

Demerger update

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Agenda

- Overview
- Demerger capital plan
- Consulting Actuary's Report (Tillinghast)
- Update on approaches for UK businesses
- Demerger timetable

Overview – Demerger entities

- AMP now has ‘in principle’ regulatory approval from APRA and FSA to demerge into two separate listed companies
 - EM to be released in late October, with demerger on track to be effected in December (if approved)
- AMP in Australasia will be a leading wealth management company with
 - 2.3 million customers
 - the largest superannuation provider and financial planning network in the market
 - one of the largest investment managers in Australasia, with A\$70b¹ in total funds under management
- HHG in the UK will be a leading UK-based investment manager, supported by a large UK life business in run-off, which will
 - have £69b¹ (A\$170b) in total funds under management
 - have about 5 million inforce policies in the restructured and secured life business
 - have the potential to release significant capital over the long term

Overview - Capital structures of demerger entities

- **AMP will**

- have total shareholder capital resources of A\$6,027m
- have total external debt of A\$2,627m
- undertake a A\$1.2b Rights Offer to existing shareholders of shares in the post-demerger AMP to redeem the RPS
- aim to maintain and/or improve on ratings target of strong A for AMP Life and at least strong BBB for AMP group

- **HHG will**

- have total shareholder capital resources of A\$5,812m
- have minimal external corporate debt of £9m (A\$22m) and convertible loan notes of £100m (A\$246m) paid to £50m (A\$123m) at time of demerger
- have majority ownership of Henderson (through AMP Invest)

Overview - Consulting Actuary's Draft Report on demerger entities

- Consulting Actuary Tillinghast has confirmed market-consistent embedded values (MCEV) for AMP and HHG which demonstrate strong underlying value
 - A\$6,084m for AMP Financial Services and A\$118m for AFS's value of six months' sales, excluding explicit agency costs
 - £900m (A\$2,214m) for UK Life Services excluding explicit agency costs which, together with the Directors' valuation of £416m (A\$1,024m) for net assets in other businesses (predominantly Henderson) held by Life Services, gives a total MCEV of £1,316m (A\$3,238m) for UK Life Services
- Market-consistent EVs contain specific costs for market risks and capital compared to the simple discount margin used to price risk in traditional EVs
- Tillinghast work demonstrates that UK Life Services should be able to meet Pillar 1 of the new UK regulations on capital adequacy, based on current FSA consultation paper and management plans

Demerger capital plan



Demerger capital plan – key elements

1. Restructuring external corporate debt and repaying all loans between demerged entities
2. Recapitalising HHG as a standalone company
3. Enabling HHG to achieve majority ownership of Henderson (through AMP Invest)
4. Redeeming RPS with proceeds of the AMP Rights Offer

Key elements of capital plan

1. Restructuring external corporate debt and repaying all loans between demerged entities

- AMP will assume £1,041m (A\$2,562m) of corporate external debt held or issued by its UK businesses and extinguish all material intercompany guarantees
- About A\$600m of corporate debt will be restructured in 2003, using proceeds of May capital raising, subject to achieving satisfactory pricing and maintaining appropriate liquidity
- A\$400m AMP UK Preference shares were repaid in June, improving capital position of AMP Life
- £90m (A\$250m)¹ loan from AMP Life to UK will be repaid prior to demerger, further strengthening AMP Life
- Terms of AMP's income securities remain unchanged as result of demerger

¹ Hedged at exchange rate of 0.3557. All other £/A\$ amounts converted at 0.4064, as at 30 June 2003.

