

**ADDRESS BY CHAIRMAN PETER MASON
TO THE AMP ANNUAL GENERAL MEETING
15 MAY 2008**

Let me start by acknowledging that you are seeing a lot of new faces up here this morning.

Since our last meeting in Melbourne 12 months ago, we have appointed a new Chief Executive Officer, Craig Dunn, and we have proposed the addition of three new non-executive directors to the board – John Palmer, Brian Clark and Peter Shergold.

These appointments are being made as part of our disciplined approach to succession planning. That's one of the major responsibilities of a board and it's one of the matters I will cover with you this morning.

I will also provide an overview of your company's financial strength and how we plan to use that strength for the long-term benefit of our customers and shareholders.

I will focus particularly on what your board is doing to ensure we meet our goal of doubling the value of an investment in AMP every five years.

Delivering on our goal

This goal may seem an ambitious one in the current environment, with continuing volatility in global credit and share markets. And I am well aware of the impact this volatility is having on AMP's share price.

So this is not a goal that I restate lightly. But it is not a 'fair-weather' goal that your board and management expected we could achieve only in bull market conditions.

When we set this goal, we were very clear that it was something we would achieve over a five-year cycle of good and poor markets. Some years we expect to do well – as we have over the past three or four years. Other years – like this year – it will be tougher.

But we are focused on driving the business to deliver this value for our shareholders over the cycle.

Consistent with this approach, we've broadened one of our short-term performance measures to measure the value and the growth of new business in both our businesses.

We see this focus on driving sustainable growth as standing by the commitment AMP made when it was founded 159 years ago "to be a sure friend in uncertain times".

Financial strength in volatile times

AMP is in a strong position, both to withstand the current market volatility and to continue growing strongly when the market cycle turns again.

We have a robust balance sheet, with low debt levels, and a resilient business model, with low cost ratios and a prudent approach to risk management.

The current volatility is a function of two opposing forces – a slowing global economy, that is weighed down by the liquidity issues in credit markets, and a still growing Asian economy, underpinned by the strength of China.

AMP is not immune to the impact that these two forces are having on the Australian economy. More than 50 per cent of our revenues come from fees that are based on the value of the assets we manage on behalf of our clients.

When the value of these assets - such as shares - fall, so does our income. So unstable markets do affect us. But this is part of the business cycle.

AMP has helped our clients manage through 15 major share market downturns over the past 100 years, while the long-term market trend continued to climb.

It is your board's responsibility to ensure AMP responds prudently and sensibly to these conditions, without losing sight of the longer-term growth picture.

Market cycles aside, AMP remains fundamentally well placed in growth markets.

The Australian retirement savings market is the sixth largest in the world, with total assets of over \$1.2 trillion. This pool of assets is expected to more than double in size over the next decade, and AMP holds leading positions in this market, particularly in superannuation and retirement incomes.

While cyclical market ups and downs can impact our earnings from year to year, they do not change the strong fundamentals underpinning our future.

What this means for shareholders

So what does this mean for you as AMP owners? It means that while 2008 is definitely a tougher year than we have experienced in some time, our long-term prospects are still sound.

As an indication of our confidence in AMP's future, your board declared a final 2007 dividend of 24 cents a share, bringing the total 2007 dividend to 46 cents a share, up 15 per cent on 2006.

Your board understands the importance of AMP's dividend payments to our investor base, particularly our retail shareholders, and we continue to frame our dividend policy with that firmly in mind.

When we set our dividend, we take into account a number of key considerations. These include the underlying earnings of the company for the period in question and the sustainability of those earnings in future years. This allows for the impact that cyclical rather than structural market conditions may have on our results.

While our policy is to pay out 85 per cent of underlying earnings as dividend, this has been varied in the past and can be in the future to see through the impacts of short-term market volatility.

We will continue to apply the same prudent and disciplined approach to our dividend policy as we have to our capital management.

