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HHG PLC Group Overview

October 2003





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Demerger and next steps

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Overview

The Group will comprise:

- **Henderson Global Investors (Henderson):** top 10 UK-domiciled investment manager with £69 billion of assets under management at 30 June 2003
 - strong organic growth opportunities
 - operational leverage
- **Life Services:** the closed life and pensions businesses of Pearl Assurance, National Provident Life, NPI and London Life.
 - scope for significant efficiency gains
 - scope for substantial release of capital over the longer term
- **Other Businesses:** Towry Law and Virgin Money
 - value opportunities

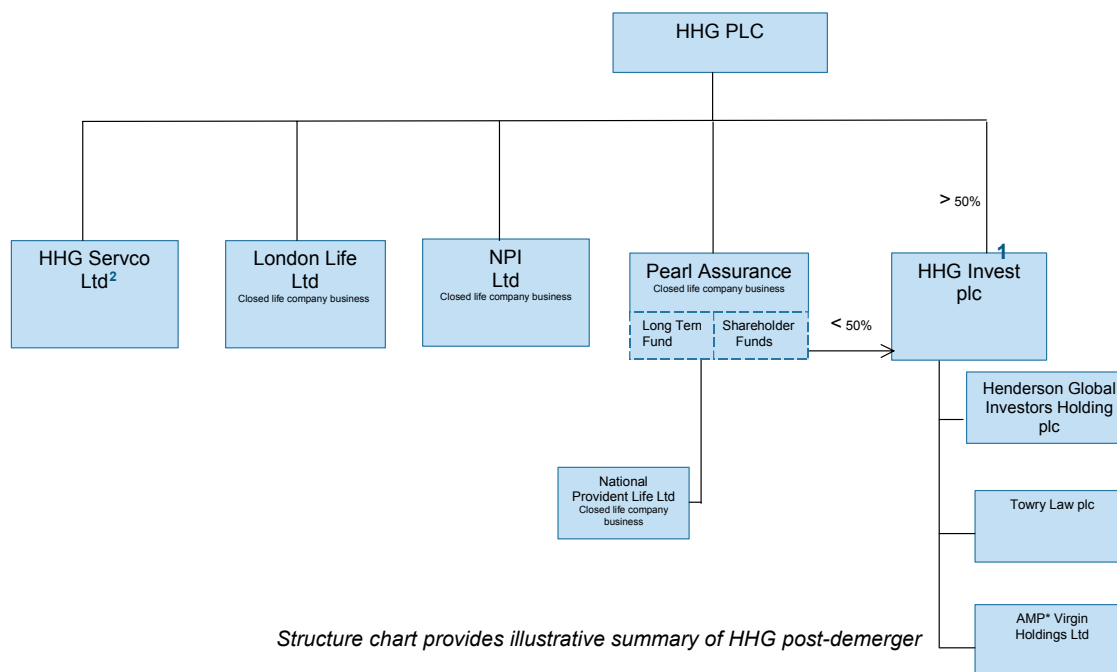
Attractive prospects for value recovery with dividends and capital release over the longer term



Corporate structure - illustrative

Ownership of HHG Invest¹

- HHG Invest is the holding company of Henderson, Towry Law and Virgin Money.
- Historically HHG Invest has been majority owned by the Pearl shareholder fund.
- Demerger restructuring will ensure majority ownership of HHG Invest by HHG plc:
 - provides direct exposure to investment management business
 - improves ability to distribute income to the Group
 - improves quality of Pearl’s regulatory capital



Structure chart provides illustrative summary of HHG post-demerger

¹ AMP Invest to be renamed to HHG Invest

² AMP UK Services Ltd to be renamed to HHG Servco Ltd



Corporate strategy

Build on Henderson's position as a powerful and highly regarded European-based investment manager

Place Life Services on an efficient operational platform and in a sound financial position to improve operating profitability and enable release of capital over the long term

Consideration will only be given to divestment opportunities where appropriate value can be achieved

- Henderson:
 - Build and sustain competitive investment performance
 - Broaden product range and develop additional higher-margin products
 - Further expand distribution and strengthen client servicing
 - Attract and retain the right people
- Life Services:
 - Maintain a rigorous approach to risk and balance sheet management
 - Improve operating efficiency of the closed books
 - Manage customer relationships effectively
 - Develop and retain high quality people
- Other Businesses
 - Develop Towry Law as an effective standalone business
 - Maximise the value of HHG's stake in Virgin Money



Board and management

Non-Executive Directors

Peter Costain

Sir Malcolm Bates
Chairman

Anthony Hotson

Sir William Wells

Pat Handley

Andrew Mohl

Executive Directors

Toby Hiscock
Chief Financial
Officer

Roger Yates
Chief Executive HHG
and MD, Henderson

Ian Laughlin
MD, Life Services

*Other Senior
Management*

Steven O'Brien
General Counsel

Ian Buckley
Chief Investment
Officer

Jonathan Moss
Finance Director and
Chief Actuary

Anne Rein
Director HR and
Communications

Mike Clare
MD, Henderson UK



Financial overview

Key drivers:

- the performance of investment markets;
- the size and mix of assets under management;
- client retention and new business levels;
- changes in cost base; and
- management of risk and exposures.