Key elements of capital plan

2. Recapitalising HHG as a standalone company

- £157m (A\$386m) injected, as disclosed in 1H03 Investor Report, in part to recapitalise UK Service Company
- £34m (A\$84m) additional capital injected to facilitate demerger
- £116m (A\$285m) additional injection which is returned to AMP
 - £26m to enable the purchase of HHG offshore companies currently owned by AMP Capital Investors
 - £90m for AMP Invest to repay AMP Life loan
- In return, AMP will hold a 15% stake in HHG
 - to recoup some of the recapitalisation costs
 - with limited ability to sell before the release of HHG's 2004 year-end results

Key elements of capital plan

2. Recapitalising HHG as a standalone company

Reconciliation

£m	Cash	Non-cash ¹	Total capital
Previously flagged			
Transfer of UK corporate debt to AMP ²	75 ³	966	1,041
Repayment of AMP Life loan to AMP Invest		90	90
Recapitalisation as flagged in AMP's Half Year Investor Report ⁴	157		157
Additional capital			
Transfer of Henderson offshore companies		26	26
Further capital injection to facilitate demerger	34		34
Total	266	1,082	1,348

¹ Either no cash is required to facilitate these injections or the cash is returned to a company within the AMP Group

² Based on 30 June 2003 exchange rates

³ Settlement gain on cross currency swap with AMP associated with the RPS, which will be settled in cash prior to demerger

⁴ In part to recapitalise UK service company

Key elements of capital plan

2. Recapitalising HHG as a standalone company

- HHG also requires £100m (A\$246m) in additional capital to achieve demerger objectives (buyout majority of AMP Invest)
 - £50m at demerger; up to £50m at 30 June 2004
- HHG intends to achieve this through an equity raising of at least £100m to be held by 30 June, 2004
 - subject to market conditions, most likely timing is March/April 2004, when HHG is expected to enter the FTSE 250,
- In the interim, with debt funding or further capital from AMP ruled out, Convertible Loan Notes (CLN) will provide the additional capital required
- UBS has entered into an agreement to subscribe for up to £100m CLN, subject to certain conditions
- It is intended that the CLN will be repaid using the proceeds of the capital raising
- If the UBS agreement is terminated, for example due to a material adverse change to HHG, AMP will provide a standby commitment to subscribe for the notes

Key elements of capital plan

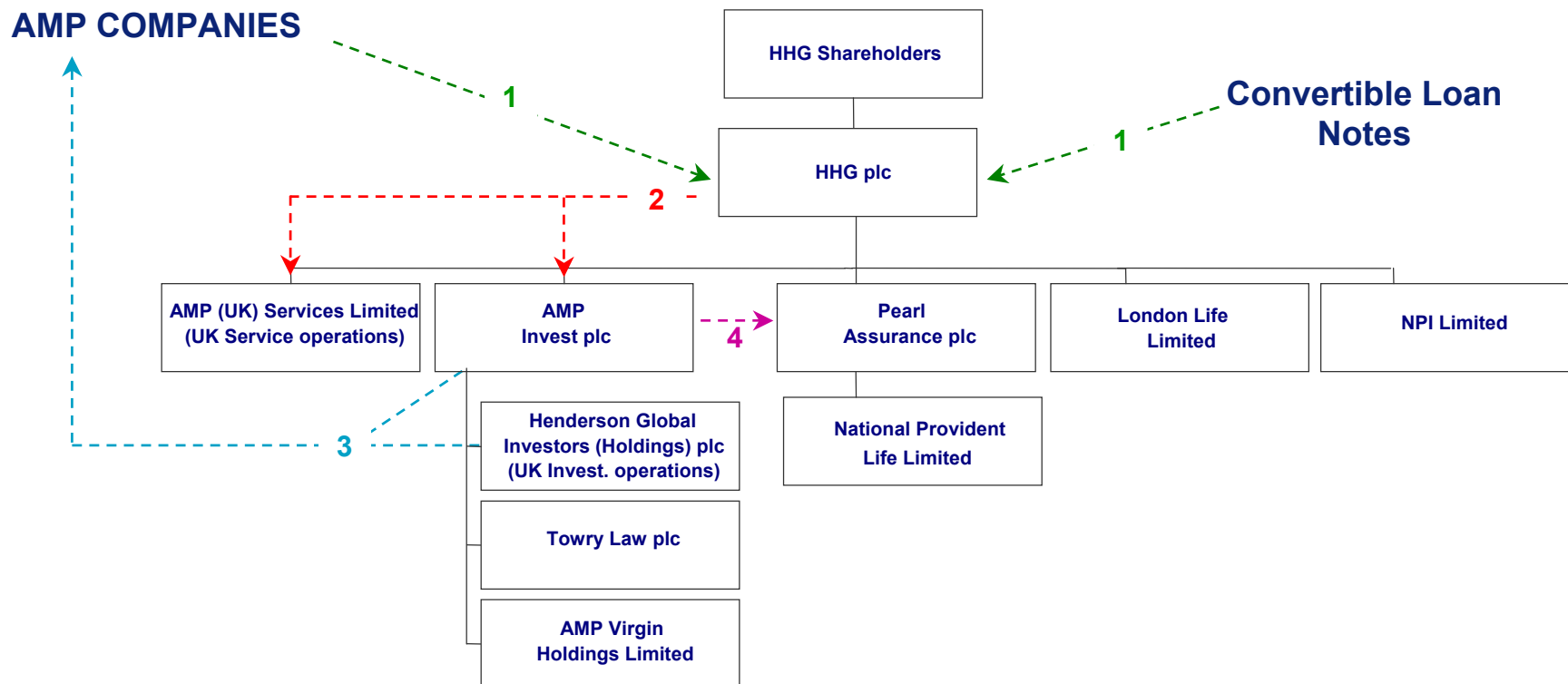
3. Enabling HHG to acquire majority ownership of Henderson

