterioration in investment markets resulted in lower sales volumes; and
- FY 07 benefited from higher volumes driven by legislative change.

Variable costs to AUM fell 2 bps to 68 bps in FY 08, reflecting the slowdown in advised member contributions and lower investment management expenses.

### Net revenue margins

Net revenue margins (AUM related revenue less variable cost to AUM ratio) declined 1 bps to 115 bps in FY 08.

### Other revenue

Other revenue includes AMP Banking revenue (net interest income and fees) and product and platform fees paid to Financial Planning, Advice & Services (FPAS) from mature and contemporary wealth protection.

Approximately two-thirds of other revenue is from AMP Banking. After deducting costs and income tax expense, AMP Banking contributed A\$21m to CWM operating earnings, up from A\$10m in FY 07. The AMP Banking result benefited from improved margins and strong growth across product lines, both retail lending and deposits.

For further details on AMP Banking funding, refer to page 40.

### Controllable costs

The cost to income ratio increased by 3.8 percentage points to 46.5% in FY 08 as a result of lower operating earnings and slightly higher controllable costs. Controllable costs to AUM increased 4 bps to 60 bps in FY 08 due to falling AUM.

Total controllable costs increased A\$2m to A\$354m in FY 08. Absolute cost reductions in some parts of CWM were offset by funding a number of distribution and product initiatives, including the Horizons Academy, aimed at improving CWM's growth profile over the medium-term.

### Cashflows, AUM and persistency

See cashflows commentary on pages 20 to 22.

## Australian contemporary wealth protection

| A\$m                                                           | FY 08        | 2H 08 | 1H 08 | FY 07 | % FY  | % H/H  |
|----------------------------------------------------------------|--------------|-------|-------|-------|-------|--------|
| <b>Profit and loss<sup>1</sup></b>                             |              |       |       |       |       |        |
| Profit margins                                                 | <b>135</b>   | 69    | 66    | 115   | 17.4  | 4.5    |
| Experience profits                                             | <b>19</b>    | 9     | 10    | 4     | 375.0 | (10.0) |
| Operating earnings                                             | <b>154</b>   | 78    | 76    | 119   | 29.4  | 2.6    |
| Underlying investment income                                   | <b>44</b>    | 21    | 23    | 40    | 10.0  | (8.7)  |
| <b>Underlying operating profit after income tax</b>            | <b>198</b>   | 99    | 99    | 159   | 24.5  | -      |
| RoBUE                                                          | <b>31.5%</b> | 30.5% | 33.5% | 28.9% | n/a   | n/a    |
| End period tangible capital resources (A\$m) – after transfers | <b>674</b>   | 674   | 592   | 553   | n/a   | n/a    |
| VNB (3% dm) (A\$m) <sup>2</sup>                                | <b>90</b>    | 52    | 38    | 65    | 38.5  | 36.8   |
| EV – after transfers (3% dm) (A\$m) <sup>2</sup>               | <b>1,828</b> | 1,828 | 1,638 | 1,560 | n/a   | n/a    |
| Return on EV (3% dm)                                           | <b>22.9%</b> | 14.2% | 7.9%  | 8.2%  | n/a   | n/a    |
| Individual risk API (A\$m)                                     | <b>547</b>   | 547   | 484   | 469   | 16.6  | 13.0   |
| Group risk API (A\$m)                                          | <b>155</b>   | 155   | 145   | 141   | 9.9   | 6.9    |
| AUM (pre-capital) (A\$b) <sup>3</sup>                          | <b>1.7</b>   | 1.7   | 1.6   | 1.7   | -     | 6.3    |
| Individual risk lapse rate                                     | <b>10.8%</b> | 11.9% | 10.1% | 10.6% | n/a   | n/a    |
| Operating earnings/annual premium <sup>4</sup>                 | <b>23.9%</b> | 23.5% | 24.3% | 20.7% | n/a   | n/a    |
| Controllable costs (A\$m)                                      | <b>78</b>    | 38    | 40    | 73    | 6.8   | (5.0)  |
| Cost to income ratio                                           | <b>21.7%</b> | 21.2% | 22.2% | 24.2% | n/a   | n/a    |
| Controllable costs/annual premium <sup>4</sup>                 | <b>12.1%</b> | 11.3% | 13.0% | 12.6% | n/a   | n/a    |

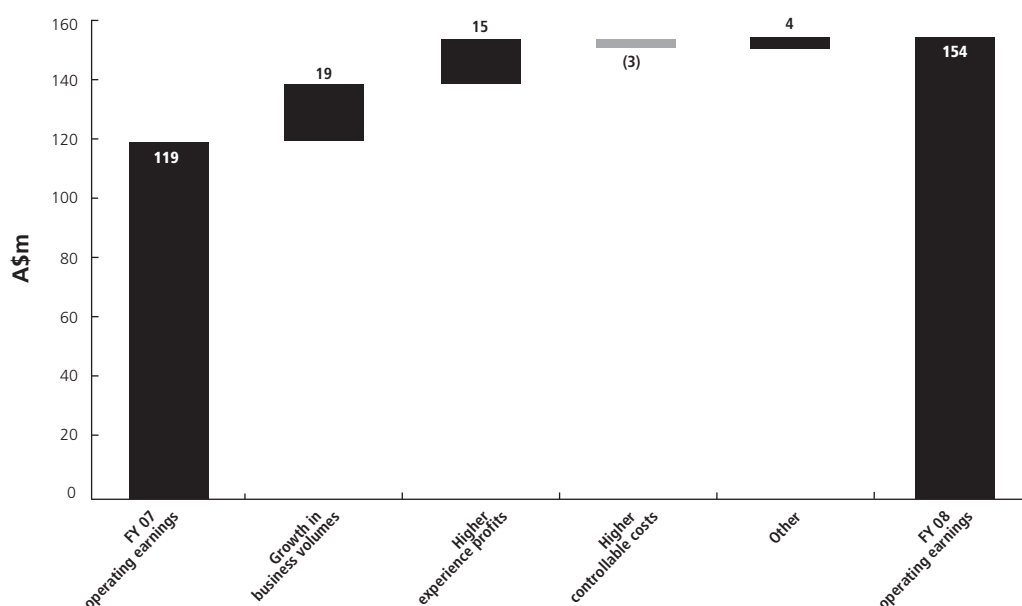
1 Contemporary wealth protection includes individual risk, group risk and lifetime annuities.

2 Comparatives restated for methodology and modelling changes.

3 Relates to lifetime annuities.

4 Based on average annual premium in-force.

### Movement in operating earnings FY 07 to FY 08



## Australian contemporary wealth protection cont'd

### Business overview

Individual risk protection is a core component of AMP's contemporary advice proposition with 49% of in-force business and 78% of sales written in a superannuation contract. Group risk is a key component of the corporate superannuation offer.

Contemporary wealth protection's (CWP) key priorities are to:

- grow market share while only writing profitable business
- increase the proportion of superannuation customers who have risk insurance
- ensure AMP product and service propositions remain market leading
- improve ease and profitability of writing AMP risk for planners
- grow distribution through third-party planners and alternative channels
- improve operational leverage
- enhance claims management processes built on philosophy of paying all genuine claims.

### Operating earnings

Operating earnings grew 29% in FY 08 to A\$154m due to strong new business growth in individual risk products and a strong contribution from experience profits, due to improved claims performance and lower mortality rates.

### Annual premium in-force (API)

The attractiveness of holding insurance within a superannuation policy was enhanced by the changes to superannuation as part of the Simpler Super rules enacted in 2007. AMP has seen significant increases in superannuation-linked insurance business off the back of these legislative changes.

Individual risk API grew A\$78m (17%) to A\$547m in FY 08 due to a number of factors:

- Strong growth in new business volumes (up 21%) aided by sales of Instant Cover and transfers from corporate superannuation plans. Instant Cover is AMP's automatically accepted death cover for members of small business plans, launched in July 2007.
- Increased planner activity and focus, particularly after a year in which planners were primarily focused on the 2007 Simpler Super legislative changes.
- Growth in the third-party market (up 32%) where AFS has capitalised on its strong brand and competitive product and service offering to win new business, including Loan Cover which is distributed by mortgage brokers, including Aussie Home Loans.
- Pricing changes, including the introduction of a flat premium on death cover taken through a retail superannuation product, which came into effect in October 2008.
- Annual CPI and age premium increases.

Group risk API rose A\$14m (10%) to A\$155m in FY 08. This performance was attributable to:

- The positive impact from recent tax changes that has extended the product range available within superannuation. For example, Death/TPD cover taken outside of superannuation can now be transferred into superannuation and temporary Salary Continuance cover inside superannuation can now be extended to long-term Salary Continuance Insurance.

- An increased focus by the business on optimising the value of the portfolio and positioning it for future growth.

### Lapse rates

Lapse rate management is a critical driver of individual risk profitability. AMP has lapse rates amongst the lowest in the industry.

In FY 08, lapse rates increased 0.2 percentage points to 10.8%. The key driver of the increase was the change in business mix with an increased proportion being Instant Cover and member transfer insurance. Both Instant Cover and member transfer insurance are automatically provided to replace insurance lost when a corporate superannuation plan member leaves their employer. Lapse rates for both are higher than for fully underwritten retail insurance. However, apart from lowering API, Instant Cover lapses and member transfer lapses do not have a material impact on profit as they carry little acquisition cost.

Lapse rates can also be impacted by the deterioration in market conditions, leading to increased policy cancellations as policy holders seek to reduce discretionary spending.

### Controllable costs

Controllable costs increased A\$5m (7%) to A\$78m in FY 08. The increase was driven by costs associated with higher sales and new business volumes as well as a greater focus on managing claims. Despite the increase in controllable costs, the cost to income ratio fell to 21.7% due to revenue increases more than offsetting controllable cost increases.

### Return on capital

RoBUE of 31.5% is 2.6 percentage points higher than FY 07 due to higher operating earnings.

Tangible capital resources increased in 2H 08 to A\$674m, largely due to growth in the risk business.

### Embedded value (EV) and value of new business (VNB)

EV increased by 22.9% at the 3% discount margin in FY 08 before transfers. The increase was driven by new business growth, declining bond yields and improved mortality assumptions.

VNB increased by 38.5% to A\$90m in FY 08 compared to A\$65m in FY 07, as a result of an increase in new business premiums. A positive impact from the decrease in bond yields was partly offset by lapse rate assumption changes.

For further details on EV and VNB, refer to pages 24 to 26.

### Pricing and product features

AMP aims to price risk products at market median. In FY 08, there were a number of changes to risk products and their associated pricing, including:

- the introduction of Loan Cover
- increases to the levels of lump sum cover available before there is an automatic requirement for supporting medical evidence
- the expansion of our potential client base by allowing self managed superannuation funds to own our disability income protection policies
- changes to the structure of AMP's disability income protection premium rates to be more consistent with typical market practice.

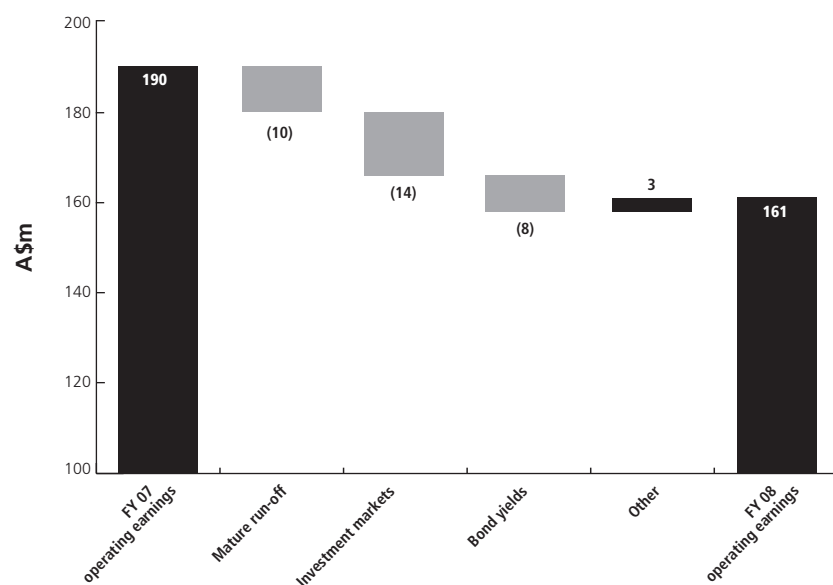
## Australian mature

| A\$m                                                           | FY 08          | 2H 08   | 1H 08  | FY 07   | % FY   | % H/H  |
|----------------------------------------------------------------|----------------|---------|--------|---------|--------|--------|
| <b>Profit and loss</b>                                         |                |         |        |         |        |        |
| Profit margins                                                 | <b>157</b>     | 68      | 89     | 188     | (16.5) | (23.6) |
| Experience profits                                             | <b>4</b>       | 4       | -      | 2       | 100.0  | n/a    |
| Operating earnings                                             | <b>161</b>     | 72      | 89     | 190     | (15.3) | (19.1) |
| Underlying investment income                                   | <b>8</b>       | 3       | 5      | 10      | (20.0) | (40.0) |
| <b>Underlying operating profit after income tax</b>            | <b>169</b>     | 75      | 94     | 200     | (15.5) | (20.2) |
| RoBUE                                                          | <b>158.2%</b>  | 132.5%  | 178.9% | 193.3%  | n/a    | n/a    |
| End period tangible capital resources (A\$m) – after transfers | <b>221</b>     | 221     | 66     | 74      | n/a    | n/a    |
| VNB (3% dm) (A\$m) <sup>1</sup>                                | <b>21</b>      | 6       | 15     | 32      | (34.4) | (60.0) |
| EV – after transfers (3% dm) (A\$m) <sup>1</sup>               | <b>1,376</b>   | 1,376   | 1,560  | 1,763   | n/a    | n/a    |
| Return on EV (3% dm)                                           | <b>(19.6%)</b> | (16.7%) | (4.8%) | 18.9%   | n/a    | n/a    |
| Net cashflows (A\$m)                                           | <b>(1,036)</b> | (514)   | (522)  | (1,433) | 27.7   | 1.5    |
| AUM (pre-capital) (A\$b)                                       | <b>16.1</b>    | 16.1    | 17.3   | 18.4    | (12.5) | (6.9)  |
| Operating earnings to AUM (bps) <sup>2</sup>                   | <b>93</b>      | 85      | 100    | 101     | n/a    | n/a    |
| Persistency                                                    | <b>89.7%</b>   | 89.4%   | 89.3%  | 87.0%   | n/a    | n/a    |
| Controllable costs (A\$m)                                      | <b>64</b>      | 31      | 33     | 64      | -      | (6.1)  |
| Cost to income ratio                                           | <b>20.8%</b>   | 22.3%   | 19.6%  | 18.3%   | n/a    | n/a    |
| Controllable costs to AUM (bps) <sup>2</sup>                   | <b>37</b>      | 36      | 37     | 34      | n/a    | n/a    |

1 Comparatives restated for methodology and modelling changes.

2 Based on monthly average AUM including capital.

### Movement in operating earnings FY 07 to FY 08



## Australian mature cont'd

### Business overview

AMP's mature business is one of the largest closed life insurance businesses in Australia, with AUM of A\$16.1b at FY 08. AUM declined 13% for the year as a result of lower investment markets and the natural run-off of the book.

Key priorities for management are:

- maintaining capital efficiency
- improving persistency
- striving for greater cost efficiency.

Persistency continued to improve in FY 08, aided by fewer surrenders from capital guaranteed products as markets have fallen and lower transaction volumes as a result of the Simpler Super legislative changes. As such, persistency rose 2.7 percentage points to 89.7% in FY 08.

### Operating earnings

Operating earnings fell 15% to A\$161m in FY 08. The key drivers in operating earnings in the period were:

- investment markets (-A\$14m)
- bond yields (-A\$8m)
- business run-off (-A\$10m).

### Controllable costs

Controllable costs were flat at A\$64m in FY 08. Controllable costs to AUM rose to 37 bps from 34 bps in FY 07 due to lower AUM.

### Cashflows

Net cash outflows improved 28% to A\$1,036m in FY 08 as a result of lower volumes (withdrawals were higher in 1H 07 due to Simpler Super legislative changes) and volatile investment markets which resulted in fewer surrenders.

Outflows fell by A\$500m (22%) to A\$1,801m in FY 08 while inflows decreased by A\$103m (12%) to A\$765m in FY 08.

### Return on capital

RoBUE fell to 158.2% in FY 08 from 193.3% in FY 07 as a result of the decline in operating earnings.

Tangible capital resources increased in 2H 08 as additional shareholder capital was allocated to mature following the decline in policyholder asset values.

The financial strength of this business remains strong. Refer to page 37 for regulatory capital resources above MRR.

### Embedded value (EV) and value of new business (VNB)

EV fell 19.6% in FY 08 before transfers, driven by the decline in investment markets and falling bond yields.

VNB fell A\$11m to A\$21m in FY 08 (at the 3% discount margin), largely as a result of the decline in bond yields and lower inflows than in FY 07, with FY 07 inflows benefiting from Simpler Super legislative changes.

For further details on EV and VNB, refer to pages 24 to 26.

### Product characteristics

The mature product range includes over 40 closed products such as whole of life, endowment, investment linked and investment account products, plus two open products, RSA and ERF.

The legacy business services around 550,000 customers and has AUM of A\$11.8b. The RSA/ERF products, which are usually the default options for exiting members of other superannuation funds, have approximately 1.5m customers and AUM of A\$4.3b.

Over the long-term, the average equity backing ratio (EBR) is 75% for investment linked products, 12% EBR for RSA/ERF products and an EBR of 50% for the remaining assets.

Mature AUM supports capital guaranteed products (84%) and market linked products (16%).

### Run-off profile

The mature business is in slow decline but is expected to remain profitable for many years, running off between 4% and 6% per annum. In volatile investment markets this rate of run-off can vary substantially.

The run-off of AUM mirrors that for the policy liabilities, although there is potential for operating margins to be impacted differently for individual products.

The run-off of the mature book AUM is anticipated to have an average duration of between 15 and 20 years. The profile of the run-off for existing customers in RSA and ERF products is similar to AMP's contemporary superannuation products. The key source of new customers for these products is determined by policy decisions of trustees of superannuation schemes. The increasing use of master trusts rather than stand-alone corporate schemes means that membership from non-AMP sources is declining.

