ASX Announcement

06 May 2005

Manager
Company Announcements Office
Australian Stock Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Manager
Market Information Services Section
New Zealand Stock Exchange
Level 9, ASB Tower, 2 Hunter Street
Wellington New Zealand

Announcement No: 15/05

Part One: **AMP reports increase in first quarter net cash flows**

Part Two: **Presentation to Macquarie Securities (Australia) 20th Anniversary Conference**

6 May 2005

AMP reports increase in first quarter net cash flows

AMP Limited's AMP Financial Services (AFS) division has today announced an increase in net cash flows for the first quarter of 2005 to $118 million, compared with net cash flows of $88 million in the first quarter of 2004.

AFS Managing Director Craig Dunn said: "The first quarter is traditionally AMP's slowest for cash flows. But the underlying sales growth and higher persistency reflected in these numbers are an encouraging start to the year."

Net cash flows for Australian contemporary products were up 6 per cent to $441 million in the first quarter of 2005. Inflows were 2 per cent lower at $1,733 million while outflows were 3 per cent lower at $1,292 million.

Net cash flows in the Australian mature/closed book improved from a net outflow of $327 million in the first quarter of 2004, to a net outflow of $300 million in the first quarter of 2005. Gross outflows were also down 8 per cent, reflecting improved persistency across the business.

In New Zealand, there was a net outflow of $23 million in the first quarter of 2005, compared with a net outflow of $1 million in the first quarter of 2004. This was primarily driven by a rationalisation of fund offerings within the business.

Gross inflows for the quarter were 1 per cent lower at $2,036 million compared with the first quarter of 2004, while gross outflows were reduced by 3 per cent to $1,918 million.

Mr Dunn said that the lower gross inflows reflected the closure and transfer of a product in the first quarter of 2004, which saw an inflation of both inflows and outflows by around $88 million; an industry-wide fall in lifetime annuity sales since a regulatory change in late 2004; and a slightly compressed comparative sales period, with Easter falling in the first quarter this year compared with the second quarter in 2004.

He said the cash flows did not include a number of new corporate superannuation mandates announced in recent months. These mandate wins are currently in transition with expected flows in the second and third quarters of 2005.

AFS expects to report first quarter net cash flows of about $250 million to Plan for Life (which reports retail products excluding regular premium and risk products). The comparative figure for the first quarter of 2004 was $230 million.

AMP Financial Services first quarter cash flows for 2005

	Q1 05			Q1 04		
	Inflow A$m	Outflow A$m	Net A$m	Inflow A$m	Outflow A$m	Net A$m
Australian contemporary	1,733	1,292	441	1,763	1,347	416
Australian mature/closed	171	471	(300)	187	514	(327)
New Zealand	132	155	(23)	108	109	(1)
Total AMP Financial Services	**2,036**	**1,918**	**118**	**2,058**	**1,970**	**88**

This table does not include institutional cash flows for AMP Capital Investors.

Media inquiries
Karyn Munsie
Ph: +61 2 9257 9870
0421 050 430

Keely Gallagher
Ph: +61 2 9257 2700
0408 655 021

Retail shareholder inquiries
Computershare
Ph: 1300 654 442

AMP update

Andrew Mohl

Chief Executive Officer

6 May 2005

Agenda

- AMP business model
- FY 04 results and FY 05 guidance
- Q1 05 cash flows
- De-risking of AMP
  - Capital
  - Earnings
  - Value

AMP's business model spans the industry value chain

Distribution - planners	Distribution - dealer groups	Products & platforms	Investment management
AMP and aligned planners	AMP Financial Services - Advice Based Distribution	AMP Financial Services - Product Manufacturing	AMP Capital Investors

AMP's positioning is strong in each part of the value chain:

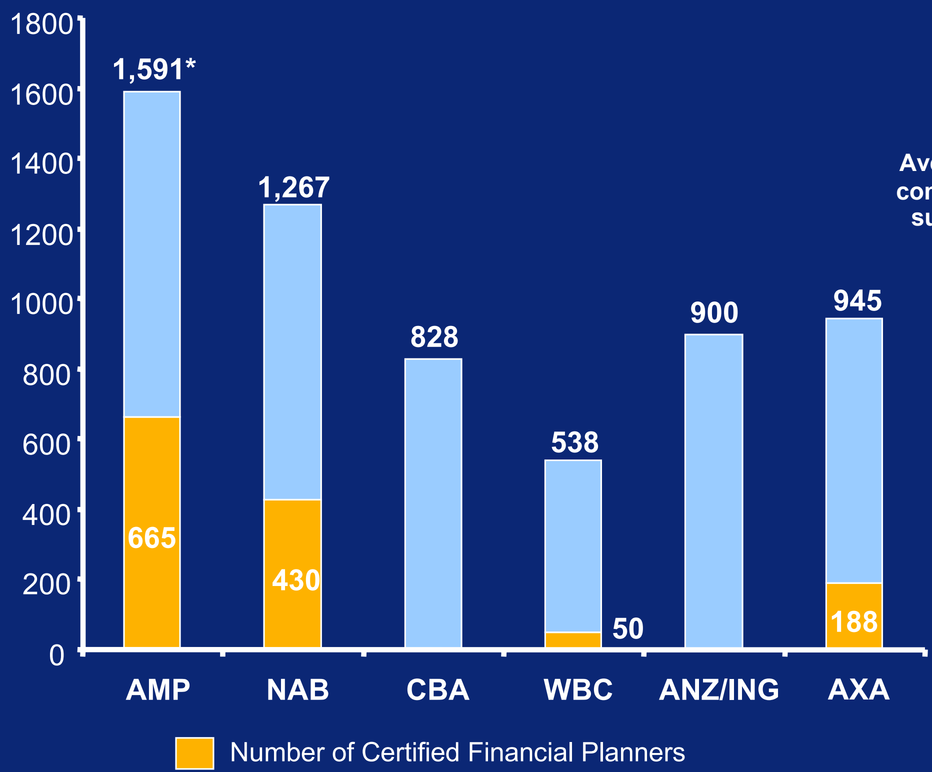
- Unmatched strength in distribution based on long term partnerships with self-employed financial planners
- Market-leading scale and cost efficiency in product manufacturing
- Broadly-based capabilities in investment management supplemented by partnerships with specialist managers

AMP's business model – whole greater than sum of the parts

- **Distribution drives high and relatively assured volumes in product manufacturing** (eg #1 in planners, #2 in super) **and provides the ability to cost-effectively in-source technology** (eg Asgard Wrap)
- **Distribution drives high fund volumes in AMP Capital and facilitates high quality partnering opportunities** (eg Future Directions Funds)
- **Product manufacturing volumes in turn drive purchasing power with external fund managers and technology providers** (eg supply chain management initiatives)
- **Funds management and divestments for mature Life book drive leading edge modern products** (eg Protected Equities, Listed/Unlisted Property Trusts, DUET)
- **Being a broadly-based heritage wealth management group is an attractive value proposition to employees and planners** (eg high retention through recent tough times)
- **Being a broadly-based heritage wealth management group enables leadership positions to be taken in key industry areas** (eg advocacy and corporate governance)

Advice based distribution – competitive advantage in scale, tenure and planner quality

Number of Australian financial planners June 2004

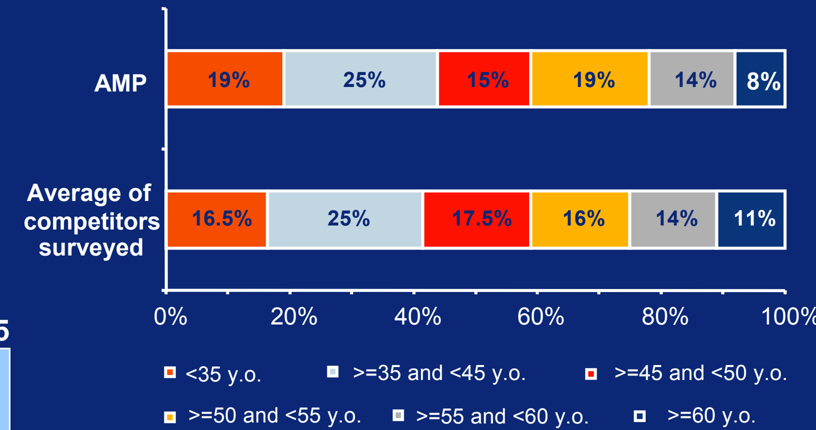


Note: ANZ, CBA did not provide 2004 CFP numbers

Source: Money Management 2004

*1,591 Australia only. Total AMP planner numbers including New Zealand is 1,856

Planner age profile



Average planner tenure

AMP	**49% more than 10 years**
Average of competitors surveyed	**15% more than 10 years**

Source: Tillinghast-Towers Perrin Distribution Benchmark Survey 2003

Key performance indicators – FY 04 results

	FY03	FY04	Comments
Underlying RoE	18.1%	**17.7%**	**$1.6 billion in excess capital at end FY 04**
Value of new business	$239m (@ 3% discount margin) $268m (market consistent)	**$284m** (@ 3% discount margin) **$316m** (market consistent)	**Up 19%** **Up 18%**
Controllable costs	$837m	**$813m**	**Down 3%** **Cost to income ratio 42%**
Operating margins	$508m	**$564m**	**Up 11%**
Investment performance % of Australian funds meeting benchmarks	74%	**86%**	**Highest on record**

Key performance indicators – FY 05 guidance based on fair markets

	FY 04	Recap of FY 05 guidance*
Underlying RoE	17.7%	Set to rise strongly
Value of new business	$284m (@ 3% discount margin) $316m (market consistent)	Strong growth
Controllable costs	$813m	Broadly stable
Operating margins	$564m	▪ Moderate growth in AFS post loss of tax relief = solid growth pre loss of tax relief ▪ Solid growth in AMPCI
Investment performance % of Australian funds meeting benchmarks	86%	Target 75%

*Forward looking statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed.