- HHG will acquire a controlling interest (between 50-60%) in AMP Invest¹ (the parent company of Henderson Global Investors) through
 - directing the majority of its capital injections into subsidiaries via AMP Invest
 - repayment of loans by AMP Invest to Pearl Shareholders Fund and AMP Life
 - the £50m (A\$123m) proceeds of Convertible Loan Notes
- The balance of the interest in AMP Invest will remain with the shareholders' fund of Pearl Assurance plc
- The effect of this transaction will be that
 - HHG acquires direct majority ownership and voting control of AMP Invest
 - HHG's share of dividends from AMP Invest can be distributed when appropriate to HHG

¹ Name to be changed to HHG Invest

Key elements of capital plan

3. Enabling HHG to acquire majority ownership of Henderson



- AMP injects net cash of £266m into HHG (refer slide 10) and provides HHG with £116m for repayment to AMP (refer footnote 3 below), in addition to £50m from Convertible Loan Notes. Total gross cash available to HHG is therefore £432m
- HHG injects most of these proceeds into AMP Invest plc and AMP (UK) Services. This increases HHG's percentage ownership of AMP Invest relative to Pearl Assurance. This will result in HHG directly owning between 50% and 60% of AMP Invest.
- AMP Invest uses £90m to repay the loan it has with AMP Life and Henderson Global Investors (Holdings) plc pays £26m in consideration of transfer of Henderson companies from AMP entities to HHG entities.
- AMP Invest pays down inadmissible loan from Pearl by £50m.

Key elements of capital plan

4. Redeeming RPS with proceeds of AMP Rights Offer

- Demerger triggers regulatory event under terms of Reset Preferred Securities (RPS)
 - not all RPS amount will be considered Tier 1 capital after demerger
- Demerger also means RPS will lose ratings and tax efficiencies
- Regulatory event gives AMP right to exchange RPS for preference shares, convert to ordinary shares, leave outstanding or redeem for cash
- Subject to both the demerger proceeding and completion of the AMP Rights Offer, the RPS will be redeemed for cash in January 2004
 - RPS will be redeemed for face value plus accrued distributions