## New Zealand

| A\$m                                                           | FY 08     | 2H 08     | 1H 08     | FY 07     | % FY        | % H/H       |
|----------------------------------------------------------------|-----------|-----------|-----------|-----------|-------------|-------------|
| <b>Profit and loss</b>                                         |           |           |           |           |             |             |
| Profit margins                                                 | 50        | 28        | 22        | 47        | 6.4         | 27.3        |
| Experience profits (losses)                                    | 6         | 1         | 5         | 1         | 500.0       | (80.0)      |
| Operating earnings                                             | 56        | 29        | 27        | 48        | 16.7        | 7.4         |
| Underlying investment income                                   | 7         | 4         | 3         | 6         | 16.7        | 33.3        |
| <b>Underlying operating profit after income tax</b>            | <b>63</b> | <b>33</b> | <b>30</b> | <b>54</b> | <b>16.7</b> | <b>10.0</b> |
| RoBUE                                                          | 27.2%     | 27.3%     | 27.3%     | 27.6%     | n/a         | n/a         |
| End period tangible capital resources (A\$m) – after transfers | 260       | 260       | 209       | 217       | n/a         | n/a         |
| VNB (3% dm) (A\$m) <sup>1,2</sup>                              | 26        | 17        | 9         | 20        | 30.0        | 88.9        |
| EV – after transfers (3% dm) (A\$m) <sup>2</sup>               | 743       | 743       | 605       | 649       | n/a         | n/a         |
| Return on EV (3% dm) <sup>3</sup>                              | 16.5%     | 22.5%     | (4.5%)    | 11.7%     | n/a         | n/a         |
| Net cashflows (A\$m)                                           | 126       | 68        | 58        | 73        | 72.6        | 17.2        |
| AUM (pre-capital) (A\$b)                                       | 4.5       | 4.5       | 4.3       | 4.7       | (4.3)       | 4.7         |
| Individual risk API (A\$m) <sup>4</sup>                        | 112       | 112       | 98        | 104       | 7.7         | 14.3        |
| Operating earnings/annual premium <sup>5</sup>                 | 45.1%     | 44.9%     | 45.5%     | 48.9%     | n/a         | n/a         |
| Lapse rates                                                    | 8.2%      | 8.8%      | 7.9%      | 7.1%      | n/a         | n/a         |
| Controllable costs (A\$m)                                      | 64        | 31        | 33        | 64        | -           | (6.1)       |
| Cost to income ratio                                           | 41.4%     | 39.6%     | 43.1%     | 44.3%     | n/a         | n/a         |
| Controllable costs/annual premium <sup>5</sup>                 | 51.5%     | 48.0%     | 55.5%     | 65.2%     | n/a         | n/a         |

1 In NZ dollar terms, VNB has increased by 34.8% on FY 07.

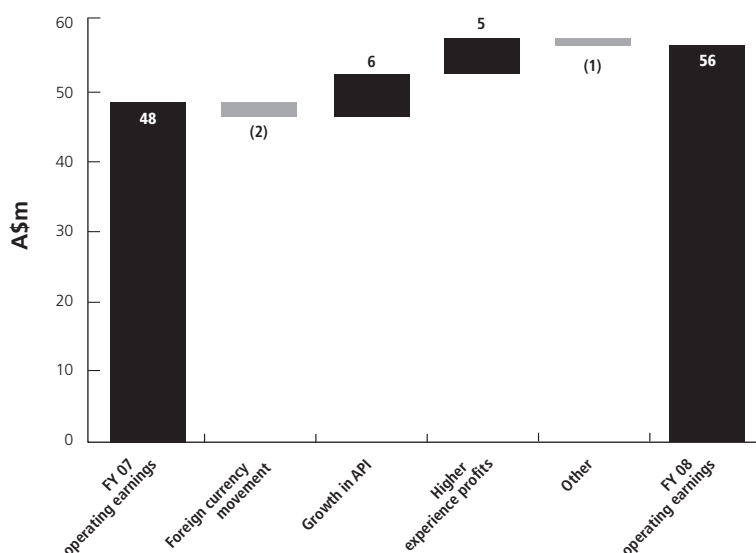
2 Comparatives restated for methodology and modelling changes.

3 In NZ dollar terms, return on EV is 21.7%.

4 In NZ dollar terms, individual risk API has increased by 12% over FY 07.

5 Based on monthly average risk API.

### Movement in operating earnings FY 07 to FY 08



## New Zealand cont'd

### Business overview

AFS NZ key priorities are to:

- enhance products and services to clients
- improve partnerships with advisers
- enable greater engagement with and effectiveness through people
- continue to drive efficiency.

### Operating earnings

Operating earnings increased 17% to A\$56m from A\$48m in FY 07. This was equivalent to an increase of 22% in NZ dollar terms. The earnings increase was primarily driven by:

- enhanced claims and underwriting management driving experience profits
- strong growth in in-force premium
- disciplined expense management enabling lower unit costs
- incremental revenue growth from KiwiSaver.

### Controllable costs

Controllable costs were unchanged at A\$64m in FY 08. In NZ dollar terms controllable costs increased 4.3%. Cost growth related primarily to the consolidation of the Wellington operations to Auckland plus costs associated with servicing an additional 100,000 KiwiSaver customers.

### Annual premium in-force (API)

In NZ dollar terms, annual premium in-force increased by 12%, driven by a mix of new business growth and CPI and age premium increases.

### Lapse rates

FY 08 lapse rates increased 1.1 percentage points to 8.2%, due to price increases made to protection products in 2007 and deteriorating market conditions which have led to increased policy cancellations as policyholders seek to reduce discretionary spending.

### Return on capital

RoBUE decreased to 27.2% in FY 08, as a result of higher capital.

Tangible capital resources increased in 2H 08 to A\$260m, largely due to growth in the risk business.

### Embedded value (EV) and value of new business (VNB)

EV increased by 16.5% in FY 08 before transfers at the 3% discount margin. In NZ dollar terms, EV increased by 21.7%. VNB increased by 30.0% from A\$20m to A\$26m. In NZ dollar terms, VNB increased by 34.8%. EV and VNB benefited from pricing changes in the risk book and declining bond yields.

For further details on EV and VNB, refer to pages 24 to 26.

### Adviser proposition

AFS NZ is reinvigorating its adviser value proposition to leverage the significant wealth management opportunity emerging in NZ. This included the enhanced "AMP Partnership Offer" to the planner network which was well received.

AFS NZ has recruited 67 advisers in the year, bringing the total advisers to 348, operating out of 80 adviser businesses. Total aligned intermediaries numbered 376 at the end of December including 28 mortgage and insurance advisers for Roost, operating from 22 franchises.

### Impact of legislative changes

KiwiSaver member growth has continued to exceed expectations and, notwithstanding the recent legislative changes by the incoming National Government, it remains a growth opportunity.

AFS NZ is the third largest KiwiSaver provider in AUM and cashflows and retains clear leadership within the workplace market through AMP KiwiSaver and the New Zealand Retirement Trust. AFS NZ intends to strongly leverage the significant customer acquisition advantage now evident through corporate superannuation in New Zealand through "direct" initiatives as well as the adviser network.

## Cashflows and assets under management (AUM)

| Cashflows by product (A\$m)                                          | Cash inflows  |        |        | Cash outflows |        |       | Net cashflows  |         |         |
|----------------------------------------------------------------------|---------------|--------|--------|---------------|--------|-------|----------------|---------|---------|
|                                                                      | FY 08         | FY 07  | % FY   | FY 08         | FY 07  | % FY  | FY 08          | FY 07   | % FY    |
| <b>Australian contemporary wealth management</b>                     |               |        |        |               |        |       |                |         |         |
| Retail superannuation <sup>1</sup>                                   | <b>4,594</b>  | 6,250  | (26.5) | <b>4,133</b>  | 5,814  | 28.9  | <b>461</b>     | 436     | 5.7     |
| Allocated pensions/annuities                                         | <b>1,954</b>  | 3,076  | (36.5) | <b>1,165</b>  | 1,097  | (6.2) | <b>789</b>     | 1,979   | (60.1)  |
| Total retail superannuation and pensions/annuities                   | <b>6,548</b>  | 9,326  | (29.8) | <b>5,298</b>  | 6,911  | 23.3  | <b>1,250</b>   | 2,415   | (48.2)  |
| Retail investment                                                    | <b>308</b>    | 473    | (34.9) | <b>428</b>    | 518    | 17.4  | <b>(120)</b>   | (45)    | (166.7) |
| Fixed term annuities                                                 | <b>162</b>    | 197    | (17.8) | <b>265</b>    | 254    | (4.3) | <b>(103)</b>   | (57)    | (80.7)  |
| External platforms <sup>2</sup>                                      | <b>1,710</b>  | 3,070  | (44.3) | <b>1,721</b>  | 2,120  | 18.8  | <b>(11)</b>    | 950     | n/a     |
| Total retail                                                         | <b>8,728</b>  | 13,066 | (33.2) | <b>7,712</b>  | 9,803  | 21.3  | <b>1,016</b>   | 3,263   | (68.9)  |
| Corporate superannuation                                             | <b>3,022</b>  | 3,076  | (1.8)  | <b>2,468</b>  | 2,722  | 9.3   | <b>554</b>     | 354     | 56.5    |
| Corporate superannuation mandate wins <sup>3</sup>                   | <b>507</b>    | 469    | 8.1    | -             | -      | -     | <b>507</b>     | 469     | 8.1     |
| <b>Total Australian contemporary wealth management</b>               | <b>12,257</b> | 16,611 | (26.2) | <b>10,180</b> | 12,525 | 18.7  | <b>2,077</b>   | 4,086   | (49.2)  |
| <b>Australian contemporary wealth protection</b>                     |               |        |        |               |        |       |                |         |         |
| Group risk                                                           | <b>148</b>    | 131    | 13.0   | <b>75</b>     | 75     | -     | <b>73</b>      | 56      | 30.4    |
| Individual risk                                                      | <b>502</b>    | 445    | 12.8   | <b>179</b>    | 170    | (5.3) | <b>323</b>     | 275     | 17.5    |
| Lifetime annuities                                                   | <b>3</b>      | 16     | (81.3) | <b>140</b>    | 141    | 0.7   | <b>(137)</b>   | (125)   | (9.6)   |
| <b>Total Australian contemporary wealth protection</b>               | <b>653</b>    | 592    | 10.3   | <b>394</b>    | 386    | (2.1) | <b>259</b>     | 206     | 25.7    |
| <b>Total Australian contemporary</b>                                 | <b>12,910</b> | 17,203 | (25.0) | <b>10,574</b> | 12,911 | 18.1  | <b>2,336</b>   | 4,292   | (45.6)  |
| <b>Australian mature</b>                                             | <b>765</b>    | 868    | (11.9) | <b>1,801</b>  | 2,301  | 21.7  | <b>(1,036)</b> | (1,433) | 27.7    |
| <b>Total Australia</b>                                               | <b>13,675</b> | 18,071 | (24.3) | <b>12,375</b> | 15,212 | 18.6  | <b>1,300</b>   | 2,859   | (54.5)  |
| <b>New Zealand<sup>4</sup></b>                                       | <b>770</b>    | 728    | 5.8    | <b>644</b>    | 655    | 1.7   | <b>126</b>     | 73      | 72.6    |
| <b>Total AFS cashflows</b>                                           | <b>14,445</b> | 18,799 | (23.2) | <b>13,019</b> | 15,867 | 17.9  | <b>1,426</b>   | 2,932   | (51.4)  |
| AMP Banking – mortgages                                              | <b>3,085</b>  | 2,569  | 20.1   | <b>1,608</b>  | 1,683  | 4.5   | <b>1,477</b>   | 886     | 66.7    |
| AMP Banking – deposits                                               |               |        |        |               |        |       | <b>1,431</b>   | 122     | n/a     |
| <b>Cashflows by distribution channel</b>                             |               |        |        |               |        |       |                |         |         |
| AMP Financial Planning                                               | <b>8,315</b>  | 11,404 | (27.1) | <b>7,452</b>  | 9,334  | 20.2  | <b>863</b>     | 2,070   | (58.3)  |
| Hillross                                                             | <b>1,887</b>  | 2,964  | (36.3) | <b>1,831</b>  | 2,300  | 20.4  | <b>56</b>      | 664     | (91.6)  |
| Corporate Superannuation – direct sales force                        | <b>1,987</b>  | 2,057  | (3.4)  | <b>1,060</b>  | 1,180  | 10.2  | <b>927</b>     | 877     | 5.7     |
| Centrally managed clients and other                                  | <b>705</b>    | 788    | (10.5) | <b>1,057</b>  | 1,233  | 14.3  | <b>(352)</b>   | (445)   | 20.9    |
| 3rd party distributors                                               | <b>781</b>    | 858    | (9.0)  | <b>975</b>    | 1,165  | 16.3  | <b>(194)</b>   | (307)   | 36.8    |
| <b>Total Australia</b>                                               | <b>13,675</b> | 18,071 | (24.3) | <b>12,375</b> | 15,212 | 18.6  | <b>1,300</b>   | 2,859   | (54.5)  |
| <b>New Zealand<sup>4</sup></b>                                       | <b>770</b>    | 728    | 5.8    | <b>644</b>    | 655    | 1.7   | <b>126</b>     | 73      | 72.6    |
| <b>Total AFS cashflows</b>                                           | <b>14,445</b> | 18,799 | (23.2) | <b>13,019</b> | 15,867 | 17.9  | <b>1,426</b>   | 2,932   | (51.4)  |
| <b>Australian contemporary wealth management cash inflows (A\$m)</b> |               |        |        |               |        |       |                |         |         |
| Member contributions                                                 | <b>1,398</b>  | 2,854  | (51.0) |               |        |       |                |         |         |
| Employer contributions                                               | <b>3,029</b>  | 2,886  | 5.0    |               |        |       |                |         |         |
| Total contributions                                                  | <b>4,427</b>  | 5,740  | (22.9) |               |        |       |                |         |         |
| Transfers and rollovers in <sup>5</sup>                              | <b>7,145</b>  | 9,538  | (25.1) |               |        |       |                |         |         |
| Other cash inflows                                                   | <b>685</b>    | 1,333  | (48.6) |               |        |       |                |         |         |
| <b>Total</b>                                                         | <b>12,257</b> | 16,611 | (26.2) |               |        |       |                |         |         |

1 Retail superannuation includes the product Flexible Lifetime – Super (FLS), a component of which is small corporate superannuation schemes.

2 Externally manufactured products that earn platform fees (superannuation, pensions and investments).

3 Cashflows from the transfer of accumulated member benefits as a result of SignatureSuper mandate wins.

4 New Zealand cashflows in FY 07 have been restated to include additional KiwiSaver flows not previously reported.

5 Transfers and rollovers in include the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pensions/annuities) and external products.

# Cashflows and assets under management (AUM) cont'd

## Overview

Total AFS net cashflows declined 51% to A\$1.4b in FY 08. Contemporary wealth management (CWM) net cashflows fell 49% to A\$2.1b, as a result of lower cash inflows to retail superannuation and external platforms. The decline in CWM net cashflows was partly offset by lower cash outflows from mature and higher net cashflows in contemporary wealth protection and New Zealand.

Despite the fall in net cashflows, AFS increased its total retail (excluding cash management trusts) AUM based market share by 0.5 percentage points to 12.1%<sup>1</sup>, resulting in AMP's market ranking improving from three to two over the 12 months to September 2008.

FY 08 net cashflows were adversely impacted by falling investment markets and consumer sentiment, which resulted in materially lower member superannuation contributions. Employer contributions, however, remained solid in FY 08 in large part due to their compulsory nature. Significant mandate wins since 2005 have also increased CWM's share of employer contributions.

In comparing periods, it is important to note FY 07 cashflows benefited from material one-off inflows due to the Simpler Super legislative changes.

## Internal flows

AMP's cashflows, which are reported on a product basis, are impacted by flows both into and out of AMP, as well as internal flows between products. Overall net cashflows are not affected by internal flows; however, these internal transfers do impact individual product level flows.

As retail superannuation and allocated pension/annuity flows are significantly impacted by internal movements, it is more appropriate to look at a combined result for retail superannuation and allocated pensions/annuities.

AMP's retail superannuation products contributed A\$1,697m of inflows into allocated pensions/annuity products in FY 08, versus A\$2,650m in FY 07.

AMP's strong focus on the at-retirement segment continued to benefit from the recirculation of funds. In FY 08, AMP retained 56% of all retail superannuation outflows, down from 62% in FY 07. FY 07 was impacted by the incentives to delay retirement until post 1 July 2007, which resulted in significant flows from AMP's retail superannuation to allocated pensions/annuities products.

Internal flows between corporate superannuation and retail superannuation were also significant in FY 08. Around two-thirds of corporate superannuation outflows flowed back into other AMP products.

## Persistency excluding internal flows

Removing major internal product flows from the persistency calculations, retail superannuation persistency increased to 91.9% compared to 89.3% in FY 07. The increase was driven by an improved performance in reducing cash outflows, lower withdrawal amounts due to lower AUM and higher opening AUM.

For allocated pensions/annuities, persistency increased to 86.8% from 83.0% in FY 07. Corporate superannuation persistency rose to 94.0% from 92.0% in FY 07.

## Retail superannuation and allocated pensions/annuities

Total retail superannuation and pensions/annuities net cashflows fell 48% to A\$1.3b with inflows declining 30% to A\$6.5b and outflows declining 23% to A\$5.3b. AMP retained its number one ranking in superannuation, increasing AUM based market share to 17.6% while market share in retirement income increased to 12.0%<sup>1</sup>.

Total cash inflows were negatively impacted by the decline in investment markets in 2008 and did not benefit from the significant one-off flows generated by the Simpler Super legislative changes in FY 07. Member contributions into AMP's retail products declined to A\$1.2b in FY 08 from A\$2.6b in FY 07. Employer contributions, however, remained unchanged in FY 08 at A\$1.1b.

Total cash outflows in FY 08 were characterised by lower withdrawal balances as markets and AUM declined. Large one-off outflows in 2H 07, due to members deciding to delay withdrawals until after 1 July 2007 (Simpler Super) also impacted cash outflows in FY 07.

Allocated pensions/annuities cash outflows increased A\$68m (6%), mostly due to the significant growth of the product over the past two years. However, persistency has improved over the same period.

Product pricing for allocated pensions/annuities and retail superannuation products remained aligned in FY 08. However, average balances for allocated pensions/annuities products were higher than average superannuation balances and therefore AUM fees in absolute terms were lower due to the impact of tiered AUM based reductions in fees.

## Corporate superannuation

AMP retained its strong position in the employer-sponsored channel in FY 08. The large flows into AFS's corporate superannuation business are largely driven by government mandated superannuation guarantee levy contributions. They incorporate asset transfers associated with mandate wins, which assist in driving lower unit costs in other parts of AFS through common use of systems and supply chains, as well as providing downstream product opportunities.

Corporate superannuation net cashflows excluding mandate wins increased 57% to A\$554m in FY 08, largely driven by solid employer contributions. Employer contributions into corporate superannuation products increased to A\$1.9b in FY 08 from A\$1.8b in FY 07. AMP retained 64% of all corporate superannuation outflows, an improvement from 61% in FY 07.

## External platforms

Net cashflows fell from A\$950m in FY 07 to a net outflow of A\$11m in FY 08. External platform flows are largely driven by Hillross. This business's positioning, targeting affluent clients, means it is driven more by member investment than other parts of the group. Flows of new client money slowed significantly with the heavy decline in equity markets. Existing customer retention was strong with outflows 19% lower. In contrast, FY 07 saw record contribution levels aided by the Simpler Super changes and stronger investment markets.

## Mature

Outflows in the mature business declined by 22% in FY 08, reflecting lower volumes compared to FY 07 and the capital guaranteed nature of the products in the business. During FY 07 volumes were partially driven by member consolidation ahead of the Simpler Super legislative changes.

<sup>1</sup> Plan for Life 30 September 2008.

## Cashflows and assets under management (AUM) cont'd

### New Zealand

AFS NZ increased its net flows by A\$53m to A\$126m in FY 08, led by higher corporate superannuation and retail wealth management flows. While inflows were up 6% to A\$770m, outflows decreased by 2% to A\$644m in FY 08.

Flows generated by KiwiSaver were significant and as a result in FY 08, AFS NZ increased its market share in the retail wealth management market to 15.1%, from 12.6% a year ago. KiwiSaver market share by AUM increased to 15.2% (September 2008) from 11.4% in FY 07.

### AMP Banking

AMP Banking recorded strong mortgage and deposit growth in FY 08. Mortgage growth increased 67% to A\$1.5b, driven by higher new business sales and improved retention.

Deposit growth improved from A\$122m to A\$1.4b, largely the result of the flows into AMP's Super Cash product and increased marketing.

### Channel flows

Net cashflows through AMP Financial Planning fell 58% in FY 08 to A\$0.9b, driven by lower member contributions as a result of the decline in investment markets. FY 07 flows were inflated by the Simpler Super legislative changes.