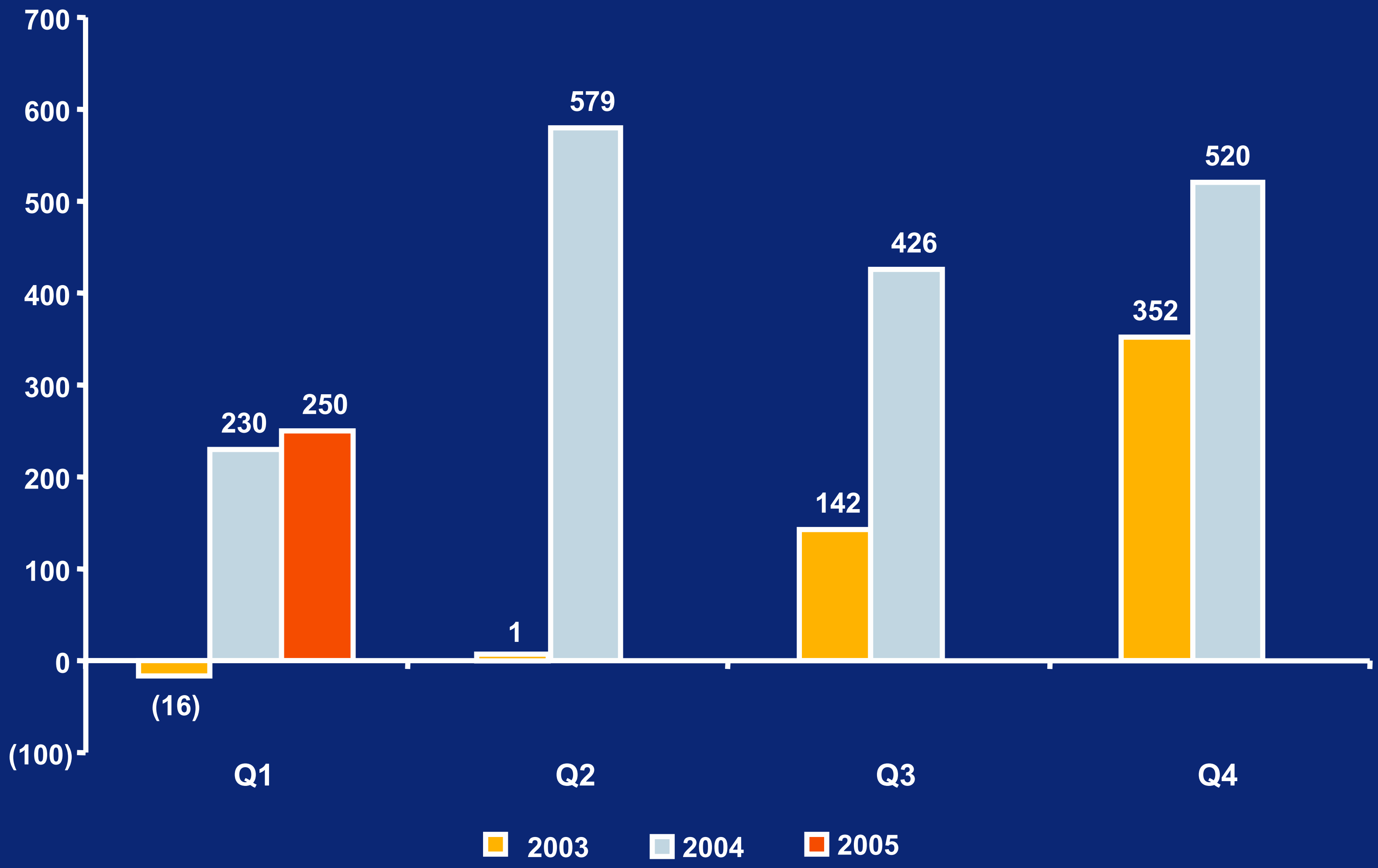
Q1 05 net cash flows

	Net flows Q1 04	Net flows Q1 05
Contemporary	$416m	$441m
Mature	($327m)	($300m)
NZ	($1m)	($23m)
Total	$88m	$118m