Key elements of capital plan

4. Terms of AMP Rights Offer

- AMP intends raising about A\$1.2b through an underwritten, non-renounceable rights offer to facilitate cash redemption of the RPS
- Eligible AMP shareholders will be invited to subscribe a fixed dollar amount per existing AMP share for new AMP shares
- The number of shares each eligible shareholder receives will be determined by the price set by a bookbuild for the shortfall, discounted by 10% (and net of costs)
 - bookbuild to be held mid–December after rights offer closes, conditional on demerger becoming effective
- AMP shareholders who do not or can not take up their rights will have their entitlements sold in the same bookbuild and will receive an amount for the value of these rights (net of costs)
- The rights offer is underwritten by UBS and Macquarie Equity Capital Markets

Key elements of capital plan

4. Practical impact of AMP Rights Offer

- Eligible shareholder has right to subscribe a fixed A\$0.77 per existing AMP share held for new AMP shares, eg holding 1000 shares gives right to buy A\$770 worth of new AMP shares (unless AMP reduces size of rights offer)
- Subscription price paid for new AMP shares will be at a 10% discount to institutional bookbuild price
- Shareholder who forgoes right to buy AMP shares will receive an amount for the value of those rights (about 8.2c per right after costs, unless AMP reduces size of rights offer)

Reconciliation of capital plan

Capital raising and allocation

May / June 2003 raising A\$1.72b

Purchase of UK preference shares from AMP Life A\$400m

Repayment of £90m AMP Life loan¹ A\$250m

Restructuring corporate external debt A\$600m

UK recapitalisation (£157m and £34m cash) A\$470m

December 2003 Rights Offer A\$1.2b

Redemption of RPS A\$1.2b

¹ AMP Life loan hedged at exchange rate of 0.3557. Exchange rate used for all other £/A\$ amounts is 0.4064, as at 30 June 2003

Reconciliation of demerger capital plan with 1 May announcement

Recap of 1 May capital objectives

- Equity from capital raising and asset sales used to retire debt
 - Level of external debt reduced
 - All corporate debt between demerged entities repaid
- ‘New’ Henderson appropriately capitalised, with minimal external corporate debt
- ‘New’ AMP strongly capitalised
 - Improving quality of capital with internal loans repaid

Reconciliation of demerger capital plan with 1 May announcement

- Changes to 1 May assumptions:
 - NPI Limited closed rather than sold
 - Other asset sales yet to be realised
 - Decision to strengthen HHG through direct majority ownership of Henderson
 - Higher demerger and business restructuring costs
 - Decision to redeem RPS, funded by A\$1.2b AMP Rights Offer
- Pro forma shareholder capital resources of HHG have strengthened
- Pro forma balance sheet of AMP stronger than 1 May outline with A\$1.2b AMP Rights Offer and 15% holding in HHG

AGAAP pro forma balance sheets - HHG

Pro forma statement of shareholder capital invested

Notional allocation \$ million	As as 30 June 2003		
	Net assets	Intangibles	Total capital
Life Services	4,956	-	4,956
Pearl	3,683	-	3,683
London Life	671	-	671
Life Services Other	602	-	603
Henderson	406	817	1,223
Other Businesses (excluding Virgin Money)	69	180	249
Virgin Money	232	-	232
Corporate Office	181	-	181
Interbusiness unit holding ¹	(1,029)	-	(1,029)
Total shareholder capital resources	4,815	997	5,812
Of which:			
Ordinary equity	4,670	997	5,667
Convertible loan notes	123		123
External corporate debt	22		22

¹ The interbusiness unit holding relates to Pearl Life funds' investments in Henderson (\$797m) and Virgin Money (\$232m)

AGAAP pro forma balance sheets - AMP

Pro forma statement of shareholder capital invested

Notional allocation \$ million	Minimum regulatory requirements ¹	As at 30 June 2003		
		Net assets	Intangibles	Total capital
Australian Financial Services	1,623	3,330	735	4,065
AMP Life Statutory Funds	1,464	2,971	-	2,971
AFS other (excluding Bank)	30	166	735	901
AMP Bank	129	193	-	193
AMP Capital Investors	75	161	104	265
Cobalt/Gordian	392	725	-	725
Corporate Office ²	4	1,097	-	1,097
Interbusiness unit holding ³	-	(125)	-	(125)
Total shareholder capital resources	2,094	5,188	839	6,027
Of which:				
Ordinary equity		2,561	839	3,400
Hybrid equity (RPS)		-	-	-
External corporate debt		2,627		2,627