Net cashflows through Hillcross fell to A\$56m in FY 08. Hillcross' positioning with affluent clients means it is driven more by discretionary investment than other parts of the group. Hillcross achieved a 5% growth in adviser numbers in FY 08 including a number of new practices.

| AUM by product (A\$b)                                  | FY 07<br>AUM | FY 07<br>share cap <sup>4</sup> | FY 07<br>total | Net<br>cashflows | Other <sup>5</sup> | FY 08<br>AUM | FY 08<br>share cap <sup>6</sup> | FY 08<br>total | FY 08<br>% change |
|--------------------------------------------------------|--------------|---------------------------------|----------------|------------------|--------------------|--------------|---------------------------------|----------------|-------------------|
| <b>Australian contemporary wealth management</b>       |              |                                 |                |                  |                    |              |                                 |                |                   |
| Retail superannuation <sup>1</sup>                     | 22.5         | 0.2                             | 22.7           | 0.5              | (6.6)              | 16.5         | 0.1                             | <b>16.6</b>    | (26.9)            |
| Allocated pensions/annuities                           | 7.2          | -                               | 7.2            | 0.8              | (2.0)              | 5.9          | 0.1                             | <b>6.0</b>     | (16.7)            |
| Retail investment                                      | 3.0          | -                               | 3.0            | (0.1)            | (1.1)              | 1.8          | -                               | <b>1.8</b>     | (40.0)            |
| Fixed term annuities                                   | 1.0          | -                               | 1.0            | (0.1)            | 0.1                | 1.0          | -                               | <b>1.0</b>     | -                 |
| External platforms <sup>2</sup>                        | 7.8          | 0.1                             | 7.9            | -                | (2.2)              | 5.6          | 0.1                             | <b>5.7</b>     | (27.8)            |
| Total retail                                           | 41.5         | 0.3                             | 41.8           | 1.1              | (11.8)             | 30.8         | 0.3                             | <b>31.1</b>    | (25.6)            |
| Corporate superannuation                               | 15.0         | 0.2                             | 15.2           | 1.0              | (3.5)              | 12.6         | 0.1                             | <b>12.7</b>    | (16.4)            |
| <b>Total Australian contemporary wealth management</b> | <b>56.5</b>  | <b>0.5</b>                      | <b>57.0</b>    | <b>2.1</b>       | <b>(15.3)</b>      | <b>43.4</b>  | <b>0.4</b>                      | <b>43.8</b>    | (23.2)            |
| <b>Australian contemporary wealth protection</b>       |              |                                 |                |                  |                    |              |                                 |                |                   |
| Group risk <sup>3</sup>                                | -            | -                               | -              | -                | -                  | -            | -                               | -              | n/a               |
| Individual risk <sup>3</sup>                           | -            | 0.5                             | 0.5            | 0.3              | (0.2)              | -            | 0.6                             | <b>0.6</b>     | 20.0              |
| Lifetime annuities                                     | 1.7          | 0.1                             | 1.8            | (0.1)            | 0.1                | 1.7          | 0.1                             | <b>1.8</b>     | -                 |
| <b>Total Australian contemporary wealth protection</b> | <b>1.7</b>   | <b>0.6</b>                      | <b>2.3</b>     | <b>0.2</b>       | <b>(0.1)</b>       | <b>1.7</b>   | <b>0.7</b>                      | <b>2.4</b>     | 4.3               |
| <b>Total Australian contemporary</b>                   | <b>58.2</b>  | <b>1.1</b>                      | <b>59.3</b>    | <b>2.3</b>       | <b>(15.4)</b>      | <b>45.1</b>  | <b>1.1</b>                      | <b>46.2</b>    | (22.1)            |
| <b>Australian mature</b>                               | <b>18.4</b>  | <b>0.1</b>                      | <b>18.5</b>    | <b>(1.0)</b>     | <b>(1.3)</b>       | <b>16.1</b>  | <b>0.1</b>                      | <b>16.2</b>    | (12.4)            |
| <b>Total Australia</b>                                 | <b>76.6</b>  | <b>1.2</b>                      | <b>77.8</b>    | <b>1.3</b>       | <b>(16.7)</b>      | <b>61.2</b>  | <b>1.2</b>                      | <b>62.4</b>    | (19.8)            |
| <b>New Zealand</b>                                     | <b>4.7</b>   | <b>0.3</b>                      | <b>5.0</b>     | <b>0.1</b>       | <b>(0.3)</b>       | <b>4.5</b>   | <b>0.3</b>                      | <b>4.8</b>     | (4.0)             |
| <b>Total AFS</b>                                       | <b>81.3</b>  | <b>1.5</b>                      | <b>82.8</b>    | <b>1.4</b>       | <b>(17.0)</b>      | <b>65.7</b>  | <b>1.5</b>                      | <b>67.2</b>    | (18.8)            |
| AMP Banking – mortgages                                | 8.1          |                                 | 8.1            | 1.5              |                    | 9.6          |                                 | <b>9.6</b>     | 18.5              |
| AMP Banking – deposits <sup>7</sup>                    | 2.0          |                                 | 2.0            | 1.4              |                    | 3.4          |                                 | <b>3.4</b>     | 70.0              |

### AUM by asset class (%)

#### Australian contemporary wealth management

|                        |       |       |
|------------------------|-------|-------|
| Fixed interest         | 24.7  | 30.1  |
| Australian equities    | 36.2  | 32.6  |
| International equities | 24.1  | 22.9  |
| Property <sup>8</sup>  | 8.0   | 6.7   |
| Other                  | 7.0   | 7.7   |
| Total                  | 100.0 | 100.0 |

1 Retail superannuation includes the product Flexible Lifetime – Super (FLS), a component of which is small corporate superannuation schemes.

2 Externally manufactured products that earn platform fees.

3 Individual and group risk are included in inflows and outflows but not in the AUM balances.

4 Share capital at 1 January 2008 contains A\$300m of capital transfers declared at 31 December 2007.

5 Other includes product transfers, fees, investment returns, taxes, share capital movements and foreign currency movements on New Zealand AUM.

6 Share capital at 31 December 2008 includes A\$70m of capital transfers declared at 31 December 2008.

7 AMP Banking deposits include retail deposits and AMP Super Cash.

8 Includes both listed and unlisted property securities.

## Market share

|                                                               | September 2008            |                           |                   | September 2007            |                           |                   |
|---------------------------------------------------------------|---------------------------|---------------------------|-------------------|---------------------------|---------------------------|-------------------|
|                                                               | Total market size<br>A\$b | Market position<br>(rank) | Market share<br>% | Total market size<br>A\$b | Market position<br>(rank) | Market share<br>% |
| <b>Market share – Australia</b>                               |                           |                           |                   |                           |                           |                   |
| <b>Assets under management<sup>1,3</sup></b>                  |                           |                           |                   |                           |                           |                   |
| Superannuation including rollovers                            | 228.1                     | 1                         | 17.6              | 271.3                     | 1                         | 17.1              |
| Retirement income                                             | 95.9                      | 2                         | 12.0              | 96.8                      | 2                         | 11.8              |
| Unit trusts (excluding cash management trusts)                | 140.1                     | 10                        | 3.6               | 185.0                     | 10                        | 3.5               |
| Total retail managed funds (excluding cash management trusts) | 472.3                     | 2                         | 12.1              | 561.2                     | 3                         | 11.6              |
| <b>Total in-force annual premiums<sup>2</sup></b>             |                           |                           |                   |                           |                           |                   |
| Individual risk                                               | 4.7                       | 4                         | 11.1              | 4.3                       | 4                         | 11.0              |

1 Source: Plan for Life 30 September 2008 – QDS Retail & Wholesale.

3 September 2007 comparatives have been restated by Plan for Life.

2 Source: Plan for Life 30 September 2008 – Detailed Risk Statistics & Plan for Life 30 September 2007 – Detailed Risk Statistics (in-force premiums individual risk excludes single premiums).

AMP retained its number one ranking in superannuation, increasing AUM based market share to 17.6%. Market share in retirement income increased to 12.0%.

funds (excluding cash management trusts) by 0.5 percentage points to 12.1% for the 12 months to September 2008. The increase in market share resulted in AMP's ranking improving from three to two.

Despite the market volatility, AMP performed relatively strongly in 2008 increasing AUM based market share for total retail managed

Market share data is not available for the December 2008 quarter.

|                                       | September 2008             |                           |                   | September 2007 <sup>4</sup> |                           |                   |
|---------------------------------------|----------------------------|---------------------------|-------------------|-----------------------------|---------------------------|-------------------|
|                                       | Total market size<br>NZ\$b | Market position<br>(rank) | Market share<br>% | Total market size<br>NZ\$b  | Market position<br>(rank) | Market share<br>% |
| <b>Market share – New Zealand</b>     |                            |                           |                   |                             |                           |                   |
| <b>Assets under management</b>        |                            |                           |                   |                             |                           |                   |
| Retail superannuation <sup>1</sup>    | 5.5                        | 3                         | 18.5              | 6.7                         | 2                         | 19.0              |
| Unit trusts <sup>1</sup>              | 5.5                        | 8                         | 4.1               | 8.0                         | 8                         | 3.4               |
| Insurance bonds <sup>1</sup>          | 0.9                        | 3                         | 19.1              | 1.1                         | 3                         | 20.6              |
| Total retail funds <sup>1</sup>       | 16.7                       | 5                         | 10.0              | 20.9                        | 4                         | 8.7               |
| Corporate superannuation <sup>2</sup> | 3.3                        | 1                         | 35.7              | 3.8                         | 1                         | 29.0              |
| Conventional <sup>3</sup>             | 0.1                        | 1                         | 42.5              | 0.1                         | 1                         | 43.7              |
| Term insurance <sup>3</sup>           | 0.7                        | 2                         | 12.5              | 0.6                         | 2                         | 13.5              |
| KiwiSaver <sup>1</sup>                | 1.5                        | 3                         | 15.2              | n/a                         | n/a                       | n/a               |

1 Measured by AUM: Source: Fund Source Research Limited September 2008.

3 Measured by in-force premium: Source: ISI Statistics September 2008.

2 Measured by AUM: Source: Eriksen's Master Trust Survey September 2008.

4 September 2007 comparatives have been restated by Fund Source Research Limited.

AFS New Zealand maintained its number one and two market share ranking for conventional and term insurance respectively.

Aided by flows from mandate wins, AFS New Zealand maintained its number one market share ranking in corporate superannuation and increased market share by 6.7 percentage points to 35.7%.

AFS New Zealand market share for total retail funds increased to 10%.

## Embedded value (EV) and value of new business (VNB)

| AFS embedded value (A\$m)                 |  |  | 3% dm             | 4% dm              | 5% dm   |                    |        |                    |
|-------------------------------------------|--|--|-------------------|--------------------|---------|--------------------|--------|--------------------|
| Embedded value as at 1 January 2008       |  |  | 7,691             | 7,213              | 6,796   |                    |        |                    |
| Restatement <sup>1</sup>                  |  |  | (6)               | -                  | 7       |                    |        |                    |
| Expected return                           |  |  | 674               | 698                | 718     |                    |        |                    |
| Investment returns, bond yields and other |  |  | (776)             | (801)              | (823)   |                    |        |                    |
| VNB                                       |  |  | 360               | 318                | 283     |                    |        |                    |
| Net transfers out                         |  |  | (407)             | (407)              | (407)   |                    |        |                    |
| Embedded value as at 31 December 2008     |  |  | 7,536             | 7,021              | 6,574   |                    |        |                    |
| FY 08 return on embedded value            |  |  | 3.4%              | 3.0%               | 2.6%    |                    |        |                    |
| Embedded value comprises                  |  |  |                   |                    |         |                    |        |                    |
| Adjusted net assets <sup>2</sup>          |  |  | 519               | 519                | 519     |                    |        |                    |
| Value of in-force business <sup>3</sup>   |  |  | 7,017             | 6,502              | 6,055   |                    |        |                    |
| AFS embedded value (A\$m) at the 3% dm    |  |  | Wealth management | Wealth protection  | Mature  | New Zealand        | Total  |                    |
| Embedded value as at 1 January 2008       |  |  | 3,739             | 1,566              | 1,736   | 650                | 7,691  |                    |
| Restatement <sup>1</sup>                  |  |  | (26)              | (6)                | 27      | (1)                | (6)    |                    |
| Expected return                           |  |  | 318               | 144                | 153     | 59                 | 674    |                    |
| Investment returns, bond yields and other |  |  | (401)             | 123                | (520)   | 22                 | (776)  |                    |
| VNB                                       |  |  | 223               | 90                 | 21      | 26                 | 360    |                    |
| Net transfers out                         |  |  | (264)             | (89)               | (41)    | (13)               | (407)  |                    |
| Embedded value as at 31 December 2008     |  |  | 3,589             | 1,828              | 1,376   | 743                | 7,536  |                    |
| FY 08 return on embedded value            |  |  | 3.8%              | 22.9%              | (19.6%) | 16.5%              | 3.4%   |                    |
| AFS embedded value (A\$m) at the 4% dm    |  |  | Wealth management | Wealth protection  | Mature  | New Zealand        | Total  |                    |
| Embedded value as at 1 January 2008       |  |  | 3,504             | 1,468              | 1,635   | 606                | 7,213  |                    |
| Restatement <sup>1</sup>                  |  |  | (26)              | (1)                | 28      | (1)                | -      |                    |
| Expected return                           |  |  | 330               | 148                | 160     | 60                 | 698    |                    |
| Investment returns, bond yields and other |  |  | (415)             | 96                 | (498)   | 16                 | (801)  |                    |
| VNB                                       |  |  | 201               | 77                 | 19      | 21                 | 318    |                    |
| Net transfers out                         |  |  | (264)             | (89)               | (41)    | (13)               | (407)  |                    |
| Embedded value as at 31 December 2008     |  |  | 3,330             | 1,699              | 1,303   | 689                | 7,021  |                    |
| FY 08 return on embedded value            |  |  | 3.3%              | 21.9%              | (19.2%) | 16.0%              | 3.0%   |                    |
| AFS embedded value (A\$m) at the 5% dm    |  |  | Wealth management | Wealth protection  | Mature  | New Zealand        | Total  |                    |
| Embedded value as at 1 January 2008       |  |  | 3,304             | 1,381              | 1,546   | 565                | 6,796  |                    |
| Restatement <sup>1</sup>                  |  |  | (23)              | 3                  | 28      | (1)                | 7      |                    |
| Expected return                           |  |  | 340               | 152                | 165     | 61                 | 718    |                    |
| Investment returns, bond yields and other |  |  | (433)             | 72                 | (474)   | 12                 | (823)  |                    |
| VNB                                       |  |  | 183               | 67                 | 16      | 17                 | 283    |                    |
| Net transfers out                         |  |  | (264)             | (89)               | (41)    | (13)               | (407)  |                    |
| Embedded value as at 31 December 2008     |  |  | 3,107             | 1,586              | 1,240   | 641                | 6,574  |                    |
| FY 08 return on embedded value            |  |  | 2.7%              | 21.0%              | (18.6%) | 16.0%              | 2.6%   |                    |
|                                           |  |  | 3% dm             |                    | 4% dm   |                    | 5% dm  |                    |
| AFS value of new business (A\$m)          |  |  | FY 08             | FY 07 <sup>1</sup> | FY 08   | FY 07 <sup>1</sup> | FY 08  | FY 07 <sup>1</sup> |
| Value of new business by business line    |  |  |                   |                    |         |                    |        |                    |
| Wealth management                         |  |  | 223               | 259                | 201     | 239                | 183    | 220                |
| Wealth protection                         |  |  | 90                | 65                 | 77      | 57                 | 67     | 49                 |
| Mature                                    |  |  | 21                | 32                 | 19      | 29                 | 16     | 27                 |
| New Zealand                               |  |  | 26                | 20                 | 21      | 16                 | 17     | 13                 |
| Total                                     |  |  | 360               | 376                | 318     | 341                | 283    | 309                |
| % change                                  |  |  | (4.3%)            |                    | (6.7%)  |                    | (8.4%) |                    |

1 The restatements are due to methodology and modelling changes. Both EV and VNB have been restated.

2 Adjusted net assets are shareholder assets in excess of regulatory capital requirements (allocated at product level), at face value.

3 Value of in-force business discounts the value of shareholder net assets (A\$1,068m at face value) to reflect expected time of release.

4 AMP Banking is excluded.

## Embedded value (EV) and value of new business (VNB) cont'd

### Embedded value movement was driven by poor investment market conditions and declining returns

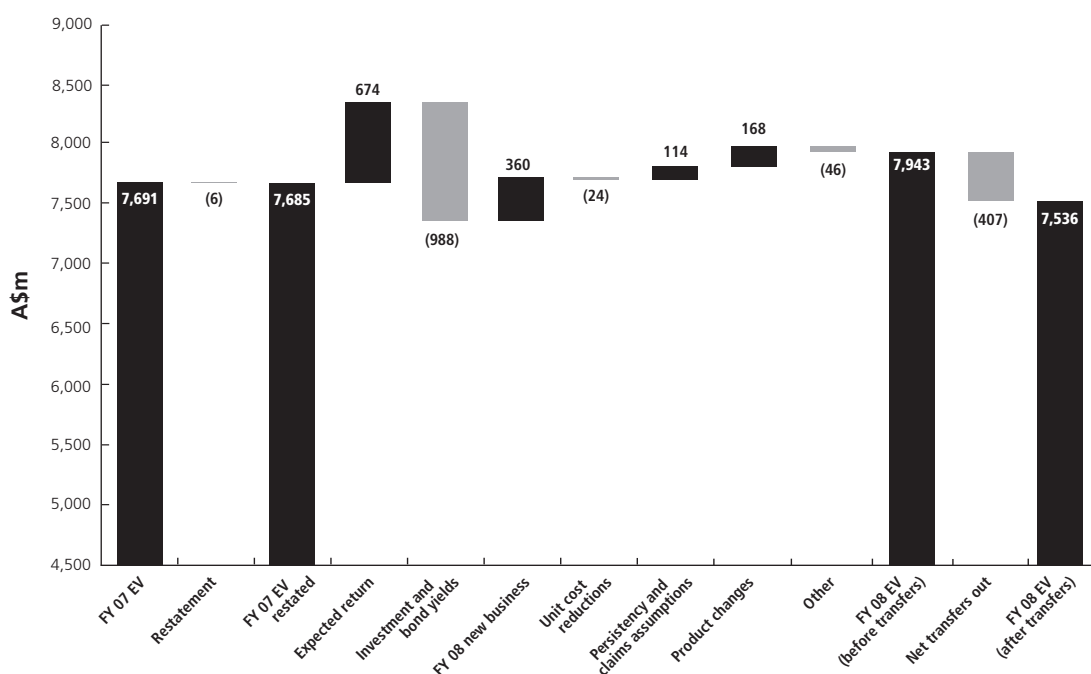
Before FY 08 transfers, AMP's embedded value increased by 3.4% at the 3% discount margin.

The increase in EV was principally driven by new business, risk pricing and improved persistency and claims assumptions offset by lower investment markets.

Net transfers out of A\$407m include capital and AFS profits, franking credits (at 70% of face value) and other value changes transferred to Group.