Over the past three years, AMP's capital management strategy has enabled us to pay down debt and return \$2.25 billion in capital to shareholders. Today we are a well-capitalised company and our focus now is on making sure that our capital is held in the most efficient forms.

While we have about the right level of capital, we are looking to further improve the mix.

So, as we first flagged in February, our next capital management step was likely to involve raising some Tier 2 debt to create a more efficient mix of debt and equity in our capital base. Because this is something that your board has determined we should do, rather than something we have to do, the timing is in our hands.

So we have made a prudent decision to defer any initiative until credit and share markets stabilise.

We took that decision in February and the situation remains unchanged. We will keep you informed about any developments from here.

Board changes

As I touched on earlier, the importance of effective succession planning was reinforced over the past 12 months.

At the end of last year, the CEO and managing director of AMP for the past five years, Andrew Mohl, stepped down from his position.

I think you would all agree that Andrew served this company with great distinction, showing tremendous leadership in restructuring and rebuilding AMP.

The board deliberated carefully over his successor, and reviewed both internal and external candidates to make sure we appointed the best possible person to lead AMP on the next phase of its journey.

We were very pleased that the best candidate was inside AMP, in Craig Dunn. This validated the active approach we have taken to planning succession within AMP's management.

We take a similarly purposeful approach to planning board succession. As you know, John Astbury retired from the board in October after three years of excellent service. Richard Grellman has also indicated his intention not to stand for re-election again next year, after nine years on the board.

The recommended appointments of our three new directors, John Palmer, Brian Clark and Peter Shergold, are part of our orderly response to these inevitable board changes and renewal.

Ensuring smooth handovers at board level does involve some additional costs, which is why we have put a proposal to you to increase the non-executive directors' fee pool.

Your board firmly believes that orderly board and management succession strengthens the organisation and benefits shareholders in the long run.

Continuing involvement in the community

Before I wrap up, I'd just like to make a few comments about AMP's continuing contribution to the communities in which it operates. We think it's important to maintain our focus on our obligations here, particularly when economic conditions are more challenging.

We continue to invest directly in the community through the AMP Foundation, the philanthropic arm of AMP.

The Foundation's work focuses on two key activities: capacity building – a hand-up rather than a handout – with a focus on youth unemployment. And community support, providing programs and dollar matching for the considerable volunteering and fund-raising efforts of our employees and our planners.

Each year, the Foundation commits to investing some \$8 million in the community through these activities. If you would like more information on any of these activities, there are details on our website.

Outlook and conclusion

Looking ahead, the economic situation for the rest of 2008 remains uncertain. AMP's economists believe that the current unstable conditions in credit and share markets are likely to continue for some time and your directors share that view.

This is a more challenging environment for wealth management companies than we have experienced in a number of years.

Over the past four years, AMP has created solid value for shareholders through a strategy that focused on operational excellence in our core businesses, coupled with disciplined cost and capital management.

This strategy has created the financially strong company that AMP is today.

In executing that strategy we benefited from the tailwinds of good share markets. Those tailwinds have now dropped – indeed, in some circumstances, you could say that they have turned into headwinds. But AMP’s financial strength is standing us in good stead in these conditions.

We will protect that strength by taking a prudent approach to managing the business in the current environment.

We will use that strength to ensure we continue to invest in selective areas that will position AMP to continue to grow strongly when the market cycle turns again.

In that way, we will honour our commitment to be a sure friend in uncertain times, as well as achieve our ambitious shareholder goal of doubling the value of an investment in AMP every five years.

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**ADDRESS BY CEO CRAIG DUNN
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After four and a half months as CEO of AMP I am convinced of two things: first, that AMP is a very well positioned business today. And second, and perhaps even more importantly, that we have the potential to be a much better business into the future.

To achieve this, we need to expand and build on AMP's existing growth profile. And this morning, I'll share with you our plans to make this happen.

Now clearly, today we are operating in a difficult market environment, which makes delivering growth in the short term very challenging.