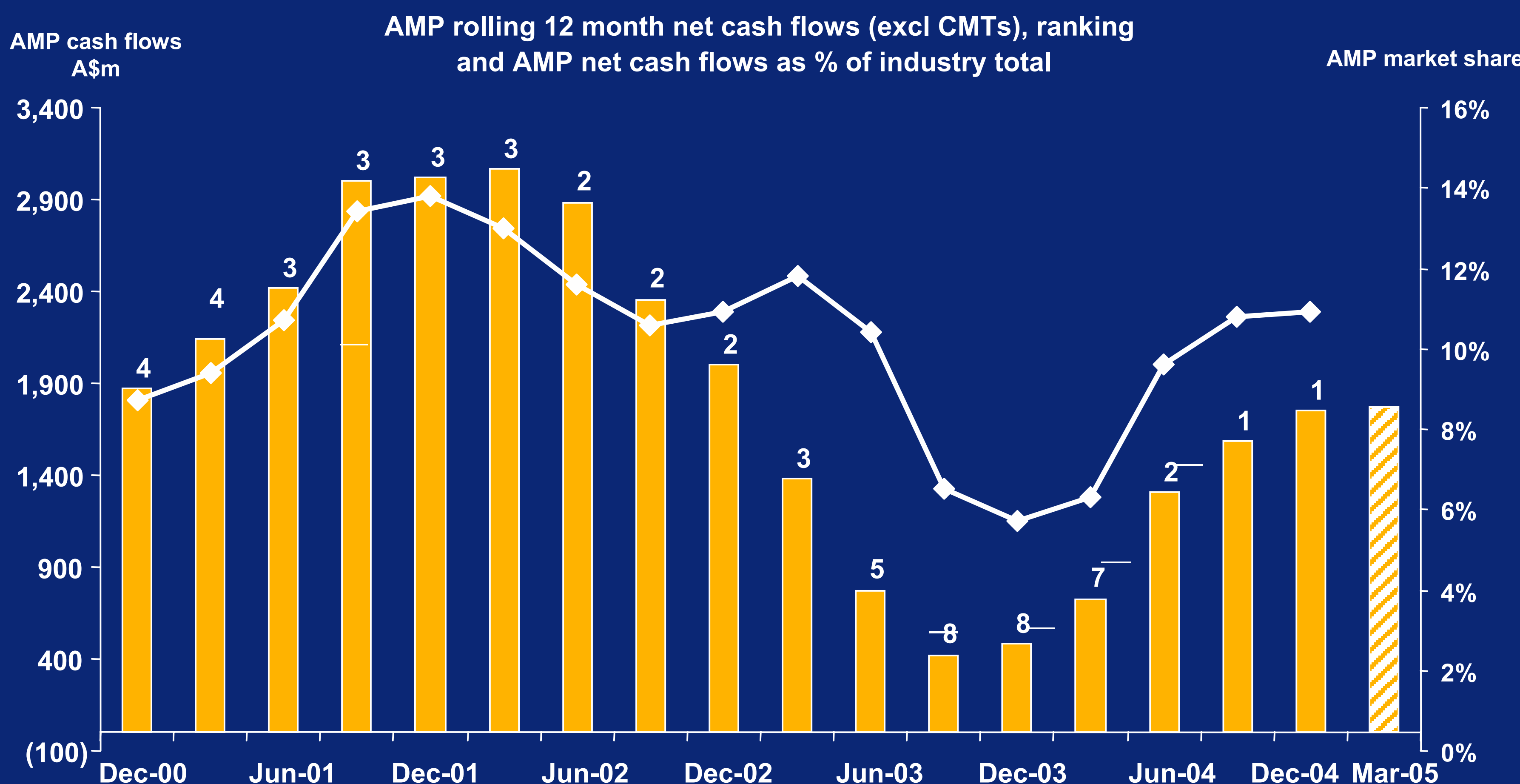
Q1 05 Australian contemporary cash flows

- Contemporary inflows of $1.733b were 2% lower and outflows of $1.292b were 4% lower than Q1 04
- Factors included:
  - Closure of Investment Solution and transfer to eWrap in Q1 04 led to $88m inflation of both inflows and outflows
  - Industry-wide fall in lifetime annuity sales since late 2004 – Q1 05 sales down $65m on Q1 04
  - Easter in Q1 05 but Q2 04
- Underlying trend of sales growth and higher persistency
- Good corporate superannuation pipeline