### Change in embedded value FY 07 to FY 08

(at the 3% dm above bond rate)



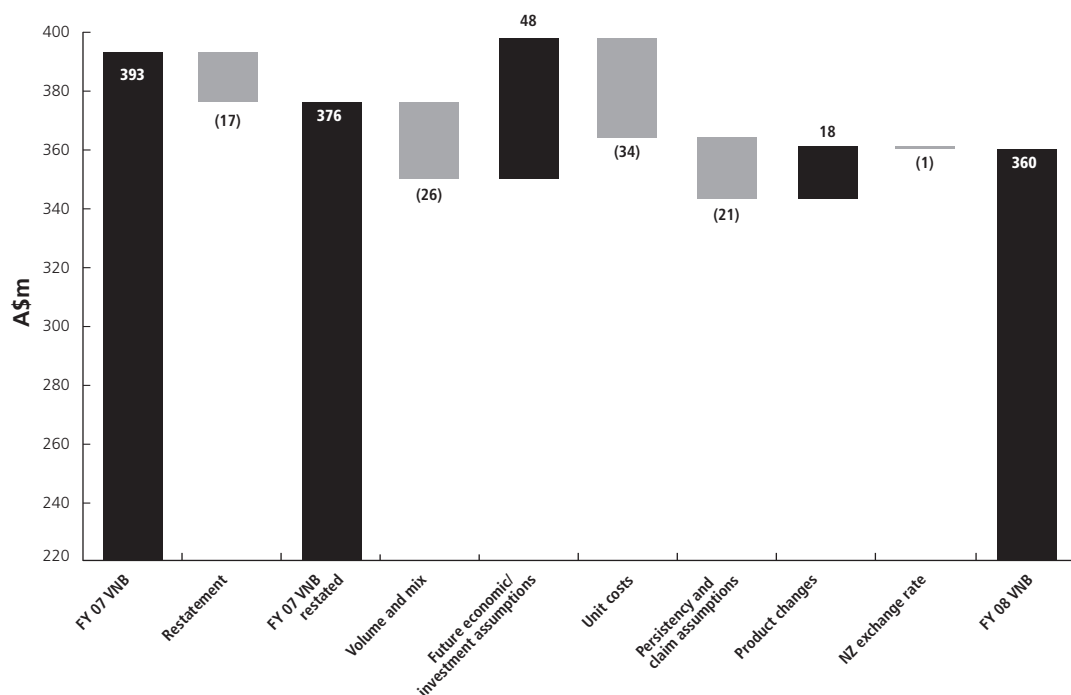
## Embedded value (EV) and value of new business (VNB) cont'd

### The decline in the value of new business (VNB) was driven mainly by lower volumes

The value of new business in FY 07 was restated from A\$393m to A\$376m at the 3% discount margin for methodology and modelling changes.

VNB fell 4.3% to A\$360m in FY 08 mainly as a result of lower wealth management volumes (due to volatile investment markets and Simpler Super changes in FY 07), increases in unit costs (due largely to fixed acquisition costs) and changes to persistency assumptions. This was partly offset by a positive impact from the fall in bond yields and increase in volumes and pricing changes in risk business.

### Change in value of new business FY 07 to FY 08 (at the 3% dm above bond rate)



## EV and VNB sensitivities

| FY 08 change in embedded value (A\$m)          | Wealth management | Wealth protection | Mature | New Zealand | Total |
|------------------------------------------------|-------------------|-------------------|--------|-------------|-------|
| 5% reduction in controllable costs             | 75                | 9                 | 18     | 4           | 106   |
| 10% reduction in discontinuance rates          | 227               | 151               | 45     | 42          | 465   |
| 1% (100 bps) decrease in long-term bond yields | 105               | 62                | (66)   | 13          | 114   |
| 1% (100 bps) increase in long-term bond yields | (81)              | (65)              | 53     | (13)        | (106) |
| 10% increase in Australian equities            | 73                | -                 | 49     | -           | 122   |
| 10% increase in international equities         | 31                | -                 | 14     | 10          | 55    |
| 1% reduction in investment fees                | (60)              | -                 | (2)    | (1)         | (63)  |

| FY 08 change in value of new business (A\$m)    | Wealth management | Wealth protection | Mature | New Zealand | Total |
|-------------------------------------------------|-------------------|-------------------|--------|-------------|-------|
| 5% reduction in controllable costs              | 7                 | 2                 | -      | -           | 9     |
| 10% reduction in discontinuance rates           | 19                | 16                | 2      | 4           | 41    |
| 1% (100 bps) decrease in long-term bond yields  | 6                 | 9                 | (1)    | 4           | 18    |
| 1% (100 bps) increase in long-term bond yields  | (6)               | (8)               | 1      | (3)         | (16)  |
| 5% increase in sales (all costs variable)       | 6                 | 3                 | 1      | 1           | 11    |
| 5% increase in sales (controllable costs fixed) | 12                | 5                 | 1      | 2           | 20    |
| 1% reduction in investment fees                 | (5)               | -                 | -      | -           | (5)   |

### 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, due to the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the movement in a particular variable is independent of all others. For the change in discontinuance rates, unit costs are assumed unchanged. For the 5% increase in sales (all costs variable), unit costs are assumed unchanged. For the 5% increase in sales (controllable costs fixed), unit costs are assumed to reduce because of the increase in business volumes
- they show the average movement for the risk discount margin range
- they are based on the FY 08 position, ie not "forward looking", and make no allowance for events subsequent to 31 December 2008.

The 1% increase in long-term government bond yields is assumed to be accompanied by a 0.5% increase in Consumer Price Index (CPI) and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For equities, the assumed future earning rate is assumed to increase by 1.0% (ie the equity risk premium is unchanged).

The 5% reduction in costs is based on AFS controllable costs only, ie it excludes commission and investment management fees.

The 10% reduction in discontinuance rates is based on a uniform reduction in lapses in all future years (eg a 15% lapse rate changes to 13.5%).

The 10% increase in Australian equities assumes all Australian shares increase in value by 10%.

Investment fees are defined as all initial and ongoing fees on investment products with explicit fees. The investment fee sensitivity assumes no corresponding reduction in funds management costs or commission.

## EV assumptions

### Economic assumptions

Risk discount rates are based on the yield on long-term government bonds plus a discount margin.

| Annualised 10 year bond yields | 31 December 2008 | 31 December 2007 |
|--------------------------------|------------------|------------------|
| Australia                      | 4.0%             | 6.4%             |
| New Zealand                    | 4.7%             | 6.5%             |

Assumed investment returns gross of income tax (% pa) are set at risk premiums over long-term government bond rates:

| Risk premiums               | 31 December 2008 | 31 December 2007 |
|-----------------------------|------------------|------------------|
| Local equities <sup>1</sup> | 4.0%             | 4.0%             |
| International equities      | 2.5%             | 2.5%             |
| Property                    | 2.0%             | 2.0%             |
| Corporate bonds             | 0.5%             | 0.5%             |
| Other fixed interest        | 0.0%             | 0.0%             |
| Cash (where significant)    | (0.5%)           | (0.5%)           |

<sup>1</sup> Includes allowance of approximately 1% for franking credits on equity income.

For the purpose of setting future investment assumptions, the broad asset mixes assumed for participating business (A\$16b) in Australia are:

| AMP Life (Australia) | 31 December 2008 | 31 December 2007 |
|----------------------|------------------|------------------|
| Equities             | 31%              | 35%              |
| Property             | 11%              | 15%              |
| Fixed interest       | 40%              | 34%              |
| Cash                 | 18%              | 16%              |

These asset mixes are not necessarily the same as the actual asset mix at the valuation date, as they reflect long-term future assumptions. The mixes shown are the weighted average across all Australian participating business, which is mostly in the mature business.

Annual inflation rates assumed are:

| Inflation rate         | 31 December 2008 | 31 December 2007 |
|------------------------|------------------|------------------|
| Australia – CPI        | 1.5%             | 3.5%             |
| Australia – Expenses   | 3.0%             | 3.0%             |
| New Zealand – CPI      | 1.0%             | 2.2%             |
| New Zealand – Expenses | 3.0%             | 3.0%             |

These inflation rates are used for indexation of premiums and benefits, where appropriate, and for expense inflation.

### Operating assumptions

Future mortality and morbidity rates are based on an analysis of recent AFS experience, general industry experience and, in some cases, population experience. Assumed mortality experience has been decreased in both Australia and NZ.

Future discontinuance rates are largely based on an analysis of recent AFS experience. Changes to discontinuance assumptions since 31 December 2007 were to:

- Australia and New Zealand risk products to reflect a more granular analysis by age and duration of policy;
- Corporate superannuation products to reflect the rate of "delinking" (where employees transfer into retail products when exiting their corporate superannuation schemes) and greater success AMP has experienced in the retention of these customers; and
- Flexible Lifetime – Super (FLS) to reflect improved experience for longer duration policies and a slight deterioration in experience for shorter duration policies.

Maintenance unit costs are derived from 2009 budgets. Allowance is made for future inflation but potential cost improvements arising after 2009 are ignored. Future rates of bonus for participating business were set at levels that were supportable by the assets backing the respective product sub-funds as at 31 December 2008.

Acquisition costs for VNB are the actual costs incurred in FY 08.

Franking credits are valued at 70% of face value.

### Further details

Assumptions are consistent with the best estimate assumptions used in calculating policy liabilities for AMP Life. A more detailed description of these assumptions and their 31 December 2008 values can be found in the notes to the 2008 AMP Ltd Financial Report. As all business is projected for the embedded value, the description of the assumptions in the notes applies even where that business is not valued by projection methods for profit reporting.

# AMP Capital Investors financial summary

## Business overview

AMP Capital Investors (AMPCI) is a leading specialist investment management business operating in Australia and New Zealand, with selected investment management activities in Asia.

AMPCI has A\$92b in assets under management.

## Strategy

AMPCI's strategy is to become a high value-add, Asia Pacific investment manager.

In 2008, AMPCI's key priorities were to:

- offer high value, high margin investment opportunities
- be more operationally effective and efficient by building market leading operating systems and processes
- strengthen its talent development programs.

These priorities underlie AMP's growth strategy.

### **AMP growth platform 1: grow financial planner capacity and broaden distribution**

AMPCI is expanding distribution of its funds in the Australian retail and private client market.

In 2008, AMPCI:

- added the Core Property Fund, Small Companies Fund and Responsible Investment Leaders and Sustainable Funds to leading external platforms
- won a mandate from a Dutch pension fund for its Strategic Infrastructure Trust of Europe (SITE)
- was named market leader in ethical investments and global property in Rainmaker's 2007 platform report
- secured property transactions with a Middle Eastern sovereign wealth fund.

### **AMP growth platform 2: expand to Asia through AMPCI**

AMPCI is targeting growth in selected Asian markets, selecting appropriate opportunities to extend its investment strengths.

## Channels

Existing AMPCI products are now distributed in four Asian countries: Japan, Singapore, Malaysia and Korea.

In 2008, AMPCI:

- strengthened its distribution team, appointing a Head of Institutional Business in Japan
- won mandate from Japan's T&D Asset Management for distribution of European and Asia Pacific infrastructure funds.

## Investment capabilities

AMPCI has investment professionals on the ground in Singapore, Tokyo, Mumbai and Beijing, sourcing and managing investments in equities, infrastructure, property and private debt.

In 2008, AMPCI made a number of management appointments to strengthen its team and investment capabilities in Asia, including:

- appointed a Head of Asia Pacific equities
- appointed a Head of Private Debt Asia to establish investment capabilities in Singapore
- appointed a Co-head of Infrastructure Asia, based in Beijing, to identify infrastructure opportunities.

During the year, AMPCI also developed and opened a long-only Asian equity growth fund and received a second China qualified foreign institutional investor (QFII) quota of US\$100m.

### **AMP growth platform 4: reshape AMPCI into a high value-add investment manager**

AMPCI is increasingly focused on developing its investment capabilities in specialised, high margin segments.

For example, AMPCI incorporated two total return funds in its Core Plus Bond Fund, building on its enhanced global credit and macroeconomic capabilities.

AMPCI also focused on its core property and infrastructure business:

- Raised A\$190m through Select Property Portfolio Fund No. 3.
- Continued shopping centre redevelopment program. Construction is underway at Brisbane's Mt Ommaney shopping centre, and design plans are in progress for the Gold Coast's Pacific Fair shopping centre. AMPCI manages a portfolio of 41 shopping centres.
- Launched the Asian Giants Infrastructure Fund, raising A\$145m and intends its initial investment to be a minority stake in an Indian infrastructure company.

### **AMP growth platform 5: invest in key growth enablers**

AMPCI continued investment in its leadership and mentoring programs to develop and retain its people.

It also continued to invest in its operating platform, installing new trading, data warehouse, reconciliation and performance systems.

## AMP Capital Investors financial summary cont'd

| A\$m                                                                         | FY 08      | 2H 08      | 1H 08      | FY 07      | % FY          | % H/H         |
|------------------------------------------------------------------------------|------------|------------|------------|------------|---------------|---------------|
| <b>Profit and loss</b>                                                       |            |            |            |            |               |               |
| Management fees – external                                                   | 211        | 106        | 105        | 205        | 2.9           | 1.0           |
| Management fees – internal                                                   | 176        | 88         | 88         | 170        | 3.5           | -             |
| Total management fees                                                        | 387        | 194        | 193        | 375        | 3.2           | 0.5           |
| Performance fees                                                             | 66         | 19         | 47         | 79         | (16.5)        | (59.6)        |
| Transaction fees                                                             | 20         | 8          | 12         | 15         | 33.3          | (33.3)        |
| Total performance and transaction fees                                       | 86         | 27         | 59         | 94         | (8.5)         | (54.2)        |
| Fee income                                                                   | 473        | 221        | 252        | 469        | 0.9           | (12.3)        |
| Controllable costs                                                           | (268)      | (130)      | (138)      | (257)      | (4.3)         | 5.8           |
| Tax expense                                                                  | (59)       | (26)       | (33)       | (62)       | 4.8           | 21.2          |
| Operating earnings before net seed pool income                               | 146        | 65         | 81         | 150        | (2.7)         | (19.8)        |
| Net seed pool income <sup>1</sup>                                            | (10)       | (7)        | (3)        | -          | n/a           | (133.3)       |
| Operating earnings                                                           | 136        | 58         | 78         | 150        | (9.3)         | (25.6)        |
| Underlying investment income                                                 | 12         | 6          | 6          | 11         | 9.1           | -             |
| <b>Underlying operating profit after income tax</b>                          | <b>148</b> | <b>64</b>  | <b>84</b>  | <b>161</b> | <b>(8.1)</b>  | <b>(23.8)</b> |
| Seed pool valuation adjustments <sup>2</sup>                                 | (42)       | (42)       | -          | -          | n/a           | n/a           |
| <b>Operating profit after income tax and seed pool valuation adjustments</b> | <b>106</b> | <b>22</b>  | <b>84</b>  | <b>161</b> | <b>(34.2)</b> | <b>(73.8)</b> |
| <b>Controllable costs</b>                                                    |            |            |            |            |               |               |
| Employee related                                                             | 145        | 68         | 77         | 150        | (3.3)         | (11.7)        |
| Investment operations and other                                              | 104        | 54         | 50         | 94         | 10.6          | 8.0           |
| Total operating costs                                                        | 249        | 122        | 127        | 244        | 2.0           | (3.9)         |
| Project costs                                                                | 19         | 8          | 11         | 13         | 46.2          | (27.3)        |
| <b>Total controllable costs</b>                                              | <b>268</b> | <b>130</b> | <b>138</b> | <b>257</b> | <b>4.3</b>    | <b>(5.8)</b>  |
| Cost to income ratio                                                         | 56.3%      | 59.1%      | 53.6%      | 53.1%      | n/a           | n/a           |
| Controllable costs to AUM (bps) <sup>3</sup>                                 | 26.4       | 26.5       | 26.2       | 23.3       | n/a           | n/a           |
| AUM (A\$b)                                                                   | 91.8       | 91.8       | 101.4      | 111.1      | (17.4)        | (9.5)         |
| Average AUM (A\$b)                                                           | 101.6      | 98.2       | 105.2      | 110.5      | (8.1)         | (6.7)         |
| AUM based management fees to AUM (bps) <sup>3</sup>                          | 30.9       | 31.8       | 30.0       | 28.8       | n/a           | n/a           |
| Performance and transaction fees to AUM (bps) <sup>3</sup>                   | 8.5        | 5.5        | 11.2       | 8.5        | n/a           | n/a           |
| RoBUE                                                                        | 59.9%      | 53.0%      | 66.7%      | 64.2%      | n/a           | n/a           |

1 The net seed pool result excludes abnormal valuation adjustments.

2 Seed pool valuation adjustments represent the abnormal write down of seed pool assets, being Singapore industrial property and Australasian retirement village businesses. Refer to page 41 for more detail.

3 Based on average monthly AUM.

## AMP Capital Investors financial summary cont'd

### Operating earnings and key performance metrics

AMPCI's strategic intent is to be a high value-add investment manager, focused on the Asia Pacific region. Earnings growth is being targeted through development of AMPCI's domestic and international distribution channels and a progressive shift to higher margin product and investment capabilities. Expansion into Asia is an integral part of this strategy.

Operating earnings fell A\$14m (9%) to A\$136m in FY 08. Growth in management fee income was offset by lower performance and transaction fees, higher controllable costs and lower net seed pool income.

RoBUE decreased by 4.3 percentage points to 59.9%, due to lower operating earnings.

### Fee income

Fee income increased A\$4m (1%) to A\$473m in FY 08.

Management fees increased A\$12m (3%) to A\$387m. The increase in management fees, in extremely challenging market conditions, reflects the diversity of AMPCI's fee income sources. Management fees benefited from increased fees for infrastructure and property and non-AUM sourced income.

Non-AUM income increased by A\$16m (29%) to A\$73m. This includes property asset management, bond lending, property development and leasing fees.

AUM based management fees to AUM increased 2.2 bps to 30.9 bps in FY 08. The increase was driven by a change in product mix and lower sub adviser costs offsetting the decline in average AUM.

Performance and transaction fees fell A\$8m (9%) in FY 08. Performance fees in 2H 08 were significantly lower than 1H 08, which were boosted by a net fee from DUET (A\$15m) and the FDF Total Return Fund (A\$9m).

Of the A\$66m in performance fees, 67% were subject to relative performance measures and 33% were subject to absolute measures.

The performance fee split by asset class was infrastructure (32%), equities (27%), property (25%) and private equity (16%).

### Controllable costs

Controllable costs increased A\$11m (4%) to A\$268m in FY 08. Employee related costs decreased by A\$5m, reflecting lower staff bonuses partially offset by increasing staff numbers. Investment operations and other costs increased by A\$10m due to higher professional fees and technology costs.

Controllable costs include A\$19m of project related expenditure which relates primarily to growth initiatives. Project costs increased by A\$6m.

Technology costs will continue to increase over the next 12 to 18 months, as the business introduces new platforms, enhancing business operations and scalability.

The cost to income ratio increased by 3.2 percentage points to 56.3% in FY 08.

### Tax expense

The AMPCI average tax rate in FY 08 was 28.8%, which is lower than the Australian corporate tax rate (30%) due to lower corporate rates in Singapore and China, tax concessions as a result of undertaking offshore activities and receipt of joint venture income.

### AUM and cashflows

AUM fell A\$19.3b (17%) to A\$91.8b in FY 08, reflecting weaker global investment markets and lower net cashflows. Clients liquidating funds and seeking the security of government guarantee bank deposits also impacted cashflows and AUM.

External AUM decreased by A\$6.4b (15%) to A\$35.5b, while internal AUM decreased by A\$12.9b (19%) to A\$56.3b in FY 08. External AUM fell less than internal AUM due to a lower weighting to equities.

External net outflows of A\$804m reflected poor investment market conditions. Internal net cashflows include AMP Group payments, such as dividend and capital return payments to shareholders, and inflows/outflows from AFS products. Internal net cash outflows were A\$474m in FY 08, compared to a net cash outflow of A\$2.0b in FY 07. 2H 08 internal net cashflows includes A\$2.2b of AFS funds reallocated from direct external fund managers to AMPCI's multi-manager Future Directions Funds.