Consolidated proforma financial performance			
AGAAP \$Am	FY02	1H02	1H03
Henderson	97	57	28
Life Services	226	177	(24)
Other Businesses	(30)	(9)	(2)
BU operating margins	293	225	2
Corporate office costs	(28)	(18)	(4)
Operating margins	265	207	(2)
Underlying investment income	219	117	114
Underlying contribution	484	324	112
Investment income market adjustment	(139)	(76)	10
Goodwill amortisation	(9)	(4)	(9)
Pro-forma net profit after tax before corporate borrowing costs (\$Am)	336	244	113
Pro-forma net profit after tax before corporate borrowing costs (£m)	121	90	43
RoIC	3.9%	5.8%	3.1%
Total invested capital AGAAP		\$Am	5,812
Total invested capital UKGAAP		£m	1,536



Dividend policy

- The HHG Board considers the payment of a sustainable dividend desirable
- HHG intends to pay dividends to the extent that they can be funded by surplus cash earnings from its operating subsidiaries and/or transfers from the life companies
 - Near term: no dividend payment expected
 - Longer term: the HHG Board expects the cash earnings of its subsidiaries to improve and capital to be released from the life companies as policies mature or are surrendered



Current trading update

Henderson

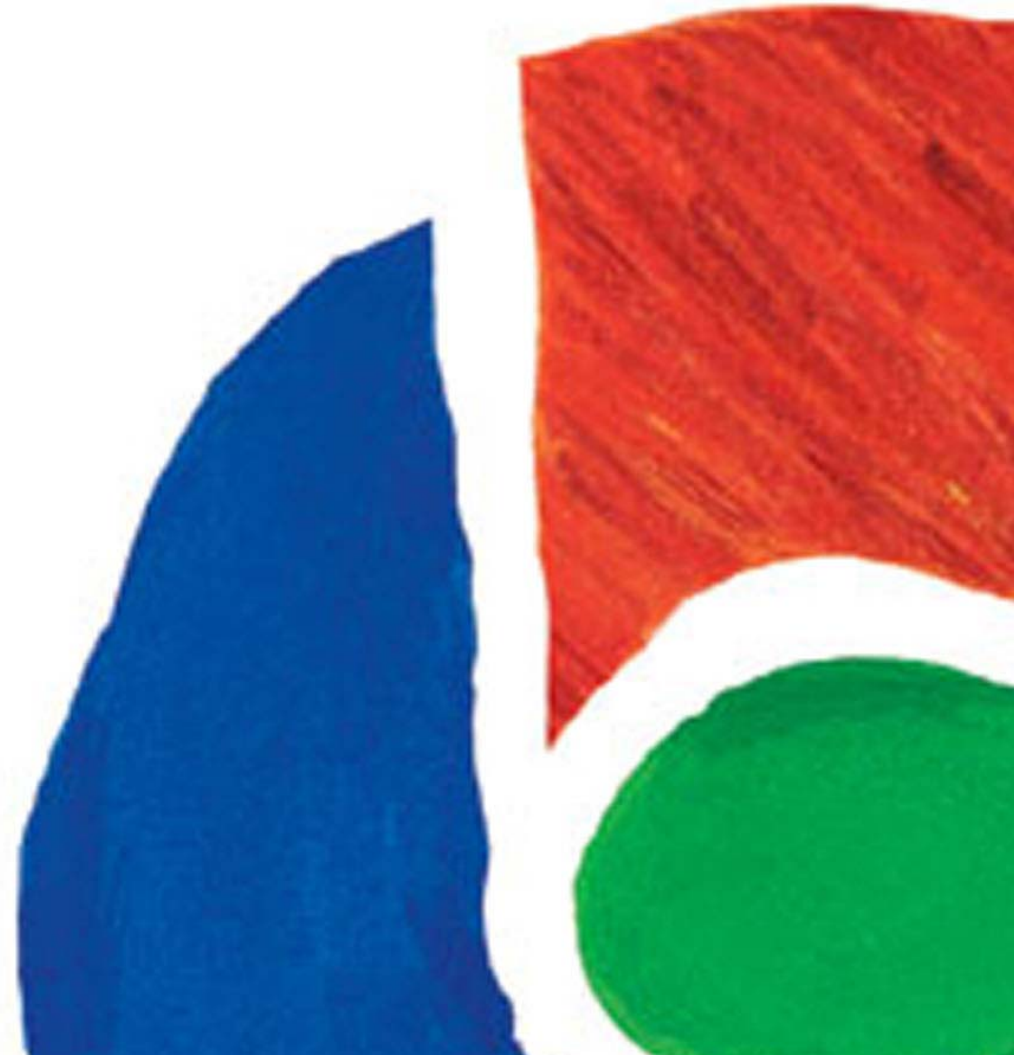
- H2 2003: assets under management growing reflecting:
 - improved equity markets; and
 - positive net new sales to retail and institutional clients, specifically in Horizon, absolute return and collateralised debt obligation funds
- Asset growth offsetting outflows from Life Services

