



ASX Announcement

5 November 2003

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Sydney NSW 2000

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Announcement No: **137/03**

AMP to retain Cobalt/Gordian business

AMP Limited has announced that it plans to retain its Cobalt/Gordian portfolio of businesses, following an extensive review of the business announced in December 2002.

AMP Chief Executive Officer Andrew Mohl said AMP has determined that it is in the best interests of shareholders to retain the business. The review included consideration of other options for realising value including a sale or partial sale, restructuring and/or a reinsurance arrangement.

AMP Chief Executive Officer Andrew Mohl said that while AMP received proposals relating to reinsurance agreements, they offered negligible benefits to shareholders.

"None of the proposals to date have reflected the inherent value of Cobalt/Gordian as they would give away all the upside but provide continuing exposure through indemnities and warranties on sale, or a contingent exposure through a reinsurance arrangement," Mr Mohl said.

"We are not prepared to enter into a transaction unless it delivers at least the value of the business to AMP. The value to AMP lies in our continued ability to manage the business tightly through cost control, and claims and capital management."

Cobalt/Gordian remains a solid business with total pro forma operating margins for the six months to 30 June 2003 of A\$27 million. The Explanatory Memorandum for AMP's proposed demerger includes a forecast for full year 2003 operating margins of A\$39 million. These margins do not include earnings on invested capital.

At 30 June 2003, the business had net assets of A\$725 million which includes AMP's general insurance runoff companies and the Cobalt management company.

Cobalt/Gordian has \$333 million in excess of minimum regulatory capital requirements. In addition, AMP holds a further A\$140 million provision net of tax at a corporate level against future adverse variances.

The intention to retain Cobalt/Gordian has no impact on the proposed demerger. Cobalt/Gordian will remain part of the Australian-based AMP operations, reporting through to the Strategy and Development division. Chief Financial Officer Paul Leaming will remain on the Gordian Board while Andrew Mohl will also join this Board.

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