Refer to the tables on page 33 for more detail on external and internal cashflows.

### Net seed pool income

The seed pool is designed to assist business growth by funding the acquisition of assets to "seed" new funds or opportunities. Group Office lends AMPCI the funds at commercial interest rates. AMPCI seeks to generate future revenues from the subsequent on-sale of these assets to clients through new or existing funds.

At 31 December 2008, the seed pool held A\$448m of assets. Seed pool assets currently comprise Singapore industrial property, Australasian retirement villages and infrastructure assets in Europe and India.

The net seed pool result comprises funding costs, trading results and normal valuation movements. In normal market conditions we would expect the seed pool to break even.

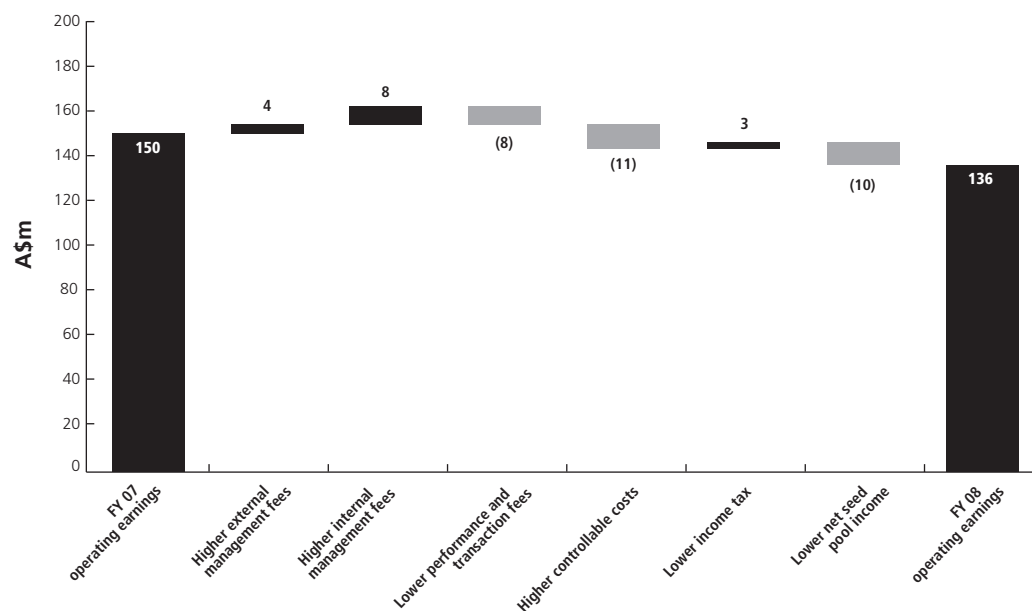
The seed pool valuation adjustment has been disclosed separately due to the nature and size of the valuation movements.

These adjustments relate to the write down within the Singapore industrial property portfolio and the Australasian retirement village businesses. The value of the Singapore property portfolio has been impacted primarily by higher capitalisation rates. The deterioration in the market value of Australasian retirement villages, both property and business valuations, has resulted in a write down in the value of these investments.

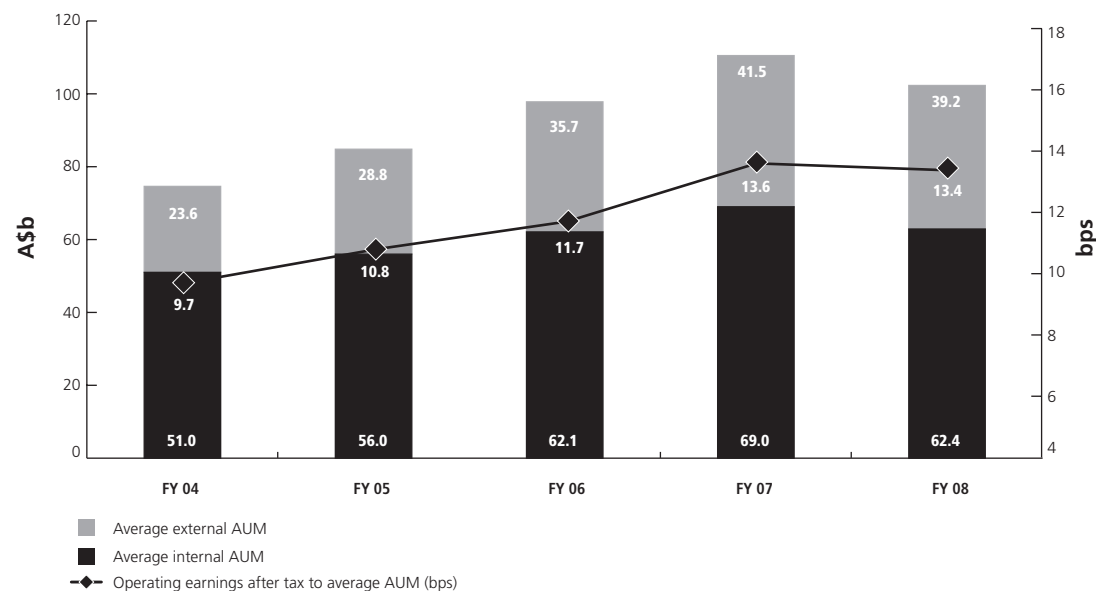
Some of the Australasian retirement assets have been sold in January 2009; no material profit/loss was made on that sale.

## AMP Capital Investors financial summary cont'd

### Movement in operating earnings FY 07 to FY 08



### Average AUM and operating earnings



## Cashflows and assets under management (AUM)

| Cashflows by asset class (A\$m) | Cash inflows  |               |               | Cash outflows |               |              | Net cashflows  |                |                |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|----------------|----------------|----------------|
|                                 | FY 08         | FY 07         | % FY          | FY 08         | FY 07         | % FY         | FY 08          | FY 07          | % FY           |
| <b>External</b>                 |               |               |               |               |               |              |                |                |                |
| Australian equities             | 974           | 1,320         | (26.2)        | 1,793         | 2,907         | 38.3         | (819)          | (1,587)        | 48.4           |
| International equities          | 1,576         | 2,216         | (28.9)        | 1,674         | 2,409         | 30.5         | (98)           | (193)          | 49.2           |
| Fixed interest                  | 2,544         | 4,261         | (40.3)        | 3,240         | 2,138         | (51.5)       | (696)          | 2,123          | n/a            |
| Infrastructure                  | 1,033         | 476           | 117.0         | 141           | 17            | (729.4)      | 892            | 459            | 94.3           |
| Private equity                  | 12            | 3             | 300.0         | 7             | 5             | (40.0)       | 5              | (2)            | n/a            |
| Property                        | 480           | 1,472         | (67.4)        | 568           | 567           | (0.2)        | (88)           | 905            | n/a            |
| <b>Total external</b>           | <b>6,619</b>  | <b>9,748</b>  | <b>(32.1)</b> | <b>7,423</b>  | <b>8,043</b>  | <b>7.7</b>   | <b>(804)</b>   | <b>1,705</b>   | <b>n/a</b>     |
| <b>Internal</b>                 |               |               |               |               |               |              |                |                |                |
| Australian equities             | 2,954         | 1,500         | 96.9          | 1,447         | 2,960         | 51.1         | 1,507          | (1,460)        | n/a            |
| International equities          | 3,563         | 2,576         | 38.3          | 2,123         | 2,472         | 14.1         | 1,440          | 104            | n/a            |
| Fixed interest                  | 4,280         | 4,959         | (13.7)        | 7,477         | 4,867         | (53.6)       | (3,197)        | 92             | n/a            |
| Infrastructure                  | 275           | 16            | n/a           | 178           | 163           | (9.2)        | 97             | (147)          | n/a            |
| Private equity                  | 52            | 49            | 6.1           | 59            | 216           | 72.7         | (7)            | (167)          | 95.8           |
| Property                        | 141           | 240           | (41.3)        | 455           | 708           | 35.7         | (314)          | (468)          | 32.9           |
| <b>Total internal</b>           | <b>11,265</b> | <b>9,340</b>  | <b>20.6</b>   | <b>11,739</b> | <b>11,386</b> | <b>(3.1)</b> | <b>(474)</b>   | <b>(2,046)</b> | <b>76.8</b>    |
| <b>Total</b>                    | <b>17,884</b> | <b>19,088</b> | <b>(6.3)</b>  | <b>19,162</b> | <b>19,429</b> | <b>1.4</b>   | <b>(1,278)</b> | <b>(341)</b>   | <b>(274.8)</b> |

| AUM by asset class (A\$m) | FY 07          | Net cashflows  | Investment returns and other <sup>1</sup> | FY 08         | % FY          |
|---------------------------|----------------|----------------|-------------------------------------------|---------------|---------------|
|                           |                |                |                                           |               |               |
| <b>External</b>           |                |                |                                           |               |               |
| Australian equities       | 6,879          | (819)          | (2,532)                                   | 3,528         | (48.7)        |
| International equities    | 9,914          | (98)           | (3,566)                                   | 6,250         | (37.0)        |
| Fixed interest            | 9,124          | (696)          | 338                                       | 8,766         | (3.9)         |
| Infrastructure            | 2,494          | 892            | (431)                                     | 2,955         | 18.5          |
| Private equity            | 416            | 5              | (35)                                      | 386           | (7.2)         |
| Property                  | 13,057         | (88)           | 641                                       | 13,610        | 4.2           |
| <b>Total external</b>     | <b>41,884</b>  | <b>(804)</b>   | <b>(5,585)</b>                            | <b>35,495</b> | <b>(15.3)</b> |
| <b>Internal</b>           |                |                |                                           |               |               |
| Australian equities       | 23,328         | 1,507          | (9,275)                                   | 15,560        | (33.3)        |
| International equities    | 14,024         | 1,440          | (4,175)                                   | 11,289        | (19.5)        |
| Fixed interest            | 24,637         | (3,197)        | 1,697                                     | 23,137        | (6.1)         |
| Infrastructure            | 1,271          | 97             | (246)                                     | 1,122         | (11.7)        |
| Private equity            | 983            | (7)            | (209)                                     | 767           | (22.0)        |
| Property                  | 4,988          | (314)          | (203)                                     | 4,471         | (10.4)        |
| <b>Total internal</b>     | <b>69,231</b>  | <b>(474)</b>   | <b>(12,411)</b>                           | <b>56,346</b> | <b>(18.6)</b> |
| <b>Total</b>              |                |                |                                           |               |               |
| Australian equities       | 30,207         | 688            | (11,807)                                  | 19,088        | (36.8)        |
| International equities    | 23,938         | 1,342          | (7,741)                                   | 17,539        | (26.7)        |
| Fixed interest            | 33,761         | (3,893)        | 2,035                                     | 31,903        | (5.5)         |
| Infrastructure            | 3,765          | 989            | (677)                                     | 4,077         | 8.3           |
| Private equity            | 1,399          | (2)            | (244)                                     | 1,153         | (17.6)        |
| Property <sup>2</sup>     | 18,045         | (402)          | 438                                       | 18,081        | 0.2           |
| <b>Total</b>              | <b>111,115</b> | <b>(1,278)</b> | <b>(17,966)</b>                           | <b>91,841</b> | <b>(17.3)</b> |

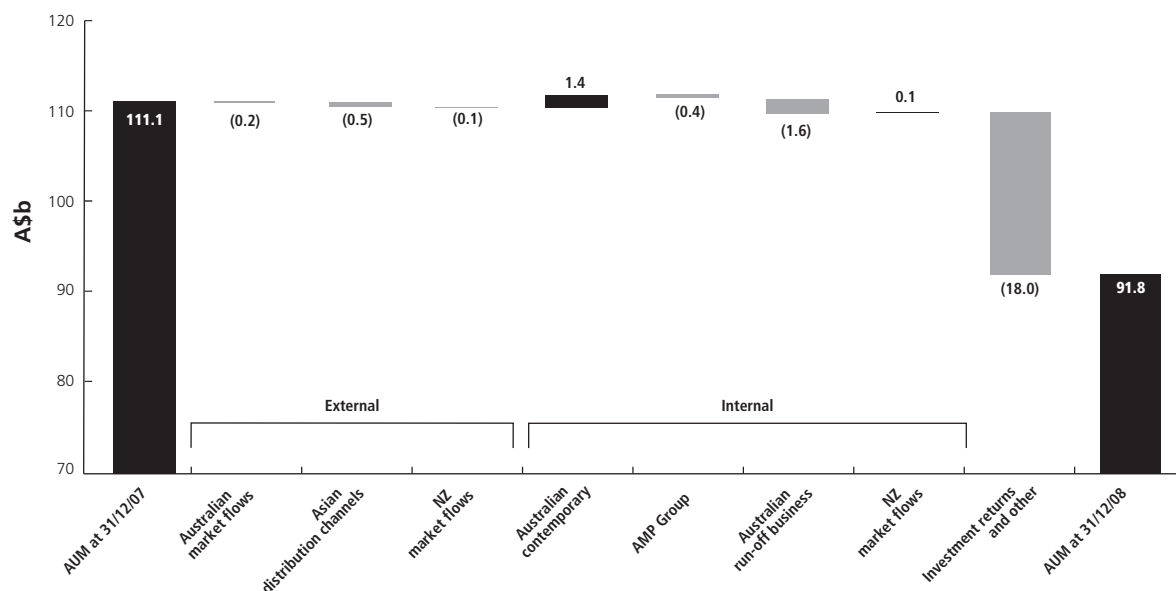
| AUM by source of client (A\$m) |                |                |                 |               |               |
|--------------------------------|----------------|----------------|-----------------|---------------|---------------|
| Australia                      | 93,627         | (1,045)        | (16,069)        | 76,513        | (18.3)        |
| New Zealand                    | 10,918         | 94             | (922)           | 10,090        | (7.6)         |
| Asia (including Middle East)   | 5,579          | (320)          | (626)           | 4,633         | (17.0)        |
| Rest of world                  | 991            | (7)            | (379)           | 605           | (39.0)        |
| <b>Total</b>                   | <b>111,115</b> | <b>(1,278)</b> | <b>(17,996)</b> | <b>91,841</b> | <b>(17.3)</b> |

1 Other includes distributions and taxes.

2 Property AUM comprises Australian (A\$15.3b) and NZ (A\$2.8b) managed assets. Australian property AUM is invested in office (42%), retail (50%), industrial (7%) and other (1%).

## Cashflows and assets under management (AUM) cont'd

### Movement in AUM by channel FY 07 to FY 08



### Market share

|                                                      | September 2008                         |                        |                   | September 2007 <sup>3</sup>            |                        |                   |
|------------------------------------------------------|----------------------------------------|------------------------|-------------------|----------------------------------------|------------------------|-------------------|
|                                                      | Total market size <sup>2</sup><br>A\$b | Market share<br>(rank) | Market share<br>% | Total market size <sup>2</sup><br>A\$b | Market share<br>(rank) | Market share<br>% |
| <b>Australian market position by AUM<sup>1</sup></b> |                                        |                        |                   |                                        |                        |                   |
| Total investment management market                   | 1,397.3                                | 2                      | 6.4               | 1,509.4                                | 3                      | 6.4               |
| Retail investment market                             | 333.2                                  | 2                      | 13.8              | 429.9                                  | 2                      | 11.6              |
| Wholesale investment market                          | 1,081.2                                | 8                      | 4.0               | 1,106.2                                | 8                      | 4.3               |
| <b>Select asset classes</b>                          |                                        |                        |                   |                                        |                        |                   |
| Australian equities                                  | 311.7                                  | 3                      | 6.1               | 414.6                                  | 2                      | 7.0               |
| Australian fixed income                              | 178.8                                  | 1                      | 9.8               | 191.7                                  | 2                      | 9.4               |
| International equities                               | 260.9                                  | 4                      | 5.7               | 296.8                                  | 5                      | 5.5               |
| International fixed income                           | 72.2                                   | 10                     | 3.8               | 72.5                                   | 9                      | 4.2               |
| Property                                             | 130.5                                  | 2                      | 12.3              | 134.6                                  | 1                      | 12.2              |

1 Source: Rainmaker Roundup, September 2008.

2 The sum of the wholesale and retail investment market does not reconcile to the total investment management market due to an overlap in the classification of the funds.

3 September 2007 comparatives have been restated by Rainmaker Roundup.

## Investment performance

63% of AUM met or exceeded benchmark over the five years to 31 December 2008, reflecting difficult investment markets in 2008, when 17% of AUM met or exceeded benchmark. The target for the business is 75% of AUM meeting or exceeding benchmark. For the years 2004 to 2006, AMPCI exceeded this target.

The competitive rankings of our main funds remain strong over the five year period to 31 December 2008, with first quartile rankings for AMPCI's Australian Direct Property, Australian Fixed Interest and Balance Growth funds (see p36 for further details).

In 2008, three asset classes which account for almost 60 per cent of AMPCI's total AUM – property, infrastructure and fixed interest – were impacted by a series of factors.

Many of the property and infrastructure portfolios were set against a bond yield plus margin benchmark, which were challenging to beat in volatile markets.

15% of Australian property AUM met or exceeded their benchmarks for the 12 months to December 2008, reflecting the current market environment and its impact on valuations. 70% of AMPCI property fund benchmarks related to the government bond yield plus a margin (eg 3%). Over three and five years, 94% and 97% of AUM respectively exceeded benchmark.

Unlisted infrastructure assets generally held their value; however, exposures to listed infrastructure negatively impacted investment performance.

In addition, with the substantial widening of credit spreads in 2H 08, very few investment managers were able to meet or exceed fixed interest benchmarks.

Australian bond portfolios represent about 21% of total AMPCI AUM. The Corporate Bond Fund ranked in the first quartile according to the Mercer Sector Survey (12 months to 31 December 2008). It also ranked in the first quartile over three and five years.

Australian equities 2008 performance was sound with core strategies outperforming benchmarks. Australasian equities represent approximately 20% of AMPCI's total AUM. The Value, Capital and Enhanced Index strategies, and the multi-style Australian equities fund, all added value.

The flagship Capital investment style beat benchmark by 3.6%. Over five years, the Small Companies investment style is beating benchmark by 6.9%, while the Capital investment style is beating benchmark by 2.3% with a Q2 competitor ranking.

Performance across multi-manager funds was mixed in 2008. International bond portfolios underperformed benchmark as credit spreads widened. Investor preference for more liquid markets increased late in 2008.

International equities performance was mixed. The global small cap and emerging markets portfolios outperformed while the large cap portfolio underperformed.

AMPCI's investment capability was endorsed with the following awards and ratings in 2008:

- The Nikko Global REIT Fund was awarded first place in the Global REIT category of the 2008 Rating & Investment Inc awards, Japan's leading rating house.
- The AMPCI Core Infrastructure Fund was awarded "Best New Investment Product of the Year" by Rainmaker for 2008.
- Two funds received the top awards in their categories at the 2008 AFR Smart Investor Blue Ribbon Awards. These were for the "multi-strategy income" category and the "multi-sector – balanced" category.
- The AMPCI Sustainable Share Fund achieved an A-rating in Van Eyk's 2008 Australian Equities Environmental Social and Governance (ESG) review – one of only two funds to achieve this. The fund was also a finalist in the Sustainable Funds of the Year Awards.
- AMPCI was named the "Largest Manager of Responsible Investments" (for the second year running) in the Responsible Investment Association of Australasia Benchmark Report for 2008.
- The Responsible Investment Leaders International Share Fund was No.1 in the Chant West multi-manager survey within the international shares (unhedged) category. This Fund was also a finalist in the Ethical Investors Fund of the Year Awards.
- The Global Property Securities Fund was a finalist in the 2008 S&P Fund Awards.