Life Services

- Efficiency: rationalisation and cost initiatives underway (eg previously announced headcount reduction of 900 roles due to closure of NPI and other operational efficiency improvements)
- Persistency: in line with expectation and allowed for in Embedded Value



Business Unit Overview





Henderson Global Investors

Strategic priorities

- Build and sustain competitive investment performance
- Broaden product range and focus on higher margin product
- Build scale by strengthening distribution and client servicing
- Improve cost efficiency
- Attract and retain the right people

Key strengths

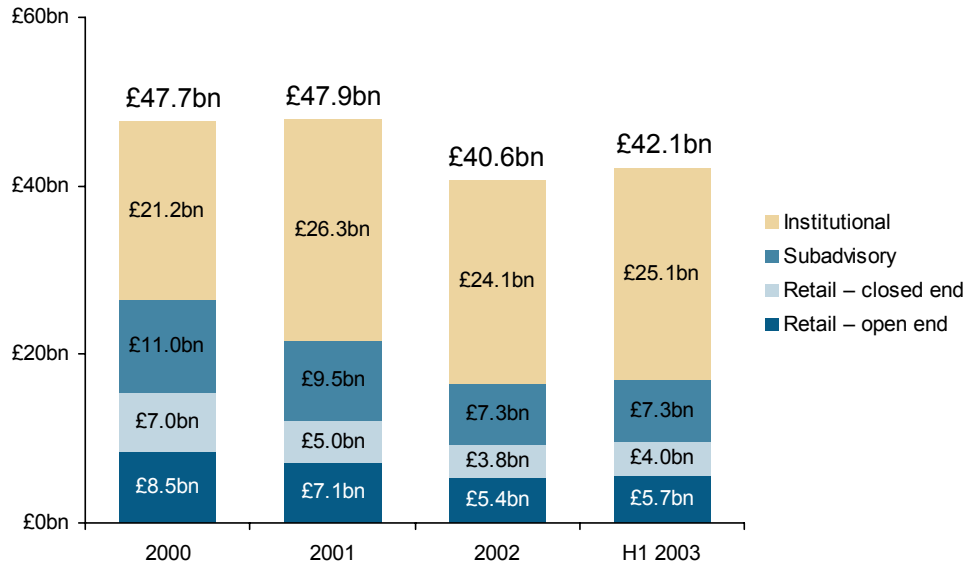
- Leading institutional and retail brand
- Established market positions¹
 - Top 10 UK-domiciled investment manager
 - No. 2 in investment trusts
 - No. 6 in UK retail OEICS and unit trusts
- Investment performance: 71% of listed assets outperformed benchmark at H1 2003
- Well diversified product range and international investment capability
- Balance of asset classes: including core equity and fixed income products, property and private equity
- Product innovator: strong growth in alternative products
- Broad representation in UK intermediary distribution channels with expanding international network
- Emerging presence in Continental Europe, Asia and USA
- Well placed to benefit from recovery in retail markets

¹ 30 June 2003, (include collective investments to be transferred from Life Services)