Still, I am very confident about the growth prospects for both our industry and AMP over the medium term. And in my view, now is the time to invest to get ahead of the competition and to position AMP as strongly as we can to accelerate our growth when markets inevitably do pick up and recover.

So we are very carefully balancing our ongoing investment for future growth with a prudent approach to managing through the current testing market conditions.

2007 review

We are able to manage this balance because of our financial strength.

As the Chairman outlined, the strategy AMP has followed over the past four years has built a financially sound company, with a healthy balance sheet, low debt levels, diversified sources of earnings and low cost ratios.

In 2007, that strength was evident in our financial results, with a 10 per cent increase in underlying profit and good progress on our five key performance indicators.

Our underlying return on equity reached a record 37.9 per cent, total operating earnings were up 12 per cent, and our cost to income ratio hit a new low. Our two value measures also improved.

We delivered particularly strong performances in the businesses that are most leveraged to share markets. They are our investment management business, AMP Capital Investors, and our Contemporary Wealth Management business in AMP Financial Services, which includes our superannuation and pensions products along with our financial planning services.

We do expect the performance of these two businesses to be more subdued in 2008, largely because they are subject to share market conditions, which this year are working against us.

These same market factors also mean the outlook for cash flows for both these businesses remains very challenging in the near term.

Despite these more challenging market conditions AMP does have a resilient earnings base, thanks to three key factors.

The first stems from the fact that superannuation makes up a very large share of AMP's business. As a result of the compulsory 9% superannuation levy, there are significant cash flows in this part of the market, which fortunately are unaffected by market volatility and the inevitable fall in discretionary savings.

The second stems from the diversified nature of our revenue streams.

Around 45 per cent of our business earnings last year came from sources that are not typically affected by short-term market volatility, such as revenues from the premiums on insurance policies.

Finally, our shareholder profits are now much less reliant on investment earnings from shareholder capital, which tend to be more market sensitive.

Four years ago, for example, more than one third of our underlying profit came from investment earnings on shareholder capital.

Last year, that ratio fell to 16 per cent, reflecting both the strength of our businesses, which pleasingly are now generating the bulk of shareholder profits, and the capital returns we've made to shareholders over that time.

2008 progress and outlook

As I mentioned earlier, there is no doubt that the external environment is more difficult than we've experienced for a number of years.

Along with others in the industry, our first quarter cash flows were affected by these tougher market conditions, and perhaps not surprisingly, we've seen a real slowing in discretionary savings, in superannuation.

Indeed, we expect cash flows in 2008 for both the industry and AMP to come off some way from the record flows experienced last year in both retail and wholesale markets.

Excluding mandate wins in our corporate superannuation business, our net cash flows for the first quarter of this year fell to \$119 million down from \$341 million in the first quarter of 2007.

This market slowdown has also reduced the value of our assets under management. At the end of April this year assets under management in AMP Capital Investors and our Contemporary Wealth Management business had both fallen by 6% from the end of 2007 to \$104 billion and \$53 billion, respectively.

In AMP Capital Investors performance fees and transaction fees were also lower in the first four months of this year compared to the same period in 2007.

Our earnings this year will also be affected by the sale of the Cobalt/Gordian business, which we announced in December last year. This was a non-core business that managed closed books of reinsurance and general insurance.

There were, however, some positive trends in our first quarter cash flows. We were pleased to see, for example, good improvements in our Australian Wealth Protection business and our New Zealand business. Frankly, both these businesses had disappointing performances in 2007 and we've been working very hard to improve their results.

Other encouraging trends in the first quarter included good retention of existing business and stable underlying cash flows in our corporate super business, highlighting the resilience of compulsory superannuation flows that I mentioned earlier.

Growth plans

It's important to point out that while we are taking a prudent approach to managing the business today, we're also now investing in opportunities for tomorrow's growth.