### Investment performance

| Percentage of AUM meeting or exceeding benchmark (%) | December 2008 |        |        |
|------------------------------------------------------|---------------|--------|--------|
|                                                      | 1 year        | 3 year | 5 year |
| <b>AMPCI managed</b>                                 |               |        |        |
| Australasian equities                                | 43            | 53     | 88     |
| Australasian fixed interest                          | 22            | 27     | 61     |
| Infrastructure and private equity                    | 6             | 53     | 69     |
| Property                                             | 15            | 94     | 97     |
| Diversified                                          | 4             | 73     | 98     |
| <b>Total AMPCI managed</b>                           | 20            | 53     | 77     |
| <b>Multi-manager</b>                                 |               |        |        |
| Australasian equities                                | 80            | 77     | 84     |
| Australasian fixed interest                          | 3             | 2      | 2      |
| International equities                               | 21            | 32     | 51     |
| International fixed interest                         | 3             | -      | -      |
| Diversified                                          | -             | 2      | 29     |
| <b>Total multi-manager</b>                           | 13            | 17     | 36     |
| <b>Total AMPCI</b>                                   | 17            | 40     | 63     |

## Investment performance cont'd

A summary of investment performance for the 1, 3 and 5 years to December 2008 across the various funds/styles is shown in the table below. In instances where there is more than one fund for an investment style, investment performance of the flagship fund has been quoted.

### Investment performance across funds/styles

|                                                 | 1 Year                           |                   |                                          | 3 Year                           |                   |                                          | 5 Year                           |                   |                                          |
|-------------------------------------------------|----------------------------------|-------------------|------------------------------------------|----------------------------------|-------------------|------------------------------------------|----------------------------------|-------------------|------------------------------------------|
|                                                 | Absolute return <sup>1</sup> (%) | Excess return (%) | Competitor quartile ranking <sup>2</sup> | Absolute return <sup>1</sup> (%) | Excess return (%) | Competitor quartile ranking <sup>2</sup> | Absolute return <sup>1</sup> (%) | Excess return (%) | Competitor quartile ranking <sup>2</sup> |
| <b>Equities</b>                                 |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| Sustainable future (SRI)                        | (40.4)                           | (2.0)             | Q3                                       | (3.4)                            | 0.5               | Q3                                       | 7.6                              | 0.7               | Q2                                       |
| Capital                                         | (34.8)                           | 3.6               | Q2                                       | (1.3)                            | 2.6               | Q2                                       | 9.2                              | 2.3               | Q2                                       |
| Active quant                                    | (36.9)                           | 1.6               | Q3                                       | (1.8)                            | 2.1               | Q2                                       | 8.8                              | 1.9               | Q2                                       |
| Value                                           | (35.7)                           | 2.8               | Q2                                       | (3.6)                            | 0.3               | Q3                                       | 7.5                              | 0.6               | Q3                                       |
| Enhanced index                                  | (38.0)                           | 0.5               | Q1                                       | (3.7)                            | 0.2               | Q3                                       | 7.0                              | 0.1               | Q1                                       |
| Small companies                                 | (53.3)                           | (0.1)             | n/a                                      | (5.5)                            | 4.2               | n/a                                      | 9.1                              | 6.9               | n/a                                      |
| New Zealand equities                            | (26.8)                           | 4.8               | Q2                                       | (0.6)                            | 4.6               | Q1                                       | 6.1                              | 2.8               | Q4                                       |
| <b>Fixed interest</b>                           |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| Core plus strategies                            | 10.6                             | (4.4)             | Q2                                       | 5.5                              | (1.6)             | Q2                                       | 6.1                              | (0.7)             | Q3                                       |
| Structured high yield                           | 11.6                             | 4.0               | Q1                                       | 11.0                             | 4.2               | Q1                                       | 11.2                             | 4.9               | Q1                                       |
| Enhanced yield                                  | 2.1                              | (4.6)             | Q1                                       | 6.4                              | 0.1               | Q1                                       | 7.9                              | 2.0               | Q1                                       |
| Corporate bond                                  | 8.9                              | (6.0)             | Q1                                       | 5.4                              | (1.6)             | Q1                                       | 6.2                              | (0.5)             | Q1                                       |
| New Zealand fixed interest                      | 20.5                             | 4.7               | Q1                                       | 9.6                              | 1.7               | Q1                                       | 8.2                              | 1.0               | Q1                                       |
| <b>International funds (multi-manager)</b>      |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| International equities                          | (29.7)                           | (4.8)             | Q3                                       | (7.9)                            | (1.3)             | Q3                                       | 1.2                              | 0.3               | Q3                                       |
| International fixed interest                    | (12.2)                           | (21.5)            | Q4                                       | (1.7)                            | (8.5)             | Q4                                       | 2.3                              | (4.9)             | Q4                                       |
| <b>Property (direct and listed)<sup>3</sup></b> |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| Australian Core Property Portfolio              | 0.9                              | (7.9)             | Q2                                       | 12.8                             | 4.0               | Q2                                       | 12.6                             | 3.2               | Q1                                       |
| AMP Wholesale Office Fund                       | (3.0)                            | (12.3)            | Q3                                       | 13.6                             | 4.3               | Q2                                       | n/a                              | n/a               | n/a                                      |
| AMP Shopping Centre Fund                        | (2.7)                            | (12.0)            | Q3                                       | 13.5                             | 4.2               | Q2                                       | 13.9                             | 4.7               | Q1                                       |
| Property Income Fund                            | 5.4                              | 5.7               | Q1                                       | 12.5                             | (0.3)             | Q3                                       | 12.5                             | (0.4)             | Q2                                       |
| New Zealand Direct Property                     | (3.7)                            | n/a               | n/a                                      | 14.3                             | n/a               | n/a                                      | 14.7                             | n/a               | n/a                                      |
| Australian Listed Property Trusts               | (55.5)                           | (1.5)             | Q2                                       | (17.6)                           | (0.2)             | Q2                                       | (3.1)                            | 0.4               | Q2                                       |
| Global Listed Property Trusts                   | (44.3)                           | 1.4               | Q2                                       | (11.8)                           | 2.6               | Q2                                       | 2.9                              | 2.6               | n/a                                      |
| <b>Infrastructure</b>                           |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| Infrastructure Equity Fund                      | (11.6)                           | (21.9)            | n/a                                      | 4.3                              | (6.0)             | n/a                                      | 9.4                              | (1.3)             | n/a                                      |
| Strategic Infrastructure Trust of Europe (GBP)  | 8.6                              | (0.3)             | n/a                                      | 10.6                             | 1.5               | n/a                                      | n/a                              | n/a               | n/a                                      |
| Australia Pacific Airports Fund                 | 6.9                              | (5.1)             | n/a                                      | 22.9                             | 10.9              | n/a                                      | 23.0                             | 11.0              | n/a                                      |
| <b>Private equity</b>                           |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| <b>Fund/style name</b>                          |                                  |                   |                                          |                                  |                   |                                          |                                  |                   |                                          |
| Business Development Fund 2                     | (23.0)                           | 12.2              | n/a                                      | 46.3                             | 45.3              | n/a                                      | 29.5                             | 17.3              | n/a                                      |
| Private Equity Fund 3                           | (61.6)                           | n/a               | n/a                                      | 9.9                              | n/a               | n/a                                      | n/a                              | n/a               | n/a                                      |

1 Absolute returns are annualised for periods greater than one year. Absolute return for private equity represents internal rate of return.

2 Competitor quartile ranking determined using relevant Mercer Sector Surveys.

3 For Australian and global listed property trusts competitor quartile ranking, a composite return was used.

# Capital management

31 December 2008

| A\$m                                                             | Total AMP  | AMP Life<br>Statutory<br>Funds | AMP Life<br>other <sup>4</sup> | AMP<br>Banking <sup>5</sup> | Total AFS | AMPCI | Group Office |
|------------------------------------------------------------------|------------|--------------------------------|--------------------------------|-----------------------------|-----------|-------|--------------|
| Total capital resources                                          | 3,745      | 1,527                          | 514                            | 255                         | 2,296     | 265   | 1,184        |
| Intangibles <sup>1</sup>                                         | (650)      | -                              | (454)                          | (31)                        | (485)     | (95)  | (70)         |
| Tangible capital resources                                       | 3,095      | 1,527                          | 60                             | 224                         | 1,811     | 170   | 1,114        |
| Non-allowable hybrid instruments                                 | (214)      |                                |                                |                             |           |       | (214)        |
| Senior debt <sup>2</sup>                                         | (1,154)    |                                |                                |                             |           |       | (1,154)      |
| Other adjustments <sup>3</sup>                                   | -          |                                |                                |                             |           |       | -            |
| Regulatory capital resources                                     | 1,727      | 1,527                          | 60                             | 224                         | 1,811     | 170   | (254)        |
| <b>Shareholder minimum regulatory capital requirements (MRR)</b> | <b>829</b> | 579                            | 10                             | 182                         | 771       | 58    | -            |
| <b>Regulatory capital resources above MRR</b>                    | <b>898</b> | 948                            | 50                             | 42                          | 1,040     | 112   | (254)        |

31 December 2007

| A\$m                                                             | Total AMP  | AMP Life<br>Statutory<br>Funds | AMP Life<br>other | AMP<br>Banking <sup>5</sup> | Total AFS | AMPCI | Group Office |
|------------------------------------------------------------------|------------|--------------------------------|-------------------|-----------------------------|-----------|-------|--------------|
| Total capital resources                                          | 3,405      | 1,149                          | 516               | 219                         | 1,884     | 322   | 1,199        |
| Intangibles <sup>1</sup>                                         | (699)      | -                              | (452)             | (31)                        | (483)     | (113) | (103)        |
| Tangible capital resources                                       | 2,706      | 1,149                          | 64                | 188                         | 1,401     | 209   | 1,096        |
| Non-allowable hybrid instruments                                 | (160)      |                                |                   |                             |           |       | (160)        |
| Senior debt <sup>2</sup>                                         | (819)      |                                |                   |                             |           |       | (819)        |
| Other adjustments <sup>3</sup>                                   | (9)        |                                |                   |                             |           |       | (9)          |
| Regulatory capital resources                                     | 1,718      | 1,149                          | 64                | 188                         | 1,401     | 209   | 108          |
| <b>Shareholder minimum regulatory capital requirements (MRR)</b> | <b>823</b> | 542                            | 10                | 174                         | 726       | 71    | 26           |
| <b>Regulatory capital resources above MRR</b>                    | <b>895</b> | 607                            | 54                | 14                          | 675       | 138   | 82           |

1 Refer to page 46 for definition. Intangibles includes capitalised costs.

2 Refer to debt overview page 40.

3 Other adjustments relate to employee defined benefit scheme surpluses (FY 07).

4 Includes AFS accountable component of the AMP Life shareholders fund and AFS subsidiaries (eg AMPFP, Hillcross).

5 The AMP Banking FY 08 capital resources eliminates the impact of AIFRS cash flow hedge fair value movements. At FY 07 this adjustment was made to MRR rather than capital resources and has not been restated. If the FY 07 comparatives were restated on the same basis as FY 08, both capital resources and MRR at FY 07 would reduce by A\$41m.

## Capital management

AMP holds a level of capital above its minimum regulatory requirements (MRR). At 31 December 2008 the regulatory capital resources above MRR were A\$898m (A\$895m at 31 December 2007). Regulatory capital resources were 2.1 times MRR (2.1 times at 31 December 2007). The MRR coverage ratio will vary throughout the year due to a range of factors including investment market movements, dividend payments and statutory profits.

Given the challenging market conditions, AMP will continue to take a prudent approach to capital management and has a bias towards holding more capital rather than less. In 2008, AMP raised A\$559m through a share placement and share purchase plan.

AMP's capital strategy remains focused on enhancing its already strong capital position in the current climate, increasing business flexibility to grow and further optimising the capital mix. AMP continues to evaluate options to raise lower Tier 2 capital with a final decision on the quantum and timing of any issue yet to be made and dependent on capital market conditions.

This approach will be monitored in response to changing market conditions.

AMP's final dividend is 16 cents per share bringing AMP's total dividend for 2008 to 38 cents per share, plus an additional 2 cents per share distributed in the first half of the year from the proceeds of the Cobalt/Gordian sale. Excluding the special Cobalt/Gordian dividend, AMP's dividend payout ratio is 89% of underlying profit.

The DRP will include a discount of 2.5% and will be partially underwritten to the extent that natural participation is less than 30%. Future dividends are likely to be in the range of 75% to 85% of underlying profit.

## MRR

The shareholder minimum regulatory capital requirement (MRR) is the amount of shareholder capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are:

- AMP Life – solvency, capital adequacy and management capital requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Banking – capital requirements as specified under the APRA Banking Prudential Standards
- AMPCI – capital and liquidity requirements under its Australian Financial Services Licence (AFSL).

## Capital management cont'd

The small increase (A\$37m) in AMP Life MRR was the result of movements in investment markets, bond yields and unlisted asset values, offset by equity protection on policyholder funds.

### Target surplus

AMP's regulated businesses each target a level of capital equal to MRR plus a target surplus.

The AMP Life Statutory Fund's target surplus is set by reference to a probability of breaching regulatory capital requirements. This is a two tiered test where the target surplus is set as the greater of the amount required for a:

- 0.5% probability of breaching solvency over one year
- 10% probability of breaching capital adequacy over one year.

AMP Life's capital position remained above its target level at 31 December 2008. The target surplus is a management guide to

the level of excess capital that AMP Life seeks to carry. It is not a point estimate which requires automatic management action. AMP Life's capital position relative to its target surplus can vary significantly throughout the year.

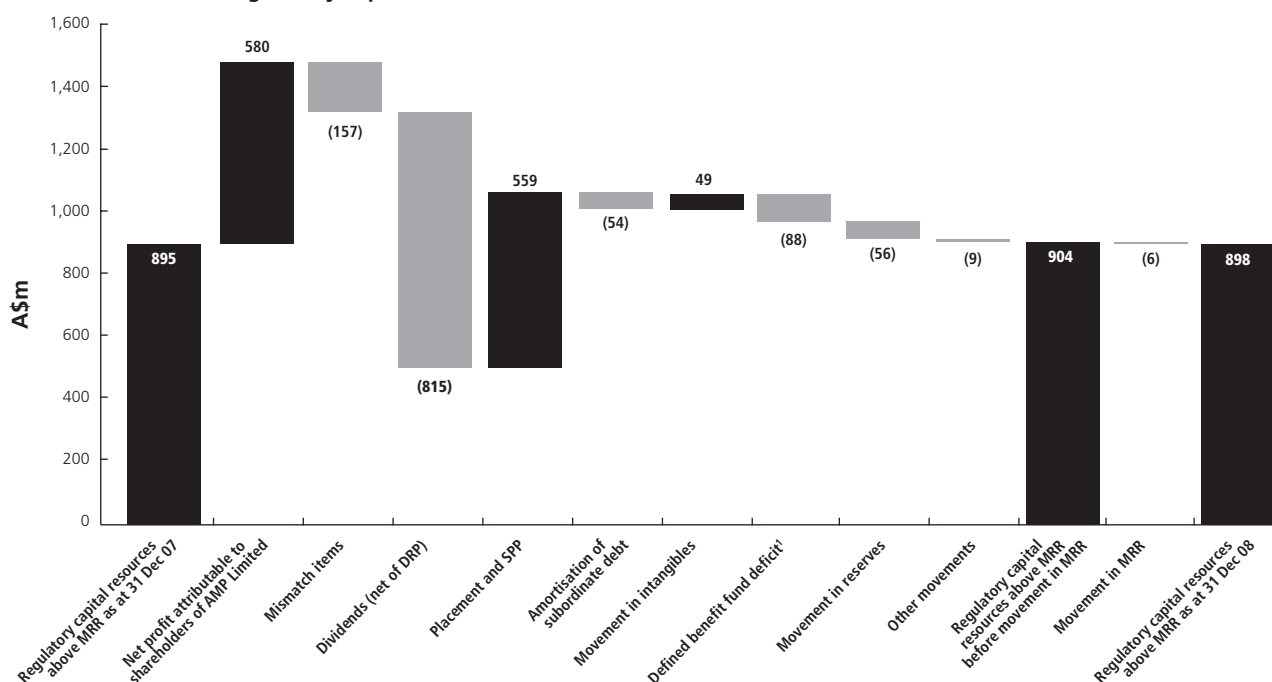
AMP Banking's target surplus reflects an additional 0.75% of risk weighted assets above the APRA minimum requirements.

AMP Capital Investors' target surplus is set to cover the seed pool investment risk and operational risks.

### Capital allocation

AMP regularly reviews business line capital allocation, taking into account improved control processes and growth or changes in the business unit requirements. The end of period tangible capital resources for each of the AFS business lines has been provided in the respective profit and loss tables.

### Movement in FY 08 regulatory capital resources above MRR



1 Defined benefit fund deficit relates to movements in the value of AMP's defined benefit fund which do not impact profit but flow through AMP's balance sheet reserves.

| Regulatory capital resources (A\$m)               | 31 December 2008 | 31 December 2007 |
|---------------------------------------------------|------------------|------------------|
| AMP shareholder equity                            | 2,241            | 2,236            |
| Allowable hybrid Tier 1 instruments               | -                | -                |
| Less: goodwill and other intangibles              | (650)            | (699)            |
| Less: other adjustments <sup>1</sup>              | -                | (9)              |
| <b>Tier 1</b>                                     | <b>1,591</b>     | <b>1,528</b>     |
| Allowable upper Tier 2 instruments                | -                | -                |
| Allowable lower Tier 2 instruments                | 136              | 190              |
| <b>Tier 2</b>                                     | <b>136</b>       | <b>190</b>       |
| <b>Total regulatory capital (Tier 1 + Tier 2)</b> | <b>1,727</b>     | <b>1,718</b>     |

1 Other adjustments relate to employee defined benefit scheme surpluses (FY 07).

## Capital management cont'd

| Total capital resources (A\$m)                                 | 31 December 2008 | 31 December 2007 |
|----------------------------------------------------------------|------------------|------------------|
| <b>Equity</b>                                                  |                  |                  |
| Contributed equity                                             | 4,481            | 3,827            |
| Equity contribution reserve                                    | 1,019            | 1,019            |
| Other reserves                                                 | (32)             | 120              |
| Retained earnings <sup>1</sup>                                 | 154              | 546              |
| Demerger loss reserve                                          | (3,585)          | (3,585)          |
| <b>Total AMP statutory equity attributable to shareholders</b> | <b>2,037</b>     | <b>1,927</b>     |
| Accounting mismatches and cashflow hedge reserve <sup>2</sup>  | 204              | 309              |
| <b>Total AMP shareholder equity</b>                            | <b>2,241</b>     | <b>2,236</b>     |
| Group debt                                                     | 1,504            | 1,169            |
| <b>Total capital resources</b>                                 | <b>3,745</b>     | <b>3,405</b>     |

1 The movement in retained earnings (-A\$392m) is comprised of profit after mismatch items (A\$580m) less dividends (A\$900m) and adjusted for AIFRS (-A\$72m), eg reversal of dividends related to treasury shares.