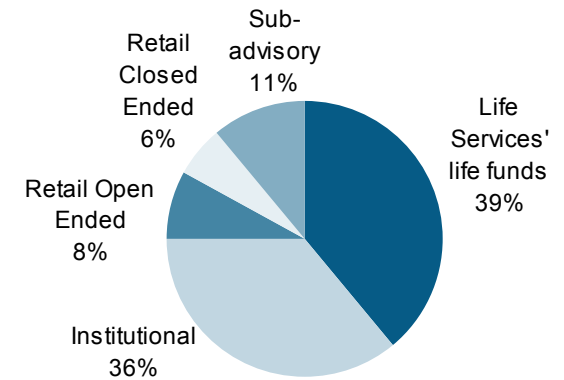
Henderson: assets under management

Organic growth of external assets under management (ex market movements)¹

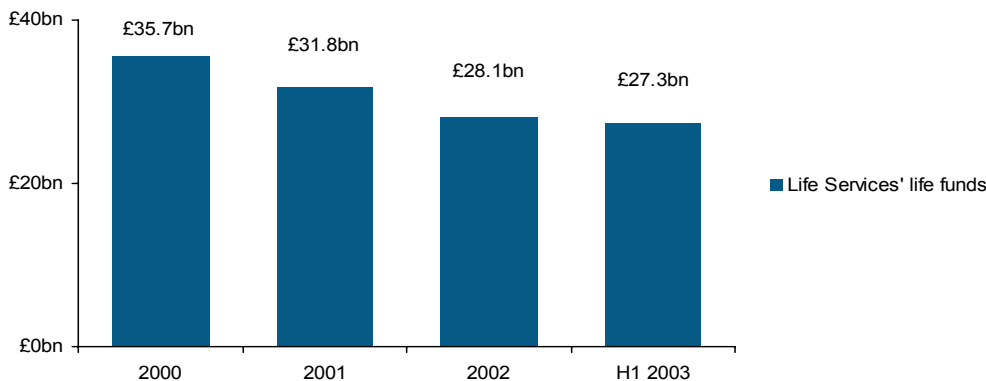
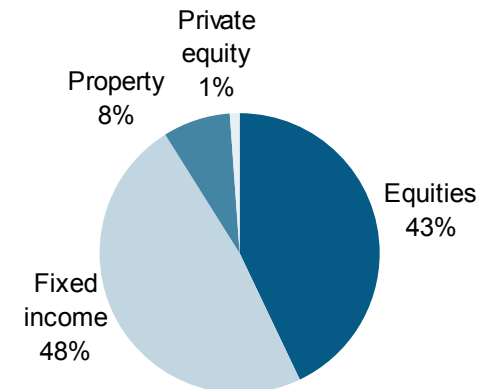


AUM as at 30 June 2003

By line of business



By asset class



¹ Excludes private client AUM



Henderson: financial record

- Well diversified business cushioned the impact on revenues of falls in investment markets
- Strong cost control held expenses stable
- Significant potential for improved profitability as investment markets recover

AGAAP (£m) ¹	FY02	1H02	1H03
Fee income	213.5	109.2	94.2
Management expenses	(159.4)	(79.8)	(79.7)
Corporation tax	(19.1)	(8.5)	(3.8)
Transformation costs	-	-	-
Operating margin	35.0	21.0	10.7
Cost:income²	73%	72%	83%

¹ For Henderson AGAAP and UK AGAAP profits are not expected to be significantly different

² Calculated using A\$. Cost to income in GBP would differ due to currency conversion



Life services

Strategic priorities

- maintain a rigorous approach to risk and balance sheet management
- improve operating efficiency of the closed books
- manage customer relationships effectively
- develop and retain high quality people

Key strengths

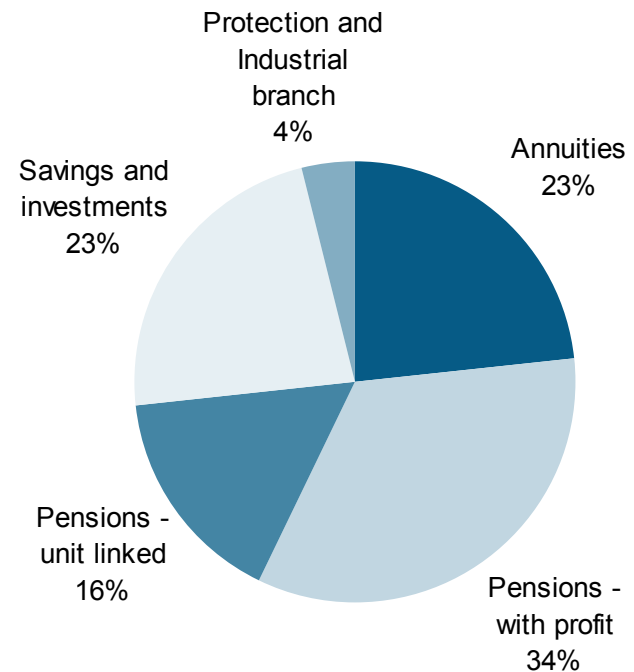
- experience in managing closed life funds
- integrated call centre and back office processing
- large scale closed fund business
- move from open to closed business gives scope for reducing activity and increasing productivity to reduce cost within the service company



Life Services - overview

- Closed life companies of Pearl, National Provident Life, NPI and London Life
- Total Life Company assets under management of £29.5 billion
- Approximately 5 million life and pension policies in force
- Traditional Embedded Value of £845 million, net of BU cross holdings
- Market-Consistent Embedded Value of £900 million, net of BU cross holdings
- Business includes annuities, pensions, savings and investments, protection and collective investments