1 Tangible shareholder capital required to meet minimum prescribed regulatory requirements. For the AMP Life Statutory Funds this is net of \$852m of regulatory requirements met by policy holder capital

2 Includes value of 15% HHG holding, based on Directors' valuation of £1.3b. Final value subject to market valuation.

3 Loan from Cobalt/Gordian to Corporate office is an admissible asset of Cobalt/Gordian

Consulting Actuary's Report (Tillinghast)

Tillinghast is preparing a Consulting Actuary's Report for inclusion in AMP's demerger Explanatory Memorandum. The values shown in this presentation have been extracted from a draft of this report and their interpretation requires additional information and explanation as included in that report and the Explanatory Memorandum. In particular, the Explanatory Memorandum provides information on product, regulatory, operational and insurance risks. The results were prepared for AMP Ltd and may not be relied upon by any other party except as ultimately presented in the Explanatory Memorandum. The results are currently in draft form and may be subject to change prior to finalisation and publication in the Explanatory Memorandum. The results include the impact of commitments agreed with regulators.



Consulting Actuary's Report – Market-consistent embedded valuations

- Market-consistent valuation techniques are widely accepted in financial markets and are used in the pricing of a range of financial instruments. They value cashflows consistently with the valuation of similar instruments in financial markets
- Traditional embedded valuations allow for the risk of achieving projected profits via the use of a single risk-adjusted discount rate. This methodology has significant limitations in the context of companies with thinly capitalised with-profit funds and where products contain significant guarantees and options
- Market-consistent valuation techniques calculate the present value of expected liability cash flows, allowing explicitly for the impact of market risk and policyholder financial guarantees and options. This involves financial modelling using an economic scenario generator calibrated to market prices at the valuation date
- Agency costs, which represent the markdown that shareholders may apply to the value of a company's equity because they do not have direct control over its use, are not explicitly included in the values shown on slide 24. Illustrative values including agency costs may be found in the Appendix

Summary of CA's report on AMP's embedded values and value of six months' sales

As at 30 June 2003

		AMP calculated traditional EV ¹	Tillinghast's traditional EV	Tillinghast's market-consistent EV ²
AMP Financial Services (A\$m)	Embedded Value	5,596	5,625	6,084
	Value of six months' sales	76	76	118
<hr/>				
UK Life Services (£m)	Embedded Value	1,341/925 ³	845 ³	900 ³

¹ At risk discount margins of 5% for comparability with Tillinghast

² Excludes explicit allowance for agency costs

³ Excludes £416m of capital invested in other business units, including Henderson and Virgin. This reconciles with the A\$1029m elimination for 'Interbusiness unit holding' on chart 20.

Reconciliation of CA's market-consistent embedded value to CA's traditional embedded value for AMP Financial Services

As at 30 June 2003

	Embedded value	Value of six months' sales
	A\$m	A\$m
Traditional value ¹	5,625	76
Removal of traditional cost of prudential capital ²	352	19
Removal of traditional allowance for operating profit risk ³	828	32
Allowance for policyholder financial guarantees and options	(116)	0
Allowances for other market related risks	(437)	(2)
Market-consistent cost of capital ⁴	(168)	(6)
Market-consistent embedded value (excluding explicit agency costs)	6,084	118

¹ At risk discount rates of 10% for Australian life insurance business, 11% for Australian unit trust business, 10.5% for New Zealand life insurance business and 11.5% for New Zealand unit trust business.

² The traditional cost of prudential capital reflects the discount traditionally applied to the face value of capital as a result of using a risk adjusted discount rate.