2 FY 08 includes the impact of both accounting mismatches and the cashflow hedge reserve on AMP's shareholder equity, FY 07 includes the impact of accounting mismatches.

| A\$m                           | 31 December 2008 | 31 December 2007 |
|--------------------------------|------------------|------------------|
| International equities         | 145              | 341              |
| Australian equities            | 133              | 374              |
| Property                       | 298              | 329              |
| International fixed interest   | 320              | 356              |
| Australian fixed interest      | 215              | 221              |
| Cash <sup>1</sup>              | 1,478            | 877              |
| <b>Total shareholder funds</b> | <b>2,589</b>     | <b>2,498</b>     |
| Other <sup>2</sup>             | 506              | 208              |
| Tangible capital resources     | 3,095            | 2,706            |
| Intangibles                    | 650              | 699              |
| <b>Total capital resources</b> | <b>3,745</b>     | <b>3,405</b>     |

1 Cash includes cash balances held as bank deposits and short-term fixed interest securities.

2 Other includes A\$115m (FY 07 A\$208m) of cash held backing liabilities, seed pool assets of A\$297m and other assets and liabilities.

### Nominal versus effective exposure

AMP uses derivatives (futures) to obtain its desired level of equity allocation for its shareholder invested funds portfolio. The asset allocations above reflect the effective exposure of shareholder funds after consideration of the effects of derivative positions.

### Management of market risks in the shareholder funds

During FY 08, AMP reviewed its approach to the investment of shareholder funds. In view of the equity market risk embedded in the operating businesses (eg through fees on AUM), AMP has decided to reduce its equity exposure in shareholder funds. AMP intends to further reduce its equity exposure during FY 09.

The shareholder fixed interest portfolio is split approximately 25% sovereign exposures and 75% corporate exposures. Corporate exposures are invested in AAA (33%), AA (41%), A (15%), BBB (7%) and sub-investment grade (4%).

### Underlying investment income

AMP calculates the underlying investment income that is allocated to the business units and Group Office, for management reporting purposes, by applying an underlying rate of return to BU and Group Office shareholder assets invested in income producing investment assets (as opposed to operating assets). The underlying after tax rate of return used for FY 08 is 5.20% pa. Due to the adoption of a more conservative investment mix for the shareholder fund in 2009, the underlying after tax rate of return will be reduced to 4.25% after tax for that year.

Underlying investment income is calculated on shareholder funds invested in income producing assets. Shareholder funds invested in income producing assets may be higher or lower than business unit capital due to the working capital requirements of the business unit.

### Australian contemporary wealth management underlying investment income

In the Australian contemporary wealth management business, AMP Banking income producing assets are excluded from the calculation of underlying investment income. The return on AMP Banking income producing assets is included in operating earnings.

## Debt overview

| A\$m                                      | 31 December 2008 |             |       | 31 December 2007 |             |       |
|-------------------------------------------|------------------|-------------|-------|------------------|-------------|-------|
|                                           | Group            | AMP Banking | Total | Group            | AMP Banking | Total |
| Subordinated bonds/notes                  | 350              | 100         | 450   | 350              | 100         | 450   |
| <b>Total subordinated debt (Tier 2)</b>   | 350              | 100         | 450   | 350              | 100         | 450   |
| Domestic commercial paper, NCDs and repos | 76               | 1,641       | 1,717 | 70               | 908         | 978   |
| Euro medium-term notes                    | 628              | -           | 628   | 941              | -           | 941   |
| Domestic medium-term notes                | 350              | 42          | 392   | -                | -           | -     |
| Bank facilities                           | 100              | -           | 100   | -                | -           | -     |
| Loan from Group Office to AMP Banking     | -                | -           | -     | (192)            | 192         | -     |
| <b>Total senior debt</b>                  | 1,154            | 1,683       | 2,837 | 819              | 1,100       | 1,919 |
| Deposits <sup>1</sup>                     | -                | 3,640       | 3,640 | -                | 1,961       | 1,961 |
| <b>Total debt</b>                         | 1,504            | 5,423       | 6,927 | 1,169            | 3,161       | 4,330 |
| <b>Corporate gearing ratios</b>           |                  |             |       |                  |             |       |
| S&P gearing                               | 14%              |             |       | 10%              |             |       |
| Interest cover – underlying (times)       | 10.9             |             |       | 17.3             |             |       |
| Interest cover – actual (times)           | 8.1              |             |       | 17.6             |             |       |

| A\$m                                  | Group debt by year of repayment |           |           |            |           | Total |
|---------------------------------------|---------------------------------|-----------|-----------|------------|-----------|-------|
|                                       | 0-1 year <sup>2</sup>           | 1-2 years | 2-5 years | 5-10 years | 10+ years |       |
| 31 December 2008                      |                                 |           |           |            |           |       |
| Group debt                            | 443                             | 230       | 748       | -          | 83        | 1,504 |
| <b>Total</b>                          | 443                             | 230       | 748       | -          | 83        | 1,504 |
| 31 December 2007                      |                                 |           |           |            |           |       |
| Group debt by year of repayment       |                                 |           |           |            |           |       |
| Group debt                            | 382                             | 267       | 629       | -          | 83        | 1,361 |
| Loan from Group Office to AMP Banking | (192)                           | -         | -         | -          | -         | (192) |
| <b>Total</b>                          | 190                             | 267       | 629       | -          | 83        | 1,169 |

1 Deposits includes AMP Banking retail deposits (A\$1.8b), AMP Super Cash (A\$1.6b) and other AMP Life policy holder deposits (A\$250m).

2 FY 08 Group debt repayable in 0-1 year is A\$267m of subordinated bonds/notes callable in August 2009, A\$76m of domestic paper and A\$100m of bank facilities.

Total Group debt increased A\$335m in FY 08 to A\$1,504m, primarily as a result of the repayment of the A\$192m loan from AMP Banking, the draw down of A\$100m in bank facilities and the A\$350m senior debt raising in May, offset by the A\$313m debt maturity in November. The increase in Group debt was primarily to hold additional levels of liquidity in light of the market environment. Currently, the interest expense on total Group debt is effectively split approximately 50/50 between fixed and floating rate.

### AMP Banking debt

Historically, the securitisation of residential mortgage backed securities (RMBS) has been a significant source of funding and capital relief for AMP Banking. Securitisation funding is non-recourse to AMP Banking and AMP Group. In 2008, the securitisation market continued to be very difficult for new issuance. AMP Banking adopted a strategy whereby mortgage growth is funded by deposit growth.

AMP Banking deposits include retail deposits, AMP Super Cash and other AMP Life policyholder deposits. Deposits grew strongly in FY 08 due to flows into AMP Super Cash, increased marketing for retail deposits and A\$250m of deposits from AMP Life policyholders. RMBS repos with the RBA were also put in place during FY 08.

AMP Banking is focused on funding its future mortgage growth through deposit growth supplemented with modest government guaranteed issuance and RMBS repos with the RBA.

AMP Banking has A\$100m of subordinated bonds with a call date in April 2009. It is AMP Banking's intention to call this debt with funds provided by Group Office.

During FY 08 AMP Group provided a guarantee covering AMP Banking's liabilities.

### Debt in entities controlled by AMP Life policyholder funds

This represents debt raised in various funds managed by AMPCI where AMP Life policyholders' funds have a controlling interest. As the lenders in relation to this debt have limited recourse to the assets of the borrowing entity or fund and no recourse to AMP, the debt does not form part of the AMP Group debt and is not included in S&P's definition of debt from an AMP Group perspective.

### Reconciliation of AMP's total borrowings per AMP Limited full year financial statements (A\$m)

|                                                                                                                           |         |
|---------------------------------------------------------------------------------------------------------------------------|---------|
| Total Group and operational debt at 31 December 2008                                                                      | 6,927   |
| Plus limited recourse debt in entities controlled by AMP Life policyholder funds                                          | 2,012   |
| Plus deposits with AMP Life                                                                                               | 238     |
| Plus limited recourse debt in investment entities controlled by AMP Capital Investors                                     | 128     |
| Less policyholder deposits with AMP Banking                                                                               | (1,840) |
| Value of cross currency interest rate swaps, fair value adjustments on borrowings and net discounts and transaction costs | 19      |
| Subtotal                                                                                                                  | 7,484   |
| Bank securitisation brought back on balance sheet as a result of AIFRS                                                    | 4,891   |
| Total borrowings and subordinated debt as per AMP Limited Financial Report for the full year ended 31 December 2008       | 12,375  |

## Group Office

| A\$m                                                                      | FY 08 | 2H 08 | 1H 08 | FY 07 | % FY   | % H/H  |
|---------------------------------------------------------------------------|-------|-------|-------|-------|--------|--------|
| Group Office costs not recovered from business units                      | (36)  | (18)  | (18)  | (43)  | 16.3   | -      |
| Underlying investment income on Group Office capital <sup>1</sup>         | 49    | 25    | 24    | 65    | (24.6) | 4.2    |
| Interest expense on Group debt                                            | (82)  | (45)  | (37)  | (59)  | (39.0) | (21.6) |
| AMP Limited tax loss recognition                                          | 15    | 8     | 7     | 13    | 15.4   | 14.3   |
| Market adjustment – investment income                                     | (260) | (138) | (122) | 13    | n/a    | (13.1) |
| Discontinued business – Cobalt/Gordian                                    | -     | -     | -     | 171   | n/a    | n/a    |
| Other items <sup>2</sup>                                                  | 73    | 71    | 2     | 7     | n/a    | n/a    |
| Seed pool valuation adjustments                                           | (42)  | (42)  | -     | -     | n/a    | n/a    |
| <b>Timing differences</b>                                                 |       |       |       |       |        |        |
| Market adjustment – annuity fair value                                    | (117) | (76)  | (41)  | (13)  | n/a    | (85.4) |
| Loan hedge revaluations                                                   | (41)  | (43)  | 2     | (4)   | n/a    | n/a    |
| Accounting mismatches                                                     | 157   | 69    | 88    | (71)  | n/a    | (21.6) |
| <b>Interest expense summary</b>                                           |       |       |       |       |        |        |
| Average volume of Group debt                                              | 1,409 | 1,549 | 1,268 | 1,042 |        |        |
| Weighted average cost of Group debt <sup>3</sup>                          | 8.36% | 8.28% | 8.46% | 7.69% |        |        |
| Tax rate                                                                  | 30%   | 30%   | 30%   | 30%   |        |        |
| Interest expense on Group debt                                            | 82    | 45    | 37    | 59    |        |        |
| <b>Franking credits</b>                                                   |       |       |       |       |        |        |
| AMP dividend franking credits at face value at end of period <sup>4</sup> | 133   |       |       | 249   |        |        |

1 FY 07 underlying investment income on Group Office capital includes underlying investment income previously disclosed as part of Cobalt/Gordian.

2 Employee defined benefit schemes is disclosed as part of other items.

3 Weighted average cost of debt as at 31 December 2008 is 7.28% pa (post tax 5.10%).

4 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the final dividend (85%), the balance of franking credits will be A\$17m.

Group Office costs not recovered from business units decreased by A\$7m to A\$36m compared to FY 07. FY 07 Group Office costs included A\$5m of costs in respect of departing executives.

Underlying investment income on Group Office capital decreased from A\$65m in FY 07 to A\$49m in FY 08. FY 08 underlying investment income is lower than FY 07 due to lower shareholder investment assets as a result of declining investment markets and FY 07 benefiting from capital that was returned to shareholders in June 2007.

Interest expense on Group debt increased to A\$82m in FY 08 from A\$59m in FY 07. The increase in interest expense is a result of the higher average volume of Group debt (see page 40 for details) and higher cost of funding.

### AMP Limited tax loss recognition

AMP Limited tax loss recognition relates to the gradual recoupment of carried forward tax losses. Recognition of the tax benefit is linked to overall taxable earnings (both ordinary policyholder and shareholder) and the amount recognised is expected to move in line with growth in earnings. The amount recognised in FY 08 is in line with that reported in FY 07, and based on the current levels of recognition, the benefit is expected to continue to 2016.

### Other items

FY 08 other items principally comprise the release of prior year provisions partially offset by the write-off of project costs, which were previously capitalised. The release mainly relates to benefits of entering the tax consolidations regime in 2003 not recognised at that time.

As part of a review of AMP's project capitalisation policy, a number of project costs, which were previously capitalised or capitalised throughout the year have been written off. AMP maintains a prudent capitalisation policy. At 31 December 2008, AMP's balance sheet includes A\$74m of capitalised project costs.

Other items also includes A\$15m of one-off costs associated with redundancies effected in 2H 08.

### Seed pool valuation adjustment

The seed pool assists with AMPCI business growth by funding the acquisition of assets to "seed" new funds or opportunities. The disclosure of the net seed pool result is discussed in the AMPCI section (see page 31 for details).

As a result of the current investment market and economic conditions, there has been a large, abnormal write down in the value of seed pool assets, which is not consistent with the underlying profits of AMPCI. As a result the seed pool valuation adjustment has been disclosed as part of the Group result.

The seed pool valuation adjustment relates to the write down of Singapore industrial property and the Australasian retirement village businesses. The value of Singapore property has been impacted by lower tenancy demand and a higher capitalisation rate. The deterioration in the market value of the Australasian retirement villages, both property and business valuations, has resulted in a write down in the value of this investment.

## Group Office cont'd

### Timing differences

#### Market adjustment – annuity fair value

The market adjustment on annuities relates to investment gains (losses) on assets that back AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A\$1.0b and Australian lifetime annuity liabilities of A\$1.7b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its annuity book.

The assets that support AMP's Australian annuity book comprise a mixture of government bonds (1%), semi-government bonds (32%), and corporate bonds (67%). These assets are principally exposed to Australian credit markets. This mix is required to achieve the matching of assets to expected cash annuity outflows. The matching should remove any interest rate risk between the value of the asset and liability, but credit risk remains.

Accounting standards require fixed term liabilities to be discounted using a fair value rate of return.

AMP has historically used the risk-free rate of return to value policyholder liabilities for both its fixed term and lifetime annuities. Using the risk-free rate of return to value both the fixed term and lifetime annuity liabilities resulted in an after tax loss of A\$159m due to the widening of credit spreads and deterioration in the quality of individual assets. With the difference between the risk-free and fair value rate no longer immaterial, AMP has used a fair value rate of return rather than the risk-free rate of return to discount fixed term annuity liabilities at 31 December 2008. This results in both the assets and liabilities valued on a fair value basis for fixed term annuities. Using a fair value rate reduced AMP's FY 08 market loss on its annuity portfolio by A\$42m to A\$117m. The loss includes A\$6m for term annuities reflecting different credit impacts on the fair values of assets and liabilities.

As the assets are held to maturity, losses due to widening of credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults.

Losses can also occur from defaults on individual assets. There were no asset defaults in FY 08.

The breakdown of the bond portfolio that supports AMP's annuity portfolio by rating is as follows:

|                              | 31 December 2008 | 31 December 2007 |
|------------------------------|------------------|------------------|
| <b>Government</b>            |                  |                  |
| AAA                          | 1%               | 2%               |
| <b>Semi-government</b>       |                  |                  |
| AAA                          | 27%              | 26%              |
| AA                           | 5%               | 5%               |
| <b>Corporate<sup>1</sup></b> |                  |                  |
| AAA                          | 29%              | 34%              |
| AA                           | 19%              | 22%              |
| A                            | 13%              | 7%               |
| BBB                          | 6%               | 4%               |
| <b>Total</b>                 | <b>100%</b>      | <b>100%</b>      |

<sup>1</sup> Includes quasi government bonds (12%).

### Loan hedge revaluations

A portion of AMP's Group debt is denominated in foreign currency, predominantly Euro and Sterling. AMP maintains a policy of holding 100% of its Group debt as AUD denominated and between 40% and 60% at floating interest rates. AMP uses derivatives, cross currency swaps and interest rate swaps to maintain these policy guidelines. Under AIFRS, AMP is required to recognise the movements in market value of the debt and associated derivatives. This gives rise to an accounting gain or loss which will reverse over time.

### Accounting mismatches

Under AIFRS, some assets held on behalf of the policyholders (and related tax balances) are included in the accounts at different values to the value used in the calculation of policy liabilities in respect of the same asset. Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true operational profits and losses of the Group.

Mismatch items that may impact the profit and loss account arise from policyholder interests in the following:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- owner-occupied properties
- life company statutory funds' investments in controlled entities.

## Sensitivities – profit and capital

FY 08 profit sensitivities (A\$m)

|                                                         | Operating earnings |     |        |     |           |       |              | Investment income | Total |       |
|---------------------------------------------------------|--------------------|-----|--------|-----|-----------|-------|--------------|-------------------|-------|-------|
|                                                         | CWM                | CWP | Mature | NZ  | Total AFS | AMPCI | Group Office |                   |       | Total |
| Investment market variables                             |                    |     |        |     |           |       |              |                   |       |       |
| 10% increase in Australian equities                     | 9                  | -   | 2      | -   | 11        | 5     |              | 16                | 10    | 26    |
| 10% decrease in Australian equities                     | (9)                | -   | (2)    | -   | (11)      | (5)   |              | (16)              | (10)  | (26)  |
| 10% increase in international equities                  | 2                  | -   | 1      | 2   | 5         | 3     |              | 8                 | 10    | 18    |
| 10% decrease in international equities                  | (2)                | -   | (1)    | (2) | (5)       | (3)   |              | (8)               | (10)  | (18)  |
| 10% increase in property                                | 3                  | -   | 1      | 1   | 5         | 9     |              | 14                | 20    | 34    |
| 10% decrease in property                                | (3)                | -   | (1)    | (1) | (5)       | (9)   |              | (14)              | (20)  | (34)  |
| 1% (100 bps) increase in 10 year Australian bond yields | (2)                | -   | 6      | 1   | 5         | 1     |              | 6                 | (22)  | (16)  |
| 1% (100 bps) decrease in 10 year Australian bond yields | 2                  | -   | (6)    | (1) | (5)       | (1)   |              | (6)               | 22    | 16    |
| Business variables                                      |                    |     |        |     |           |       |              |                   |       |       |
| AMP Financial Services                                  |                    |     |        |     |           |       |              |                   |       |       |
| 5% increase in average AUM                              | 11                 | -   | 3      | 2   | 16        |       |              |                   |       |       |
| 5% increase in sales volumes                            | 3                  | 1   | -      | 1   | 5         |       |              |                   |       |       |
| 1% increase in persistency                              | 2                  | 3   | (4)    | 1   | 2         |       |              |                   |       |       |
| AMP Capital Investors                                   |                    |     |        |     |           |       |              |                   |       |       |
| 5% increase in average external AUM                     |                    |     |        |     |           | 7     |              |                   |       |       |
| 5% increase in average internal AUM                     |                    |     |        |     |           | 6     |              |                   |       |       |
| AMP Limited                                             |                    |     |        |     |           |       |              |                   |       |       |
| 5% reduction in controllable costs                      | 12                 | 3   | 2      | 2   | 19        | 9     | 2            | 30                |       |       |

These sensitivities are 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
- they assume that the particular variable moves independently of all others
- they are based on the FY 08 position, ie not “forward looking”, and make no allowances for events subsequent to 31 December 2008
- in general, for profit, they assume the movement occurs evenly over the year; for capital, they assume the movement occurs at 31 December 2008.

Other assumptions include:

- parent company shareholders’ equity is fully invested and there are no adjustments for investments which are outside index weightings
- currency movements in investments in self-sustaining operations do not impact profit
- sales sensitivity assumes the same product mix as that in underlying sales during FY 08
- investment income sensitivity is based on the amount of investments held as at 31 December 2008
- all profit sensitivities shown are a full year impact
- property sensitivities relate to unlisted property. Listed property trusts are included in equities
- profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.

### Important considerations when using these sensitivities

#### Profit sensitivities

The sensitivities set out above apply to FY 08 operating earnings (post tax), assuming the changes in a range of hypothetical economic or business variables were to apply for 2008.

#### Operating earnings – investment linked business

For investment linked business, fee income is largely based on the level of AUM, which in turn is directly impacted by investment markets.