Products - % of insurance liabilities, net of reinsurance - £27.8bn¹



¹ Excludes Collective Investments due to be transferred to Henderson in 2004



Life Services - key financials

- Service Company moving to breakeven in 2004
- Significant reduction in equity exposure of the life companies in 2003
- Life companies met capital requirements under current regime and proposed CP195

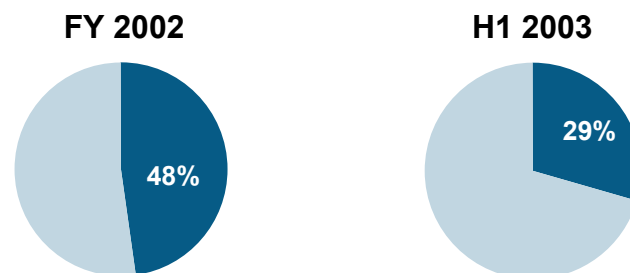
\$Am AGAAP	FY02	1H02	1H03
Components of profit and loss			
Profit margins released	152	98	45
Profit margins – other	102	71	(38)
Total profit margins	254	169	7
Experience profits/(losses)	(22)	(14)	(37)
Capitalised (losses)/loss reversals	(6)	22	6
Operating margins	226	177	(24)
Underlying investment income	211	112	131
Underlying operating profit after tax	437	289	107
Retention/persistence	88%	88%	85%
Equity backing ratios (%)			
Pearl	47.9	76.0	29.4
London Life	44.9	47.1	16.2
National Provident Life	48.5	52.0	12.1
Free Asset Ratios (%)			
	FY02	1H03	
Pearl	4.7	1.8	
London Life	5.4	1.1	
National Provident Life	8.2	0.4	



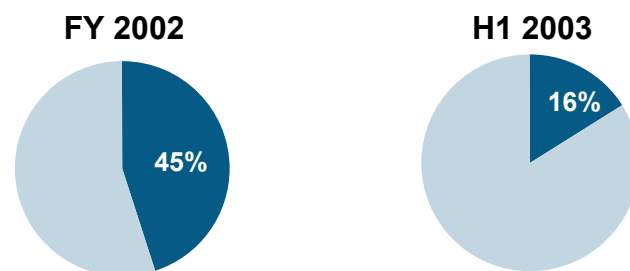
Life Services: initiatives undertaken to reduce risk

- Detailed review of liabilities and risks
 - Asset: liability matching
 - Guarantees and mis-selling
 - Regulatory risks
 - Insurance risks: mortality / persistency
- Investment in portfolios with lower risk and volatility leading to greater security for policyholders and shareholders
- Pearl long term Equity Backing Ratio (EBR) target of 25%
- Prudent write-downs of shareholders assets in association with risk reduction initiatives, recognising likely policyholder calls on those assets
- External review of embedded values and realistic capital position undertaken by the Independent Consulting Actuary, Tillinghast Towers Perrin
- Embedded values and realistic capital positions reflect actions taken and realistic assessment of future shareholder returns

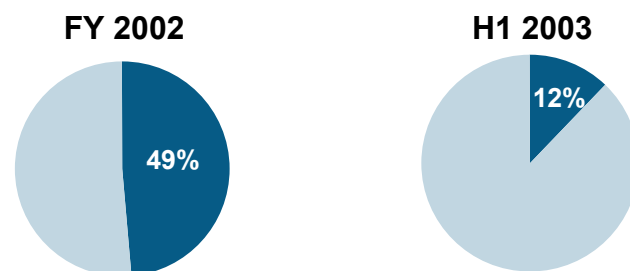
EBR - Pearl



EBR¹ - London Life



EBR¹ - National Provident Life



¹ Equity Backing Ratios in London Life and National Provident Life reflect growth assets of property and private capital.



Provisions

- At 30 June 2003 HHG held provisions for known and potential issues that may lead to future losses:
 - Total AGAAP provisions \$3.1bn of which \$737m related to shareholder funds and companies and the rest related to the With Profits funds of the life companies.
 - Total UKGAAP provisions \$980m higher, reflecting a 'prudent' rather than best estimate accounting basis
 - The largest provisions were:

Provision A\$m	AGAAP \$m	UKGAAP	
		\$m	£m
Guaranteed annuity options	981	1,442	586
Pension misselling	829	1,014	412
Mortgage Endowment ¹	480	573	233
Restructuring provisions	299	299	122
Other & void properties	217	217	88

¹ Includes provision related to mortgage endowment promise (\$433m) in addition to that for mortgage endowment misselling (\$47m)