Q1 05 cash flows – Plan For Life basis



AMP Financial Services – net retail cash flows, ranking and industry share



Number above box represents relative industry ranking in year ending quarter

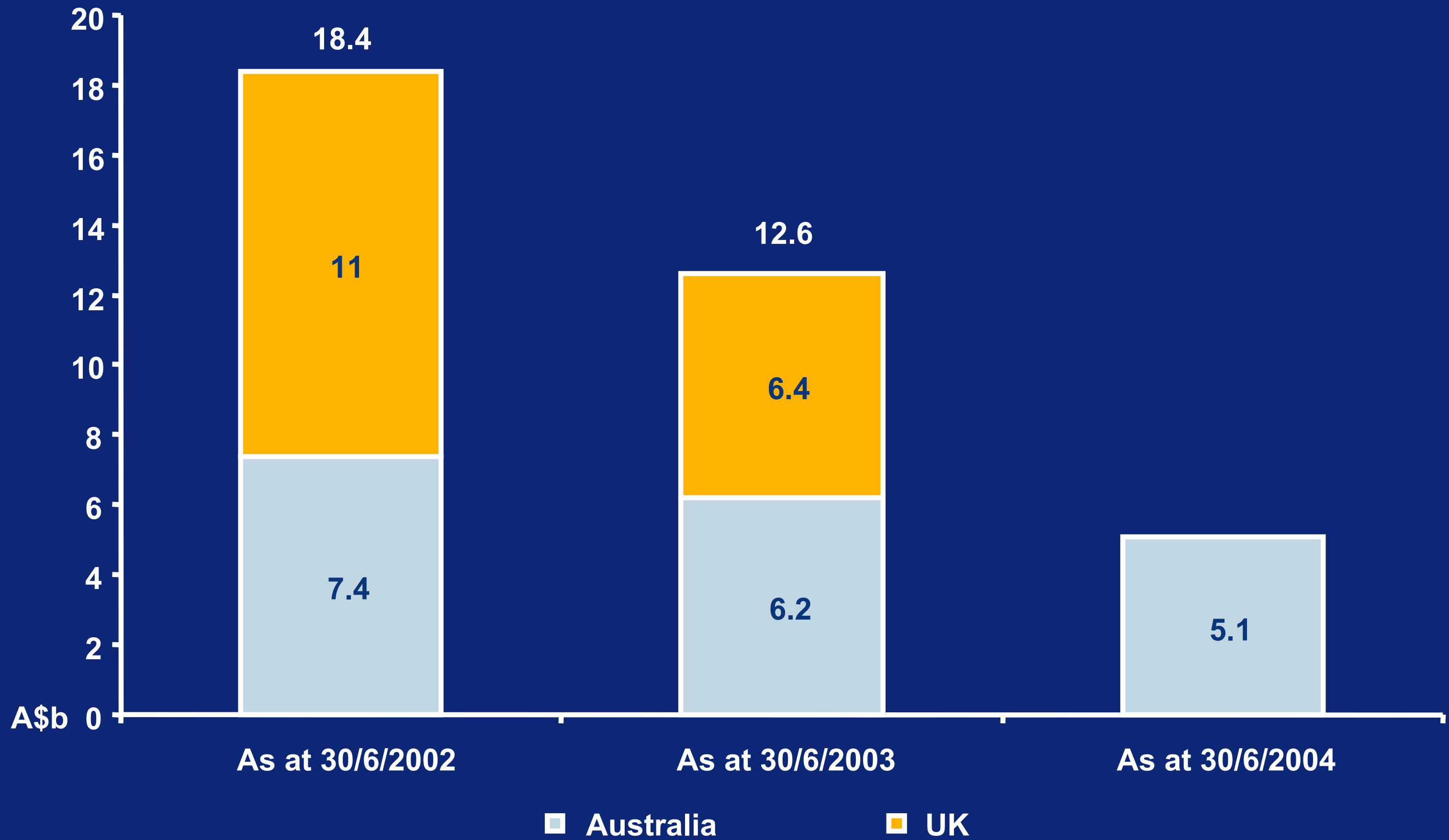
Source: Plan for Life December 2004

AMP rolling net retail net cash flows for March 05 quarter as reported on Plan for Life basis