³ The traditional allowance for operating profit risk reflects the use of a risk discount rate to value future profits.

⁴ The market-consistent cost of capital reflects the cost of double taxation and investment management costs in respect of the excess of projected total assets over policy liabilities. The market-consistent valuation assumes that AMP Life will continue to hold the target level of capital in excess of the capital adequacy requirement.

Reconciliation of CA's market-consistent embedded value to CA's traditional embedded value for UK Life Services

As at 30 June 2003

	Pearl & NPLL £m	London Life Ltd £m	Unit linked Service & other companies £m	Total £m
Traditional embedded value ¹	491	136	218	845
Removal of traditional cost of prudential capital ²	248	11	17	276
Removal of traditional allowance for operating profit risk ³	125	41	27	193
Specific allowance for risk				
Policyholder financial guarantees and options	(230)	(3)	0	(233)
Other market related risks	(32)	(3)	(9)	(44)
Market-consistent cost of capital ⁴	(126)	(5)	(6)	(137)
Market-consistent embedded value (excluding explicit agency costs)	476	177	247	900

¹ At risk discount rates of 9.4% for Pearl and NPLL and 7.4% for all other companies.

² The traditional cost of prudential capital reflects the discount traditionally applied to the face value of capital as a result of using a risk adjusted discount rate.

³ The traditional allowance for the operating profit risk reflects the use of a risk discount rate to value future profits.

⁴ The market-consistent cost of capital reflects the cost of double taxation and investment management costs in respect of the excess of projected total assets over policy liabilities. The market-consistent valuation assumes HHG will continue to hold capital in accordance with the regulatory requirements.

Implications of CA's review of embedded values

- AMP Financial Services EV and value of six months' sales on MCEV basis are significantly higher than traditional EV basis at 5% risk discount margin
- Pearl and NPLL traditional EVs are based on a risk discount margin of 5%. This is high by market norms and produces a result broadly in line with the MCEV
- Traditional EVs of London Life and unit-linked companies are based on a risk discount margin of 3%. This is in line with market norms but due to the low level of investment risk in these companies, produces a traditional EV less than the MCEV

Implications of CA's review of embedded values

- AMP's view

- AMP illustrative use of 3% discount margin for AMP Financial Services (lower end of the range) validated
- UK Life Services MCEV broadly similar to traditional EV (even after allowing for a moderate level of agency costs)
- AMP illustrative use of 5% discount margin for UKLS (higher end of the range) validated

CA's realistic balance sheets for UK life companies

As at 30 June 2003

£m	Pearl	National Provident Life ¹	London Life
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 margin	386 ²	201	29
Risk capital margin	(311)	(151)	(29)
Free capital	75	50	0

The results are based on Consultation Paper 195 produced by the FSA in August 2003. As a consultation paper, it may change. Results reflect the Pillar 1 assessment. Pillar 2 is the Individual Company Assessment that is to be agreed with the FSA but is not disclosed. It is not possible to assess Pillar 2 requirements at the current time.

¹ Future changes to NPLL's asset mix have been assumed in preparing these numbers, which have contributed £100m to NPLL and, as a result of the corporate structure, to Pearl.

² Asset values reflect current admissibility rules. If FSA removes the option to market value non-insurance undertakings (refer Consultation Paper 145), the level of inadmissible assets in Pearl could increase by up to £210m, other things being equal, from January 2005.