Despite the current difficult conditions, in our view the long term fundamentals of the economies in which we operate continue to be favourable.

The long-term growth outlooks for both Australia and Asia are robust, particularly relative to the rest of the developed world. And the wealth management markets in both geographies are also very attractive.

Locally, successive Australian governments have created greater tax incentives to encourage higher discretionary saving into retirement incomes. This, combined with compulsory saving, will drive a doubling of the industry's size well within the next 10 years.

The Australian wealth management industry today is four times larger than it was 10 years ago, and we hold very competitive positions in this industry, being number one in superannuation, number two in pensions, and Australia's third largest fund manager.

The opportunities in Asia for our investment management business, AMP Capital Investors, are also very significant. Asia's private pensions market is expected to double by 2015, driven by supportive pension reforms, high savings rates and ageing populations in countries like Japan.

We are confident that we can use our investment capabilities in property and infrastructure, in particular, to capture some of this growth for the benefit of AMP shareholders.

So, in what we regard as an attractive environment in the medium term, we are pursuing five growth platforms for AMP.

The first growth platform involves growing our planner capacity and broadening our distribution. In the short term, the focus here is very much on growing planner numbers and improving planner productivity.

The investment we're making in this area is considerable, and we've started to see the fruits of this in driving up planner numbers. We added a net 135 new planners in Australia by the end of 2007.

To help improve planner productivity, we are looking to revolutionise the way many of our planners do business today, streamlining and automating the paperwork and processes involved in providing financial advice.

Overall, it will be a faster and more efficient process, freeing up our planners to spend more time with their clients. That means as a business, we'll be able to reach more customers, more often.

As I mentioned previously, expanding into Asia through AMP Capital Investors is also an important part of our strategy. The approach we've taken to building our presence in Asia through AMP Capital Investors has been a very deliberate and careful one that plays to our strengths and doesn't require large amounts of regulatory capital to be put at risk.

We've begun by establishing effective distribution relationships in key markets, primarily in north Asia, in which to market our existing global and Australian product. We're now building from that to put investment professionals on the ground in Asia to manage Asian assets. We now have investment professionals working in Singapore, Mumbai, Tokyo and Beijing.

As a part of this strategy we do see real opportunities in China. Just recently we were the first fund manager anywhere in the world to be awarded a second quota to manage Chinese equities on the Chinese mainland. We are the only Australian fund manager to have such a licence.

Our third growth platform is growing customers in high value segments. Here we're concentrating on developing a much better understanding of our customers' needs so that we can provide products and services that are much more tailored to them.

Our fourth growth platform is reshaping AMP Capital Investors into a high value-add investment manager. AMP Capital is a well diversified investment house, which is increasingly biasing the development of its investment capabilities to more specialised, higher margin sectors.

This shift in business mix is already underway in AMP Capital. For the first time in 2007 management fees from external clients were higher than fees generated internally from other parts of the AMP group, demonstrating AMP Capital's increasing success.

Our fifth growth platform is investing in core assets that underpin AMP's strength, like our brand, our technology and our people. Perhaps like never before the success of AMP is very dependent on harnessing the talents of the very best people available to us and attracting, developing and retaining this talent continues to a critical focus for AMP.

By focusing our investment and our efforts on these five growth platforms, we are confident that we can deliver on our ongoing commitment to provide first quartile returns to shareholders and to double the value of an investment in AMP every five years.

Summary and conclusion

The tougher external conditions we face today do mean delivering growth in the short term is much more challenging. However, we face these more difficult conditions from a position of real strength with a resilient business model, a well respected and trusted brand, low cost ratios and diverse earnings streams.

There are real opportunities to grow AMP's business more strongly and we're investing to make this happen.

Our strategic focus is very much on long-term growth economies, with attractive wealth management markets where we're competitively well positioned or where we believe that we can be.

We're committed to managing the business both prudently and dynamically to achieve our short and long term goals, and to maximise returns for our shareholders.

Ends