Capital releases

- Any release of capital depends on building and maintaining capital in excess of that which the FSA requires within each company. In line with CP195, companies will publish at the RCM level. The FSA will also require companies to determine an additional buffer - the Individual Capital Assessment (ICA) to cover operational risk. This will be a matter between FSA and each company, reflecting the different risk profiles of each life company
- The Board of Pearl Assurance (Pearl's main life company) have committed not to make any transfers to shareholder funds from Pearl 90:10 with profit fund for at least 10 years without approval from the FSA. Capital can be released, or dividends paid, from other funds including the shareholder fund of Pearl, or other Pearl companies, subject to the approval of the FSA
- NPI Ltd and the other unit linked subsidiaries can release dividends, subject only to the normal requirement to treat customers fairly
- Capital releases from National Provident Life and London Life are dependent on the application of rules set at the time of their demutualisation



Other businesses

Towry Law

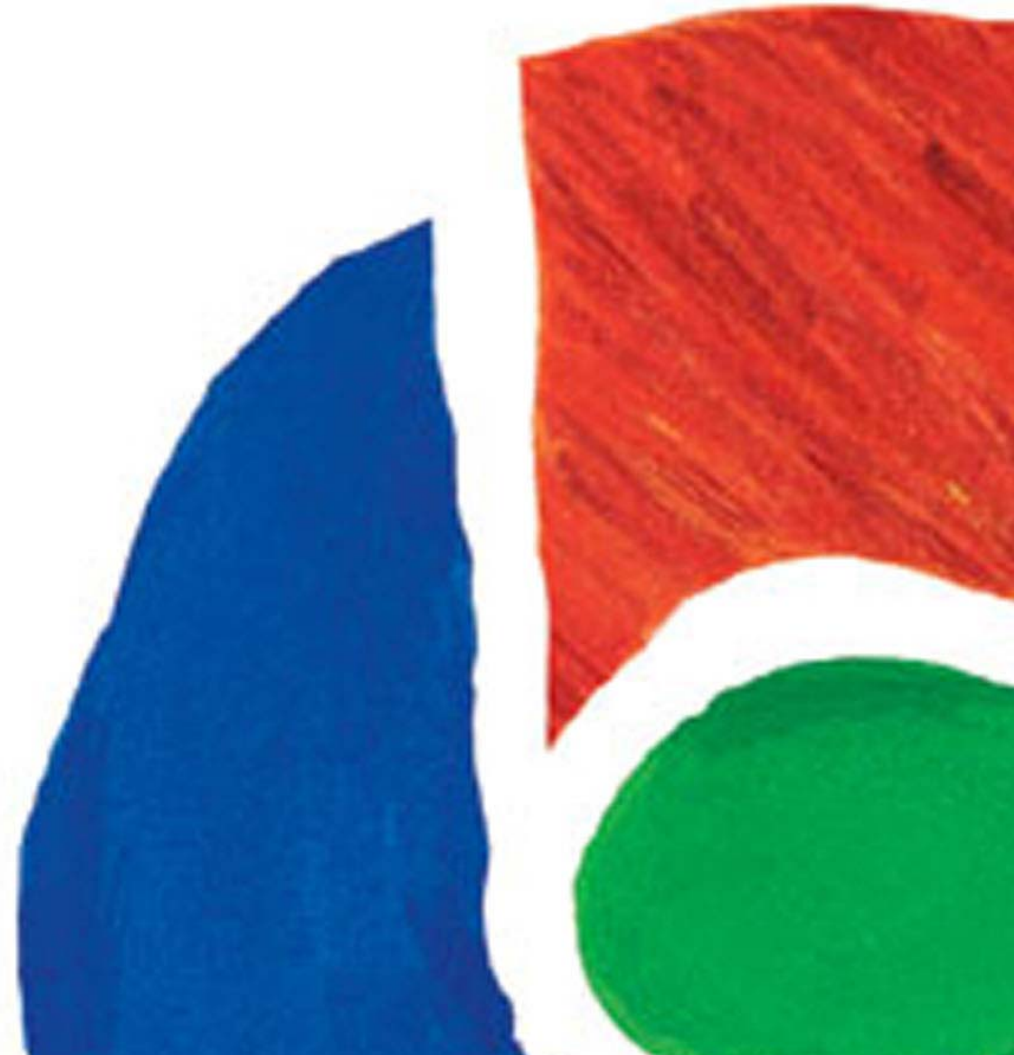
- IFA with operations in the UK, Middle East and Asia
- Advice on pensions, investments, insurance and mortgages
- Focus on individual retail market and SME sectors
- Recent performance adversely affected by market conditions
- Key strengths
 - Business model
 - Experienced management team
 - Successful restructuring has restored profitability
 - Committed and experienced adviser base

Virgin Money

- 50/50 joint venture with Virgin Group
- Exclusive worldwide licence to use the Virgin brand in retail financial services
- Focus on 'branded packaging' using scale manufacturers to offer good value, straightforward, mass market financial products including:
 - savings and investments, protection and lending products
- 735,000 customers and £1.9 billion of funds
- Successful launch of credit cards
- Develop 'branded packager' relationships with manufacturers and distribution partners