CA's realistic balance sheets for UK life companies - AMP's views

- Pearl, National Provident Life and London Life expected to meet proposed new 'realistic' capital adequacy guidelines
- Assets available to cover risk capital margin (RCM) projected at over £600m (A\$1470m) with free capital above RCM of £125m (A\$269m)
- Capital position is expected to strengthen over long-term, with run-off of closed books

CA's review of UK life companies' capital releases – AMP's view

- Release of capital depends on building and maintaining an excess of capital beyond FSA requirements
- Shareholder capital is likely to be released over the long term, subject to performance, as the business runs off; however it is unlikely that any material releases of capital will take place for a number of years
- Projections of likely capital release are subject to considerable uncertainty given new FSA consultation paper

Update on approaches for UK businesses



Approaches for UK businesses

- Conditional proposals have been received for UK businesses
- These conditional proposals were not attractive relative to the demerger proposal because
 - they fail to offer shareholders the intrinsic value of the businesses
 - they involve a continuing exposure through warranties and indemnities
- Demerger currently remains preferred option for separating businesses into regional companies and maximising long term shareholder value

Demerger timetable

Date	Event
October 2003	➤ ASIC and Federal Court approvals of EM
Late October 2003	➤ EM released
Late October 2003	➤ Record date for AMP Rights Offer
Late November 2003	➤ UK Listing Particulars released for LSE listing
Early December 2003	➤ EGM held
Early December 2003	➤ Closing date for AMP Rights Offer
Mid December 2003	➤ Demerger effected, if approved
Mid December 2003	➤ Institutional bookbuild to determine price of AMP Rights Offer
Mid-late December 2003	➤ AMP and HHG listing on ASX
	➤ Intention to list HHG on LSE
January 2004	➤ RPS redeemed for cash, if demerger effected

Conclusion

- “Moving parts” have been resolved to satisfaction of Boards and regulators
- Proposal is broadly in line with 1 May announcement despite many complexities encountered since proposal first outlined
- Interests of key stakeholders have been well served
- Balance sheets and valuations of AMP and HHG demonstrate the strong underlying value in our businesses
- AMP is on track to achieve demerger in 2003

Appendix



CA's traditional embedded value for AMP Financial Services

Components of traditional embedded value¹ (EV) and value of six months' sales as at 30 June 2003

	A\$m
Adjusted net assets ²	3,361
Value of in-force business	2,615
Cost of prudential capital	(352)
<hr/> Traditional embedded value	<hr/> 5,625
<hr/> Traditional value of six months' sales ³	<hr/> 76

¹ At risk discount rates of 10% for Australian life insurance business, 11% for Australian unit trust business, 10.5% for New Zealand life insurance business and 11.5% for New Zealand unit trust business

² Includes A\$290m value of imputation credits in respect of existing net assets

³ Sales over the period 1 January 2003 to 30 June 2003

⁴ Includes the value of associated imputation credits at 70% of face value. The total value of Australian imputation credits included is \$830m in respect of the traditional embedded value and \$17m in respect of the traditional value of six months' sales. The total value of New Zealand imputation credits included is zero in respect of both the traditional embedded value and the traditional value of six months' sales

Reconciliation of CA's traditional EV to 1H03 Investor Report for AMP Financial Services

As at 30 June 2003

	Embedded value A\$m	Value of six months' sales A\$m
Value in AMP Investor Report ¹	5,596	76
Differences in assumptions	29	10
Differences in projection models & methodology	14	(10)
Difference in valuation scope ²	(13)	0
Traditional value	5,625 ³	76

¹ At risk discount margin of 5% for comparability with Tillinghast

² AMP Sanmar excluded

³ Numbers do not add because of rounding

CA's market-consistent embedded value for AMP Financial Services

Components of market-consistent embedded value (MCEV) and value of six months' sales as at 30 June 2003 (excluding explicit agency costs)¹

	A\$m
Adjusted net assets ²	3,361
Market-consistent value of in-force business	2,891
Cost of capital	(168)
<hr/>	
Market-consistent embedded value	6,084
<hr/>	
Market-consistent value of six months' sales ³	118
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Includes the value of associated imputation credits at 70% of face value. The total value of Australian imputation credits included is \$1,074m in respect of the market-consistent embedded value and \$29m in respect of the market-consistent value of six months' sales. The total value of New Zealand imputation credits included is zero in respect of both the market-consistent embedded value and the market-consistent value of six months' sales.