Capital update

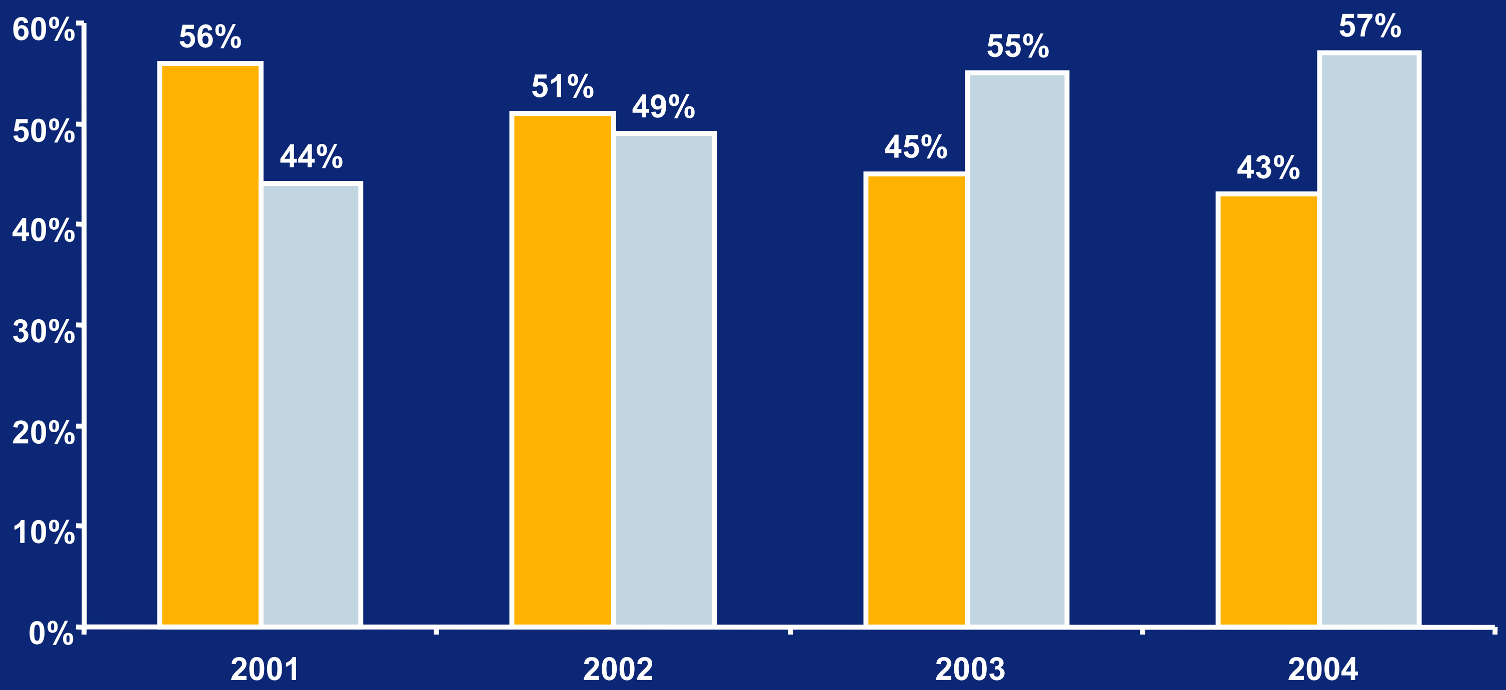
- Proposed capital reduction of around A$1b in progress, comprising
  - $750m capital return to shareholders, with shareholders to receive cash of 40c per share in mid-June, subject to approval at AGM on 19 May
  - Redemption of $265m in outstanding Income Securities, at face value, to take place on 10 May
- ATO ruling has confirmed capital return will be treated as a reduction in the cost base and not as a taxable dividend
- Further capital return in prospect in 2006

Business now has substantially reduced risk capital requirements[1]



[1] Risk capital is the amount of shareholder capital AMP's internal risk assessment determines is required, at a target confidence level, to cover all possible risks facing shareholders; the figure is gross and does not include diversification benefits between Business Units.

Asset mix for Australian participating business has shifted from growth to income assets