Demerger and Next Steps



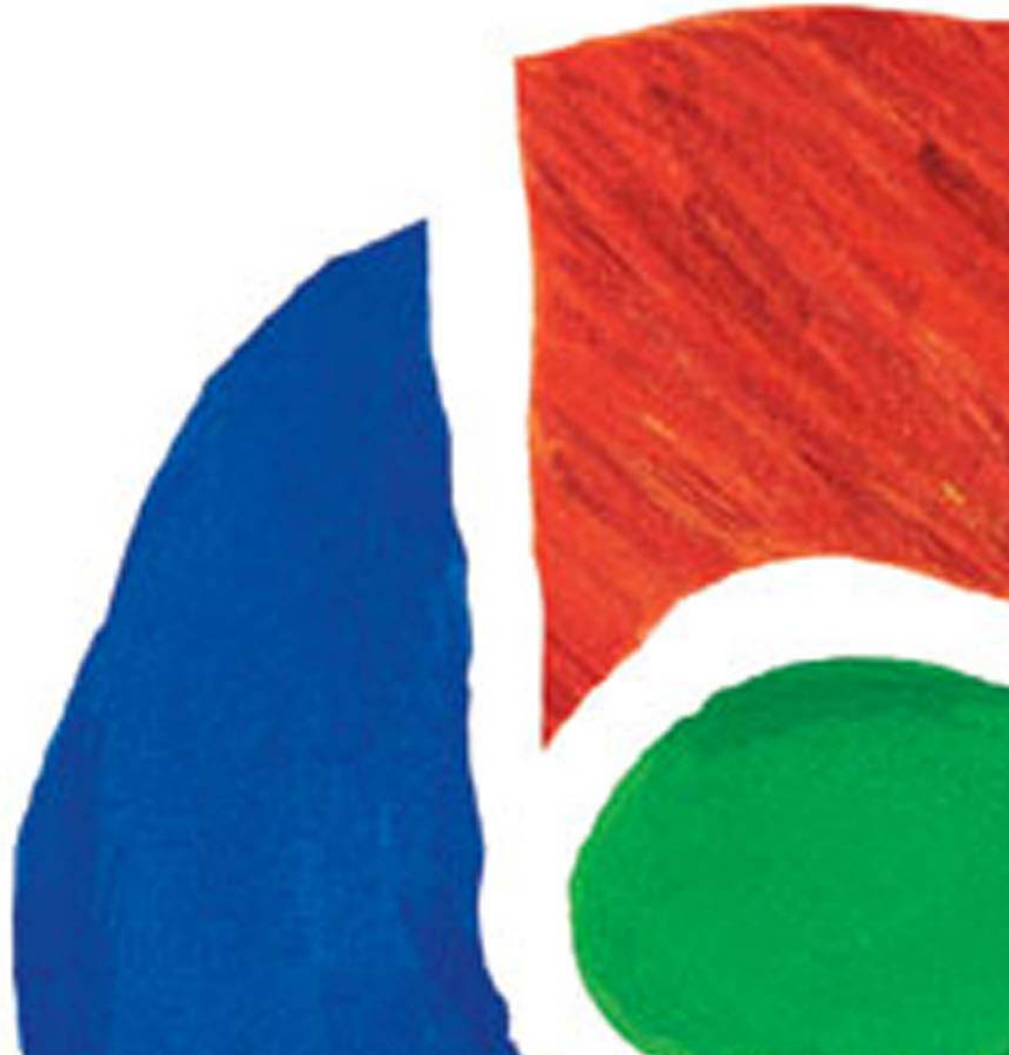


Recap of demerger restructuring

- Demerger of HHG from AMP announced on 1 May 2003: clear geographic and strategic focus
- Various actions taken to establish HHG as a standalone entity with limited external corporate debt
 - AMP assuming HHG's outstanding corporate debt and retaining a 15% stake in HHG
 - Assets written down to robust values
 - Life Services risks reduced
- Further £100m of capital required to achieve demerger objectives
- Offer by HHG to raise at least £100 million before 30 June 2004
 - proceeds applied to restructuring of HHG Invest and to capitalise HHG
 - AMP standby commitment put in place
- AMP has limited ability to sell their 15% holding before release of HHG's 2004 Annual Results (Q1 2005)
- Listing of HHG on ASX and LSE scheduled for December 2003