For changes in economic variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable half way through the year. For large movements that do not occur half way through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/decrease in equity markets at the start of the year would have double the impact on FY 08 operating earnings than set out in the table above.

The sensitivities are based on the FY 08 position and are not forward looking. If using the sensitivities as forward looking (eg applying FY 08 profit sensitivities for FY 09), an allowance for changes in AUM levels should be made.

See page 12 (CWM) and page 30 (AMPCI) for average AUM levels that applied in FY 08.

The AMPCI operating earning sensitivities assume no change to performance and transaction fees.

## Sensitivities – profit and capital cont'd

### Operating earnings – risk and annuity business

For risk and annuity business, movements in economic variables impact to the extent that the valuation of assets and liabilities are mismatched. These impacts are included in market adjustment and have no effect on BU operating earnings.

### Operating earnings – participating business

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 portion of the impact is recognised in the current reporting period and is allocated between policyholders and shareholders.

### Investment income

The analysis is point in time and indicates the impact a change in variable would have on AMP's FY 08 total investment income (ie underlying investment income plus investment income market adjustment).

The investment income sensitivities do not include any allowance for investment gains/losses on assets that back AMP's annuity book (refer to page 42 for details).

The investment income sensitivity at 31 December 2008 is lower than at 31 December 2007 due to AMP adopting a more conservative position on its investment portfolio in FY 08.

| 31 December 2008 capital sensitivities – excess over MRR (A\$m)        |                                            | AMP Life<br>Statutory Funds | AMP<br>Group <sup>1</sup> |
|------------------------------------------------------------------------|--------------------------------------------|-----------------------------|---------------------------|
| Actual 31 December 2008 (ASX 200 @ 3,722; Australian bond yields @ 4%) |                                            | 948                         | 898                       |
| Equity sensitivity                                                     | – ASX 200 @ 4,000                          | 90                          | 110                       |
|                                                                        | – ASX 200 @ 3,500                          | (80)                        | (100)                     |
|                                                                        | – ASX 200 @ 3,000                          | (260)                       | (310)                     |
|                                                                        | – ASX 200 @ 2,500                          | (440)                       | (520)                     |
| Australian bond yields sensitivity                                     | – Australian bond yields @ 5.0%            | (140)                       | (130)                     |
|                                                                        | – Australian bond yields @ 4.5%            | (60)                        | (50)                      |
|                                                                        | – Australian bond yields @ 3.5%            | (70)                        | (80)                      |
|                                                                        | – Australian bond yields @ 3.0%            | (250)                       | (260)                     |
| Property sensitivity                                                   | – 10% increase in unlisted property values | 100                         | 100                       |
|                                                                        | – 10% decrease in unlisted property values | (130)                       | (130)                     |

<sup>1</sup> AMP Group sensitivities are AMP Life Statutory Funds sensitivities plus the movement in group shareholder capital outside of the life funds, including the effect on capital from AMP's defined benefit fund and investment gains/losses on shareholder funds outside the AMP Life Statutory Funds.

### AMP capital sensitivities – regulatory capital resources above MRR

The analysis is a point in time view of the capital impact of movements in equity markets, bond yields and property values on the 31 December 2008 capital position. The regulatory capital resources above MRR based on 31 December 2008 equity markets, bond yields and property values correspond to the disclosure in the capital management section (refer page 37).

Sensitivities include the profit/loss impact from changes in investment market variables on total shareholder funds. Changes in BU operating earnings are not reflected.

The capital sensitivities for AMP Life relate to the business within the AMP Life Statutory Funds, including guaranteed products, the majority of which are contained within the AFS mature business, risk insurance and unit linked business.

AMP actively manages both the asset mix and the associated capital. Market movements and trends are carefully monitored and adjustments made accordingly.

The property sensitivities relate to unlisted property. The impacts from movements in the value of listed property trusts is included in the equity sensitivities.

AMP's capital management framework includes market related trigger points at which management will take action to reduce the impact of market movements on AMP's capital position. The sensitivities contained in the table above do not make any allowance for these management actions which can have a significant impact on MRR.

# Accounting treatment and definitions

## Capital treatment: regulatory and ratings

| Security type                       | Regulatory credit (as described by APRA regulations)                                            | Ratings credit (Standard & Poor's)                                                                    |  |
|-------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--|
| Ordinary equity                     | Full capital credit                                                                             | Full capital credit                                                                                   |  |
| Value of future shareholder profits | No capital credit                                                                               | 50% credit for capital adequacy purposes and 100% credit for gearing purposes                         |  |
| Non-innovative Tier 1               | Up to 25% of total Tier 1 capital (Innovative Tier 1 cannot exceed 15% of total Tier 1 capital) | For capital adequacy purposes up to 25% of TAC <sup>1</sup> and for gearing purposes up to 15% of TAC |  |
| Innovative Tier 1                   |                                                                                                 |                                                                                                       |  |
| Upper Tier 2                        | Up to 100% of total Tier 1 capital (lower Tier 2 cannot exceed 50% of total Tier 1 capital)     |                                                                                                       |  |
| Lower Tier 2                        |                                                                                                 |                                                                                                       |  |
| Senior debt                         | No capital credit                                                                               | No capital credit                                                                                     |  |

1 TAC = Total Adjusted Capital as defined by Standard & Poor's.

**Accounting mismatches** – Refer to page 42.

**Controllable costs** – Include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on Group debt.

**Controllable costs to AUM** – Calculated as controllable costs divided by average AUM.

**Cost to income ratio** – Calculated as controllable costs divided by gross margin. Gross margin is calculated as total operating earnings and underlying investment income before income tax plus controllable costs. An income tax rate of 30% has been used to gross up the AFS numbers.

**Discontinuance rates** – The assumed future rates for voluntary discontinuance (lapse) of contracts for the purposes of determining the embedded value. These rates vary by individual product or product groups and, where appropriate, by other factors such as duration in-force or age attained.

**Dividend payout ratio** – Calculated as dividend per share (underlying) divided by EPS (underlying).

**Embedded value** – A calculation of the economic value of the shareholder capital in the business and the profits expected to emerge from the business in-force.

**Employee defined benefit scheme** – A scheme that provides a retirement benefit, usually based on salary and/or a pre-determined formula for calculating that benefit. Unlike an accumulation scheme, the retirement benefit and method of calculation is known to the member at all times.

**EPS (actual)** – Calculated as profit attributable to shareholders of AMP Limited before accounting mismatches divided by the basic weighted average number of ordinary shares.

**EPS (underlying)** – Calculated as underlying profit divided by the basic weighted average number of ordinary shares.

**External AUM (AMPCI)** – Assets managed by AMPCI sourced directly from institutional clients (including corporate, public sector and industry superannuation funds, and large non-superannuation funds), non-AMP dealer groups, private clients and international clients.

**Loan hedge revaluations** – Refer to page 42.

**Full-time equivalent (FTE)** – A measure of the total level of staff resources used. The FTE of a full-time staff member is equal to 1.0. The calculation of FTE for part-time staff is based on the proportion of time worked compared to that worked by full-time staff.

**Group debt** – Comprises the amounts classified as Group debt as set out on page 40.

**Group risk API** – Contractual annual premium payable on all in-force group risk policies.

**Individual risk API** – Contractual annual premium payable on all in-force individual risk policies.

**Individual risk lapse rate** – Calculated as annualised voluntary cancellations as a percentage of average annual premium in-force prior to cancellations. Policies expiring due to maturities, death or disablement are excluded from the calculation.

**Intangibles** – Represents acquired goodwill, acquired asset management mandates and capitalised costs.

**Interest cover (actual)** – Calculated on a rolling 12 month basis as profit after income tax before timing differences, profit on sale of discontinued business (FY 07 A\$93m) and interest expense on Group debt for the year divided by interest expense on Group debt after income tax for the same period.

**Interest cover (underlying)** – Calculated on a rolling 12 month basis as underlying profit before interest expense on Group debt for the year divided by interest expense on Group debt after income tax for the same period.

**Internal AUM (AMPCI)** – Assets managed by AMPCI sourced from AFS (excluding external platforms) and Group Office. FY 07 internal AUM (AMPCI) include assets sourced from Cobalt/Gordian.

**Investment performance** – The percentage of AUM meeting or exceeding their benchmarks.

**Market adjustment – annuity fair value** – Refer to page 42.

**Market adjustment – investment income** – The excess (or shortfall) between the underlying investment income and actual return on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets).

**Net seed pool income (AMPCI)** – Income on seed pool assets, including normal valuation movements and net profit/loss on sales, offset by funding costs.

**Operating earnings** – Represent shareholder attributable profits or losses that relate to the performance of the BU. The principles of life insurance accounting are used in reporting the results of AFS. Operating earnings exclude investment earnings on shareholder capital and one-off items such as transformation costs and asset sales.

## Accounting treatment and definitions cont'd

**Persistence** – Calculated as opening AUM less outflows during the period divided by opening AUM. AFS AUM numbers are adjusted to exclude shareholder amounts so as to reflect product AUM levels.

AFS and CWM outflows are adjusted to exclude major internal flows so as to reflect external outflows only.

**Return on embedded value** – Calculated as the increase in embedded value in the period before transfers, divided by embedded value at the beginning of the period.

**RoBUE** – Return on BU equity is calculated as BU underlying operating profit after income tax (including underlying investment income) over the BU's average monthly tangible capital resources. No allowance is made for the benefit of gearing, which occurs at Group level.

**RoE (actual)** – Calculated as annualised profit after income tax before timing differences and profit on sale of discontinued business (FY 07 A\$93m) divided by average monthly shareholder equity for the period.

**RoE (underlying)** – Calculated as annualised underlying profit divided by average monthly shareholder equity for the period.

**Shareholder minimum regulatory requirements** – Refer to pages 37 and 38.

**S&P gearing** – Senior debt plus non-allowable hybrids divided by Economic Capital Available plus hybrids plus senior debt. Economic Capital Available is as defined by Standard & Poor's and includes AMP shareholders' equity (including intangibles) and 100% of future AMP Life shareholder profits including recurring contributions.

**Tier 1 capital** – Comprises the highest quality components of capital that fully satisfy all of the following essential characteristics:

- (a) provide a permanent and unrestricted commitment of funds
- (b) are freely available to absorb losses
- (c) do not impose any unavoidable servicing charge against earnings, and
- (d) rank behind the claims of depositors, policyholders and other creditors in the event of winding-up.

**Tier 2 capital** – Includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an entity as a going concern. It is divided into:

- (a) Upper Tier 2 capital – Comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument, and
- (b) Lower Tier 2 capital – Comprising components of capital that are not permanent, ie dated or limited life instruments.

**Total capital resources** – Total capital invested in BUs and Group Office including both tangible and intangible capital.

**Underlying investment income** – The investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) attributed to the BUs (including Group Office) has been normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. The excess (or shortfall) between the underlying return and the actual return is disclosed separately. Underlying returns are set based on long-term expected returns for each asset class. The return on AMP Banking income producing investment assets is included in contemporary wealth management operating earnings.

**Underlying profit** – AMP's key measure of business profitability, as it smoothes investment market volatility and aims to reflect the trends in the underlying business performance of the AMP group. The components of underlying profit are listed on page 3.

**Value of new business** – A calculation of the economic value of the profits expected to emerge from the new business written over a particular period, net of the cost of providing supporting capital.

**Value of risk new business** – Value of new business for contemporary wealth protection and AFS New Zealand risk business.

**Variable costs** – Include costs that vary directly with the level of related business (eg planner fees and commissions, investment management fees and banking securitisation and commission costs).

## Definitions of business units (BUs) and exchange rates

### AMP

AMP Financial Services, AMP Capital Investors and Group Office.

#### AMP Financial Services

AMP Financial Services provides a range of products and services to customers in Australia and New Zealand including:

- financial planning and advice services
- personal superannuation and retirement income products
- employer sponsored superannuation and insurance schemes
- managed investment products, including separately managed accounts
- personal term, disability and income protection insurance products
- mortgage and deposit products.

These products and services are primarily distributed through self-employed financial planners and advisers aligned with AMP Financial Services.

#### AMP Capital Investors

AMP Capital Investors is AMP's wholly-owned specialist investment manager. It manages investments across all the major asset classes including equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. AMP Capital Investors also provides commercial, industrial and retail property management services.

It provides its investment management services through in-house investment professionals and a carefully selected global network of investment partners.

In addition to its well established reputation in Australia and New Zealand, AMP Capital Investors has a strong and growing international presence with offices in Beijing, London, Mumbai, Singapore and Tokyo, allowing it to source competitive offshore opportunities.

#### Group Office

Group Office comprises:

- Group Office operations
- Group debt.

#### Cobalt/Gordian

During 1H 08, AMP completed the sale of its closed reinsurance and general insurance operations, Cobalt/Gordian. The buyer of the business assumed all of the risks and benefits of the Cobalt/Gordian operations from 1 July 2007. For Investor Report purposes, the sale has been treated as effective 1 July 2007. The sale was completed on 5 March 2008. The sale proceeds increased by A\$3.3m per month up to completion. An amount of A\$5m has been disclosed within underlying investment income, calculated as 5.20% of A\$585m for 1 January to 5 March 2008.

Following completion of the sale, AMP has restated prior period profit comparatives to exclude Cobalt/Gordian. Key performance measures have not been restated.

| Exchange rates |       |           | AUD/NZD |
|----------------|-------|-----------|---------|
| 2008           | FY 08 | – closing | 1.1930  |
|                |       | – average | 1.1922  |
|                | 2H 08 | – closing | 1.1930  |
|                |       | – average | 1.2096  |
|                | 1H 08 | – closing | 1.2609  |
|                |       | – average | 1.1846  |
| 2007           | FY 07 | – closing | 1.1410  |
|                |       | – average | 1.1373  |

## FY 08 financial results

| Analysis of operating results (A\$m)                          | AMP Financial Services | AMP Capital Investors | Group Office | Total        |
|---------------------------------------------------------------|------------------------|-----------------------|--------------|--------------|
| <b>BU operating earnings</b>                                  | 637                    | 136                   | -            | <b>773</b>   |
| Group Office costs not recovered from business units          | -                      | -                     | (36)         | <b>(36)</b>  |
| <b>Total operating earnings</b>                               | 637                    | 136                   | (36)         | <b>737</b>   |
| Underlying investment income                                  | 79                     | 12                    | 49           | <b>140</b>   |
| Interest expense on Group debt                                | -                      | -                     | (82)         | <b>(82)</b>  |
| AMP Limited tax loss recognition                              | -                      | -                     | 15           | <b>15</b>    |
| <b>Underlying profit</b>                                      | 716                    | 148                   | (54)         | <b>810</b>   |
| Market adjustment – investment income                         | -                      | -                     | (260)        | <b>(260)</b> |
| Other items                                                   | -                      | -                     | 73           | <b>73</b>    |
| Seed pool valuation movements                                 | -                      | (42)                  | -            | <b>(42)</b>  |
| <b>Profit after income tax before timing differences</b>      | 716                    | 106                   | (241)        | <b>581</b>   |
| Market adjustment – annuity fair value                        | -                      | -                     | (117)        | <b>(117)</b> |
| Loan hedge revaluations                                       | -                      | -                     | (41)         | <b>(41)</b>  |
| Accounting mismatches                                         | -                      | -                     | 157          | <b>157</b>   |
| <b>Net profit attributable to shareholders of AMP Limited</b> | 716                    | 106                   | (242)        | <b>580</b>   |

| Total capital resources (A\$m)                                 | 31 December 2008 | 31 December 2007 |
|----------------------------------------------------------------|------------------|------------------|
| <b>Equity</b>                                                  |                  |                  |
| Contributed equity                                             | <b>4,481</b>     | 3,827            |
| Equity contribution reserve                                    | <b>1,019</b>     | 1,019            |
| Other reserves                                                 | <b>(32)</b>      | 120              |
| Retained earnings                                              | <b>154</b>       | 546              |
| Demerger loss reserve                                          | <b>(3,585)</b>   | (3,585)          |
| <b>Total AMP statutory equity attributable to shareholders</b> | <b>2,037</b>     | 1,927            |
| Accounting mismatches and cashflow hedge reserve               | <b>204</b>       | 309              |
| <b>Total AMP shareholder equity</b>                            | <b>2,241</b>     | 2,236            |
| Group debt                                                     | <b>1,504</b>     | 1,169            |
| <b>Total capital resources</b>                                 | <b>3,745</b>     | 3,405            |

## Information for shareholders

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|                           |                                                                           |
|---------------------------|---------------------------------------------------------------------------|
| <b>6 March 2009</b>       | Ex-dividend date for final 2008 dividend (Australia)                      |
| <b>13 March 2009</b>      | Record date for final 2008 dividend                                       |
| <b>16 March 2009</b>      | Ex-dividend date for final 2008 dividend (New Zealand)                    |
| <b>18 – 26 March 2009</b> | Pricing period for DRP                                                    |
| <b>9 April 2009</b>       | 2008 final dividend payment date and allotment date for DRP issued shares |
| <b>6 May 2009</b>         | First quarter 2009 cashflow release                                       |
| <b>14 May 2009</b>        | Annual General Meeting                                                    |
| <b>20 August 2009</b>     | 2009 interim results announced                                            |
| <b>7 September 2009</b>   | Ex-dividend date for interim 2009 dividend (Australia)                    |
| <b>11 September 2009</b>  | Record date for interim 2009 dividend                                     |
| <b>14 September 2009</b>  | Ex-dividend date for interim 2009 dividend (New Zealand)                  |
| <b>16 October 2009</b>    | 2009 interim dividend payment date                                        |
| <b>22 October 2009</b>    | Third quarter 2009 cashflow release                                       |

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## Independent review statement

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### **Independent review report of selected information contained in the AMP Limited Investor Report for the year ended 31 December 2008**

To management of AMP Limited

#### ***The Investor Report and management's responsibility***

The management of AMP Limited is responsible for the Investor Report including pages 28 and 48.

#### ***Embedded value***

##### **Scope**

We have conducted an independent review of the embedded value assumptions set out on page 28 of the Investor Report of AMP Limited ("the Investor Report") for the year ended 31 December 2008 in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the embedded value assumptions as stated on page 28 are not reasonable for their intended purpose.

We disclaim any assumption of responsibility for any reliance on this review report 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 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 embedded value assumptions as stated on page 28 of the Investor Report for the year ended 31 December 2008 are not reasonable for their intended purpose.

#### ***Analysis of operating results***

##### **Scope**

We have conducted an independent review of the results ("financial information") set out on page 48 of the Investor Report of AMP Limited for the year ended 31 December 2008. We have performed the review of the financial information set out on page 48 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 results on page 48 of the Investor Report are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources set out on pages 45 and 46. We disclaim any assumption of responsibility for any reliance on this review report to any person other than management of AMP Limited.

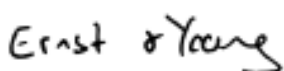
Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to review of the reconciliation of financial information to the Financial Report of AMP Limited, review of the determination of the operating earnings, underlying investment income and total capital resources in accordance with the definitions set out on pages 45 and 46, 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 results set out on page 48 of the Investor Report for the year ended 31 December 2008 are not materially consistent with the definitions of operating earnings, underlying investment income and total capital resources as set out on pages 45 and 46.

#### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



Ernst & Young

Sydney

19 February 2009



## Website

For additional 2008 full year results information, visit AMP's website at [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre)

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### **You will find:**

- Background information on AMP, business units, management and policies.
- Statutory reporting at the AMP Limited level (incorporating shareholder, policyholder and unattributed interests).
- Archived webcasts of presentations to investors and analysts.
- Archived ASX announcements and historical information.
- Definitions, details of assumptions and calculations of key ratios.



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