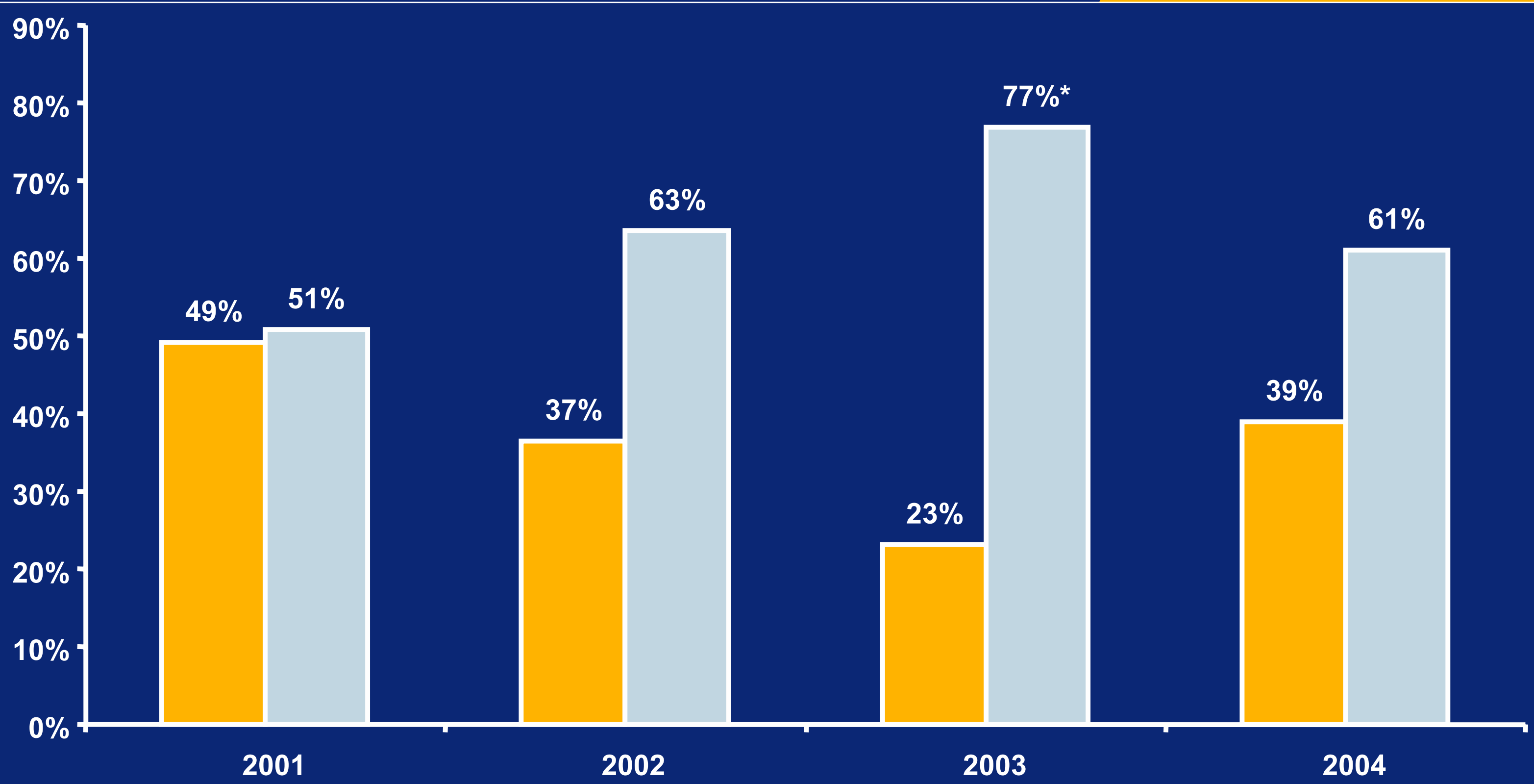


	2001	2002	2003	2004
AUM A$b	19	17	17	17

Growth Income

Broad growth/income asset mixes assumed for participating business at year end, showing effective exposure (ie taking into account the impact of derivatives)

Asset mix for shareholder capital resources has likewise shifted from growth to income assets



	2001	2002	2003	2004
AUM A$b	4.1	4.0	7.1	4.7

* Cash levels were unusually high at end 2003 due to the planned redemption of Reset Preferred Securities in January 2004 and other debt reduction initiatives post demerger

Equity market sensitivity varies by business unit

Business unit	Equity market impact
AFS contemporary business	50% of AUM in equities
AFS mature business	Relatively insensitive, with equity share of AUM around 30% and bonus rates smoothed
AMP Capital Investors	50% of AUM in equities
Cobalt	No impact

Group impact on operating margins, embedded value and RoE of a 5% fall in equities

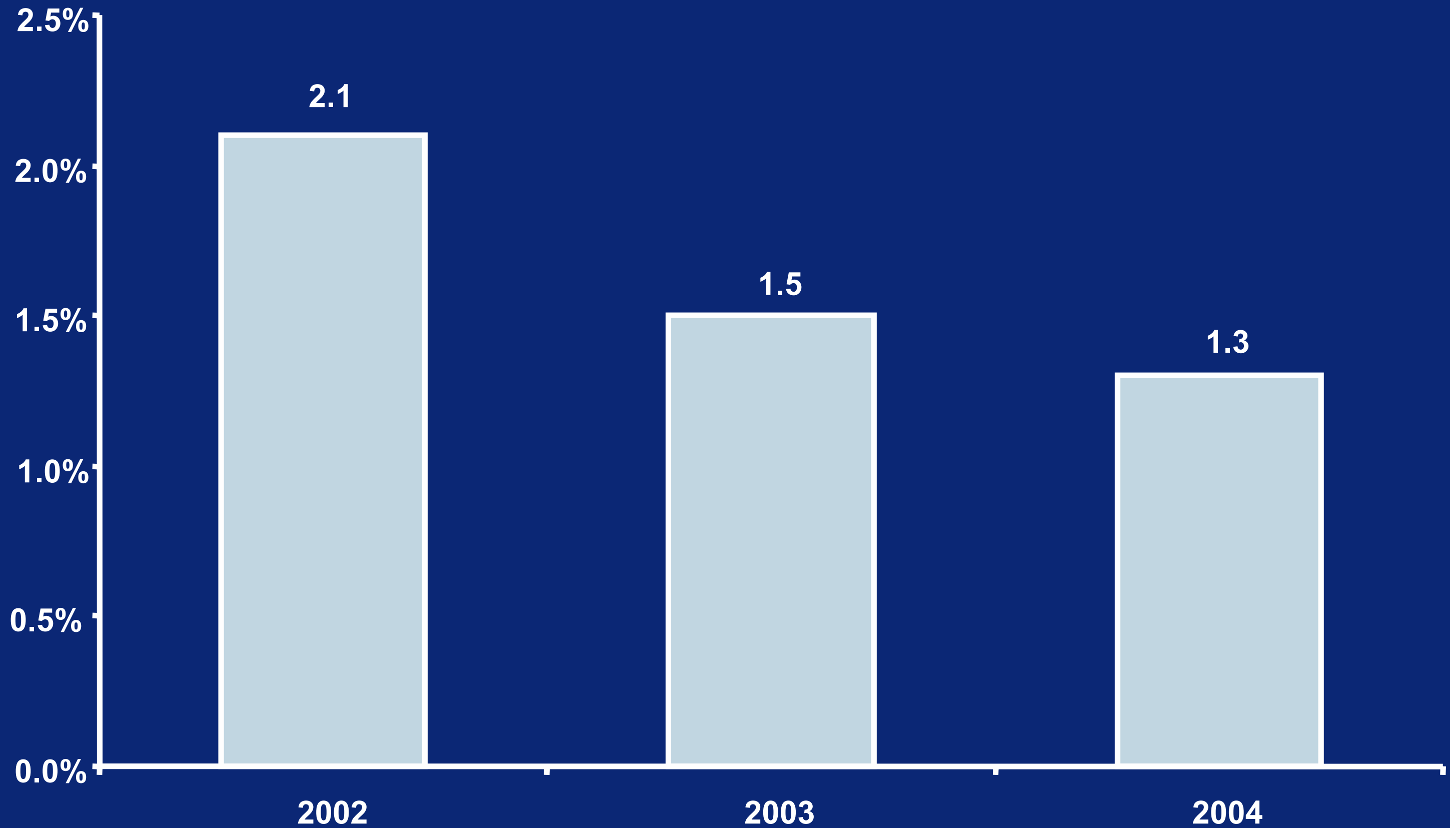
	FY 04 operating margins	Change in operating margins*	FY 04 embedded value#	Change in embedded value*
AFS				
Contemporary	$249m	($4m)	$3,160m	($86m)
Mature	$179m	($2m)	$1,653m	($52m)
NZ	$47m	($1m)	$610m	($3m)
AMPCI	$73m	($2m)	$800m^	($15m) ^
Cobalt/Gordian	$51m	Nil	$872m	Nil
Group office	($35m)	Nil	$1,896m	($20m)
Total	**$564m**	**($9m)**	**$8,991m**	**($176m)**