The values do not take account of the impacts of market risk on cash flows other than those driven directly by investment returns.

¹ Agency costs represent the markdown that shareholders may apply to the value of a company's economic equity because they do not have direct control over its use. They depend on such factors as shareholders' perceptions of the quality of management, the quality of financial reporting and control and the way in which the company may be expected to manage capital in the future. Agency costs are therefore company and shareholder specific

² Includes A\$290m value of imputation credits in respect of existing net assets

³ Sales over the period 1 January 2003 to 30 June 2003

CA's market-consistent embedded value and value of six months' sales for AMP Financial Services, with illustrative agency costs

As at 30 June 2003

A\$m	Illustrative level of agency costs ¹		
	0%	2.5%	5%
Market-consistent embedded value (excluding explicit agency costs)	6,084	6,084	6,084
Agency costs	0	(152)	(304)
Market-consistent embedded value (including agency costs)	6,084	5,932	5,780
Market-consistent value of six months' sales (including agency costs)	118	109	101

¹ Expressed as a proportion of shareholder capital invested in the business, approximated by (i) market-consistent embedded value; and (ii) market-consistent value of six months' sales plus the value of initial expenses and capital requirements

CA's traditional embedded value for UK Life Services

Components of traditional embedded value¹ as at 30 June 2003

	Pearl & NPLL £m	London Life Ltd £m	Unit linked, Service & other companies £m	Total £m
Adjusted net assets	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, representing margins above gilt rates of 5% and 3% respectively

Reconciliation of CA's traditional embedded value to 1H03 Investor Report for UK Life Services

Reconciliation of traditional embedded value to AMP Investor Report as at 30 June 2003

	£m
Embedded value in AMP Investor Report ¹	1,341
Differences in assumptions	59
Differences in expense methodology ²	(129)
Other differences	(10)
<hr/>	
AMP Investor Report embedded value after adjustments	1,261
Differences in business capital allocation ³	(416)
<hr/>	
Traditional embedded value	845

1. Traditional EV in 1H03 Investor Report is based on a 5% discount margin.
2. Major differences include no allowance for future expense saving of £88m and a reduction of £41m to reflect Life Services' share of the staff pension scheme deficit.
3. Excludes all capital in other business units eg Henderson, Towry Law and Virgin Money held by Life Services. The elimination of these net assets avoids the double counting of capital, which is allowed for in the 1H03 Investor Report by a separate elimination item.

CA's market-consistent embedded value for UK Life Services

Components of market-consistent embedded value (MCEV) as at 30 June 2003 (excluding explicit agency costs)

	Pearl & NPLL £m	London Life Ltd £m	Unit linked, Service and other companies £m	Total £m
Adjusted net assets	291	21	181	493
Market-consistent value of in-force business	311	161	72	544
Cost of capital	(126)	(5)	(6)	(137)
Market-consistent embedded value	476	177	247	900


CA's market-consistent embedded value for UK Life Services, with illustrative agency costs

As at 30 June 2003 £m	Illustrative level of Agency costs ¹		
	0%	2.5%	5%
Market-consistent embedded value ² (excluding explicit agency costs)	900	900	900
Agency costs ³	0	(23)	(45)
Market-consistent embedded value (including agency costs)	900	877	855

¹ Expressed as a proportion of shareholder capital invested in the business, approximated by market-consistent embedded value.

² The values do not take account of the impact of risk on cash flows other than those driven directly by investment returns.

³ Agency costs represent the markdown that shareholders may apply to the value of a company's economic equity because they do not have direct control over its use. They depend on such factors as shareholders' perceptions of the quality of management, the quality of financial reporting and control and the way in which the company may be expected to manage capital in the future. Agency costs are therefore company and shareholder specific.



The shares offered in the AMP Rights Offer have not been, and will not be, registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an exemption from registration.

This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States without registration under the Securities Act of 1933, as amended, or an exemption from registration. This announcement is not for distribution or release in the United States.