Appendix





Regulatory capital

CP195 – current understanding of the Twin Peaks regime

- Required capital resources will be determined by the greater of two measures:
 - Statutory peak
 - similar to current rules, some changes eg: prudent allowance for lapses, tougher resilience test, but on balance, a reduction in calculated liabilities
 - Realistic peak
 - liabilities measured on a market-consistent basis, assuming management action consistent with the PPFM ¹
 - risk capital margin (RCM) being the capital required to support the business in adverse conditions
- Resilience Test (adverse conditions) comprise:
 - 10% fall in equities
 - 20% fall in properties
 - Widening of corporate spreads
 - 90 bps shift in fixed interest yield curve
 - 50% adverse change in persistency rates
- FSA is reviewing these calibrations and they remain subject to change

¹ Principles and Practices of Financial Management – a publicly available document provided by companies explaining how management expects to manage the obligations of the company in respect of with-profits policyholders



Regulatory capital

Life services under Twin Peaks

- The realistic peak is expected to be more onerous than the statutory peak for the three main subsidiary life companies
- On this basis, Tillinghast have reviewed the capital position of Pearl, NPL and London Life under the requirements of the realistic peak

Realistic balance sheets

<i>As at 30 June 2003 (£ m)</i>	Pearl	NPL	LL
Admissible assets	14,874	7,915	2,865
Adjustment for non profit business	(3,471)	105	(1,122)
Available assets	11,403	8,020	1,743
Realistic liabilities	(11,017)	(7,819)	(1,714)
Assets available to cover risk capital	386	201	29
Risk capital margin	(311)	(151)	(29)
Free capital	75	50	0

- No requirement for Pearl to provide any further capital support to NPL
- The Statutory Peak for Pearl still includes the existing £400m implicit item beyond November 2003
- Allowance of £100m has been made for the actions NPL has taken since 30 June 2003 and is continuing to implement to improve asset liability matching
- In addition to meeting their RCM, companies will have to carry out an Individual Capital Assessment (ICA)
- It will take account of specific business and control issues faced by each company



Regulatory capital

Life companies meet regulatory and realistic capital requirements.

Current framework

- Must have admissible assets to cover statutory liabilities and a required minimum margin (RRM) of c. 4% of statutory liabilities
 - Pearl position impacted by inadmissible assets totalling £617m
 - Inadmissible for regulatory purposes, but the economic value of the assets is still available to support solvency
 - The free assets for Pearl and LL include waivers that allow the inclusion of implicit items (future profits) in admissible assets
 - NPL includes allowance for financial re-insurance - a form of contingent capital

Regulatory capital position of the main life companies

As at 30 June 2003	Pearl	LL	NPL	NPIL
Free assets £m	264	31	30	26
FAR	1.8%	1.1%	0.4%	0.7%

Additional measures available to improve solvency

- Further changes in asset mix to reduce asset-liability mismatch risk
- Reduction in the bonus rates payable to policyholders/ costs of glidepaths
- Sale of inadmissible assets
- These measures would all impact the assets and value attributable to shareholders



Life Services: embedded values

Traditional Embedded value (TEV)

- Estimated future distributable profits generated by in-force business
- Discounted by a risk-adjusted rate that allows implicitly for
 - the cost of assuming risk, and
 - the costs of providing capital
- TEV is highly sensitive to the discount rate – the discount rate chosen should appropriately reflect the risk profile of business written
- Policyholder financial guarantees and options have traditionally been allowed for in the discount rate
- Falls in equities and interest rates have increased the value of these guarantees and options to policyholders
- It has become increasingly difficult to allow for this cost using the discount rate.
- Analysts have as a result applied subjective discounts to the value of in-force business

Traditional Embedded Value^{1,2} As at 30 June 2003

£m	Pearl & NPL	London Life	Unit Linked, Service & Other	Total
Adjusted net worth	291	21	181	493
Value of in-force business	448	126	54	628
Cost of capital	(248)	(11)	(17)	(276)
Traditional Embedded Value	491	136	218	845

1. At risk discount rates of 9.4% for Pearl & NPLL, and 7.4% for all other companies.
 2. Net of inter BU cross holdings



Life Services: embedded values

Market-Consistent Embedded Value (MCEV)

- Future distributable profits are discounted at a risk free rate
- Allowance for certain costs of capital associated with writing business through a corporate structure and the impact of double taxation
- MCEV does not allow implicitly for the cost of assuming risk through a risk-adjusted discount rate
- Instead, it allows explicitly for:
 - mismatch risk
 - policyholder guarantees and options
- The allowance for guarantees and options has been made using the average outcome of stochastically projected costs of payments to policyholders under a range of investment scenarios, which is then discounted by the risk free rate
- MCEV does not allow for non market-related risks

Components of Market-Consistent Embedded Value As at 30 June 2003 (excluding explicit agency costs)

£m	Pearl & National Provident Life	London Life	Unit Linked, Service & Other	Total
Shareholders' net assets	291	21	181	493
Market-consistent value of in-force business	311	161	72	544
Cost of capital	(126)	(5)	(6)	(137)
Mkt-Consistent Embedded Value	476	177	247	900



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