	FY04	Change
Underlying RoE	17.7%	(0.24%)

* Based on FY 04 outcomes and a 5% fall in international and domestic equities over the year

Traditional EV @ 3% discount margin ^ AMPCI EV and change in EV is an estimate only

Group underlying contribution sensitivity to a 5% fall in equities is modest and well down on two years ago



* Based on FY 04 outcomes and a 5% fall in international and domestic equities over the year

Market consistent valuation is a more robust methodology for calculation of market risks

- Preferred measure for AMP, first published in October 2003
- Measures market risk explicitly not by assumption of a single discount rate
- FSA in UK has adopted as basis for solvency regime of with-profits funds
- Move to European embedded value underway, with agreed set of guiding principles including cost of options and guarantees

Valuation differences for AFS embedded value – market consistent v traditional approaches

A$m	FY04 MCEV#	FY04 EV @ 3% dm	Difference
AFS	**5,641**	**5,423**	**218**
Contemporary	3,424	3,160	264
Mature	1,576	1,653	(77)
NZ	641	610	31

No explicit allowance is made for agency costs in this calculation. At a 2.5% discount for agency costs, AFS MCEV would be reduced by $141m.

Valuation differences for AFS VNB – market consistent v traditional approaches

A$m	FY04 MCVNB#	FY04 VNB @ 3% dm	Difference
AFS	**316**	**284**	**32**
Contemporary	249*	227	22
Mature	33*	27	6
NZ	33*	30	3

No explicit allowance is made for agency costs in this calculation. At a 2.5% discount for agency costs, AFS MCVNB would be reduced by $18m.

* Does not add to $316m because of rounding.

AFS valuation is highly sensitive to methodology

A$m	2004 at equity return + 1% (4% dm)	2004 at equity return (3% dm)	2004 market consistent#	2005 market consistent# assuming 10% EV / 5% VNB growth
Embedded value	5,181	5,423	5,641	6,205
VNB – FY 04	261	284	316	332
VNB x 17*	4,437	4,828	5,372	5,644
Total	9,618	10,251	11,013	11,849
Difference from 1st column	0	633	1,395	2,231

* Based on FY 04 numbers using analysts' consensus multiplier for VNB

No explicit allowance is made for agency costs in this calculation

Conclusion

- AMP has a strong business model and positioning across wealth management value chain, led by distribution
- Underlying trend in early 2005 of sales growth and higher persistency with good corporate superannuation pipeline
- Capital intensity and risk profile have reduced significantly in past two years
- Earnings and value sensitivity to equity markets is modest
- Market consistent valuation methodology more accurately measures the market risks being borne by the business
- FY 2005 guidance is reaffirmed